



LIMITED PURPOSE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 11, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Credit One Bank, National Association
Charter Number 20291

585 Pilot Road
Las Vegas, NV 89119

Office of the Comptroller of the Currency

Midsized and Credit Card Bank Supervision
400 7th Street SW, Suite 3E-218
Washington, DC 20219

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING:

This institution is rated “Outstanding”.

The conclusions for the three rating criteria are:

- The bank demonstrates a high level of community development (CD) services and qualified investment activity.
- The bank demonstrates occasional use of innovative or complex qualified investments or CD services.
- The bank demonstrates excellent responsiveness to credit and CD needs in its assessment area (AA).

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Credit One Bank, N.A. (Credit One) issued by the OCC, the institution's supervisory agency, for the evaluation period starting April 1, 2007. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Scope of the Examination

In evaluating the bank's performance under the CRA, we reviewed CD activities from April 1, 2007 through December 31, 2012. We reviewed the level and nature of qualified investments and CD services. At the bank's request, we also considered qualified investments provided by its affiliates. At the prior examination dated March 31, 2007, we rated the bank Outstanding.

The CRA evaluation period covered two census periods consisting of 2000 and 2010. Although the number of census tracts (i.e., geographies) in the bank's AA significantly increased with the 2010 census data, the percentage of geographies by income classification did not materially change with the exception of low-income geographies. The census data changes had no impact on the bank's CRA performance. See the Description of Assessment Area section on page three for further information. If a bank has adequately addressed its AA needs, the OCC considers CD activities the bank submits that benefit areas outside of its AA in the evaluation of its performance. The bank has adequately addressed the needs of its AA. Therefore, qualified investments outside of the bank's AA were considered in evaluating its

performance. Credit One's affiliate, Sherman Financial Group, LLC (Sherman), has provided qualified investments outside the bank's AA.

Description of Institution

Credit One, Las Vegas, NV, operates as a Competitive Equality Banking Act (CEBA) credit card bank. In June 1996, Credit One received a limited purpose designation from the OCC for evaluating CRA performance. CEBA banks are restricted to credit card operations, maintain only one office, and do not accept demand deposits or savings or time deposits of less than \$100,000 (other than to secure extensions of credit). Additionally, CEBA banks may not engage in the business of making commercial loans. However, credit card loans to businesses, which meet the criteria for a "small business concern," that are eligible for business loans under regulations established by the Small Business Administration under 13 CFR 121 are not considered commercial loans. Lending limitations preclude the bank from making CD loans. Other than these limitations, there are no other legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its AA. See pages 13 through 13 for definitions of a CEBA bank and other terms.

Credit One is a \$94 million financial institution located in Las Vegas, NV. It has no branch offices. Table 1 provides financial information relating to Credit One's financial capacity to help meet the needs of its AA. Credit One's assets are primarily centered in federal funds sold and interest-bearing bank balances. Credit One's business focus is the origination of general-purpose credit cards. The bank's target market is sub-prime borrowers who desire to either build or repair their credit. The average amount of pass-through receivables (\$1.1 billion), detailed below, represents the outstanding balance of all accounts originated, subsequently sold, and presently serviced by Credit One.

Credit One is a wholly owned subsidiary of Credit One Financial (COF), a one-bank holding company. On December 31, 2012, Sherman reorganized COF into a Subchapter S Corporation, which is no longer directly owned by Sherman, but is affiliated with Sherman through common beneficial ownership. Sherman, a privately-held company located in Charleston, SC, is a diversified consumer finance company that, through its subsidiaries and affiliates, is engaged in the direct origination of consumer loans and the investment in performing and non-performing consumer debt originated by financial institutions, credit card companies, retailers, and others.

Table 1: Financial Information (000s)

	Year-end 2007	Year-end 2008	Year-end 2009	Year-end 2010
Tier 1 Capital	\$41,522	\$55,597	\$66,234	\$58,867
Total Income	\$195,044	\$190,849	\$125,266	\$122,043
Net Operating Income	\$17,367	\$19,748	\$15,638	\$19,258
Total Assets	\$99,001	\$100,299	\$104,821	\$95,854
Pass-Through Receivables	\$1,067,642	\$1,166,053	\$984,634	\$953,845

Source: Consolidated Report of Condition and Income and bank reported data.

	Year-end 2011	Year-end 2012	Average for Evaluation Period
Tier 1 Capital	\$57,963	\$46,320	\$54,417
Total Income	\$140,496	\$170,147	\$157,308
Net Operating Income	\$27,076	\$35,171	\$22,376
Total Assets	\$99,958	\$93,691	\$98,937
Pass-Through Receivables	\$1,209,106	\$1,485,754	\$1,144,506

Source: Consolidated Report of Condition and Income and bank reported data.

Description of Assessment Area

Credit One's AA, based upon 2000 census data, consists of 320 of the 345 geographies of the Las Vegas-Paradise, NV Metropolitan Statistical Area (MSA) #29830. Its AA, based upon 2010 census data, consists of 459 of the 487 geographies within the MSA. Clark County is the only county within the MSA. The highest concentration of these geographies representing the bank's AA, are located in Las Vegas, North Las Vegas, and Henderson. The 25¹ and 28² excluded geographies, based upon 2000 and 2010 census data, are located in the outer boundaries of Clark County in Moapa Valley, Logandale, Overton, Laughlin, Mesquite, Indian Springs, Bunkerville, Nelson, Nellis Air Force Base, Glendale, Cactus Springs, Boulder, Lee Canyon, Kyle Canyon, Mount Charleston, Valley of the Fire, Red Rock Mountain, Sandy Valley, Blue Diamond and Henderson. Although the AA does not include the entire county, it conforms to regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The Las Vegas-Paradise, NV MSA #29820 is the largest MSA within the state. The geographies located outside the cities of Las Vegas, North Las Vegas, and Henderson are predominately rural communities. According to 2010 census information, 28 (6 percent) of the geographies in Credit One's AA are low-income, 102 (22 percent) are moderate-income, 193 (42 percent) are middle-income, and 136 (30 percent) are upper-income. As a whole, the AA consists of 67 percent of the total Nevada geographies and 69 percent of the state's population. Although the number of geographies that represent the bank's AA increased by 139 with the updated 2010 census data, the percentage of geographies by income

¹ The twenty-five geographies, based upon the 2000 census data, consist of the following: 55.01, 55.02, 55.03, 55.04, 56.06, 56.07, 56.08, 56.09, 56.11, 56.12, 56.13, 57.02, 57.03, 57.04, 57.05, 57.10, 58.10, 58.16, 58.17, 58.18, 59.01, 59.02, 60.00, 61.01, and 61.02.

² The twenty-eight geographies, based upon the 2010 census data, consist of the following: 36.23, 54.35, 55.01, 55.02, 55.03, 55.04, 56.07, 56.12, 56.13, 56.14, 56.15, 57.02, 57.03, 57.04, 57.05, 57.11, 58.18, 58.23, 58.27, 58.40, 59.02, 59.03, 59.04, 59.05, 60.01, 75.00, 76.00, and 78.00..

classification did not materially change with the exception of low-income geographies that increased from 2 percent to 6 percent. See Table 2a and 2b below for additional information.

Credit One’s evaluation period was during the national economic downturn that affected both the housing and labor markets. During this period, foreclosure and eviction rates increased while consumer wealth and economic activity declined. Although the national financial crisis is officially over, the recovery is slow. In Clark County, the slowdown in leisure and hospitality payrolls and continued weakness in the construction industry are preventing the metro’s recovery. Employment growth trails the United States average by a full percentage point and lacks broad support as only half of private industries are expanding, compared with almost three-quarters in the West. Unlike other areas heavily affected by the housing bubble such as California and Arizona, construction payrolls continue to fall. Though the unemployment rate has declined by two percentage points since 2011 to its lowest point since May 2009, this improvement is due to a declining labor force. It is projected the metro’s recovery will gain momentum in the second half of 2013, as the United States job growth accelerates. However, it will not be until the headwinds from the housing and public sectors fully dissipate, around late 2014, that the pace of the metro area’s recovery will surpass national trends. Major industries consist of leisure and hospitality services, followed by professional and business services, retail trade, and government. Major employers include MGM Resorts International, Caesar’s Entertainment Corporation, Nellis Air Force Base, and Station Casinos, Inc.³

In the Las Vegas-Paradise, NV MSA #29820, non-agricultural wage and salaried employment has remained fairly constant from April 2007 (887,713) to December 2012 (887,378). However, during this same period, the unemployment rate increased from 4.3 percent to 10.0 percent. The state of Nevada’s unemployment rate was 10.2 percent, as of December 2012. Nine percent of families live below the poverty level in the AA based on 2010 Census Data. It is especially difficult for this segment of the population to afford and maintain a home. As of 2000, the AA had 324,492 families. Nineteen percent of families were low-income, 18 percent were moderate-income, 24 percent were middle-income, and 39 percent were upper-income. As of 2010, the AA had 435,723 families. Twenty percent of families were low-income, 18 percent were moderate-income, 22 percent were middle-income, and 40 percent were upper-income. The 2012 annual median family income, as determined by the Federal Financial Institutions Examination Council (FFIEC), estimated median family income for the AA at \$64,300.

In 2012, the National Low Income Housing Coalition estimated that 64 percent of the area median income was needed to afford the fair market rent of \$1,024 for a two-bedroom unit. An individual would either need to earn 239 percent of the federal minimum wage (based on a 40-hour work week) or work a 95-hour work week to afford the fair market rent.

Table 2a: Assessment Area Description – 2000 Census Data

	Number	Low	Moderate	Middle	Upper
Tracts*	320*	2%	23%	42%	32%
Families	324,492	19%**	18%**	24%**	39%**
Businesses	131,237	2%***	18%***	37%***	43%***

Source: Demographic Data – 2000 U.S. Census, Dun & Bradstreet Data. *1% of geographies have not been assigned an income classification. **Represents families by income level. ***Represents businesses by income level of census tract.

³ Moody’s Analytics, December 2012

Table 2b: Assessment Area Description – 2010 Census Data

	Number	Low	Moderate	Middle	Upper
Tracts	459	6%	22%	42%	30%
Families	435,723	20%*	18%*	22%*	40%*
Businesses	129,183	5%**	21%**	43%**	31%**

Source: Demographic Data – 2010 U.S. Census, Dun & Bradstreet Data. *Represents families by income level.

**Represents businesses by income level of census tract.

We determined the community’s needs by contacting representatives from a housing organization and a community foundation. We also reviewed HUD’s Consolidated Housing and CD Plans for Clark County and Henderson, NV. HUD Consolidated Housing and CD Plans are comprehensive planning documents that identify community needs.

We identified the following credit and non-credit related needs in this AA:

Affordable Housing Needs

- Homeownership retention (i.e., foreclosure prevention).
- Affordable rental housing for seniors, disabled individuals, and low- and moderate-income families.
- Affordable owner occupied housing.
- Homeownership assistance (i.e., down payment and closing costs assistance).
- Housing for the homeless (i.e., emergency, transitional, and permanent).
- Energy efficiency improvements.

Community Service Needs

- Health care, mental health, and substance abuse services.
- Childcare services.
- Employment training.
- Social services targeted to abused and neglected children, battered and abused spouses, and the homeless.

Economic Development Needs

- Micro enterprise and small business assistance.
- Job training and job placement services.
- Micro business loans.

Opportunities for qualified investments, other than grants and donations are limited within Credit One’s AA. Opportunities to make grants and donations and provide CD services are abundant.

Conclusions about Performance

Summary

- Credit One's level of qualified investments and CD services, including those from its affiliate, Sherman, is high given available opportunities, competition from full service banks, legal restrictions, its financial condition, and the unique nature of its banking operations. Credit One and its affiliate have made \$4.8 million and \$18.1 million in qualified investments that have benefited its AA and areas outside of its AA, respectively. See Table 3: Qualified Investment Activity.
- Credit One occasionally used innovative CD services to address the issue of chronic homelessness among families, youth, and veterans. Credit One's CRA Officer took a leadership role and innovative approach in early 2011 to form a collaboration between the bank and non-profit organizations to address this issue. This collaboration, called Community Partnership for Opening Doors, is an ongoing process that requires significant effort and time to identify the various organizations to address issue. See the Community Development Services section for details.
- Credit One exhibits excellent responsiveness to CD needs within its AA. Credit One's qualified investments and CD services provided affordable housing and social service programs targeted to low- and moderate-income individuals and economic development activities. These CD activities were in direct response to identified community needs.

Qualified Investments

Qualified investments within and outside Credit One's AA totaled \$4.8 million and \$18.1 million, respectively. This level of qualified investments is high given the nature of Credit One's operations, its financial condition, tremendous competition, and available opportunities. Credit One's qualified investments are detailed below. In addition, Table 4 details Credit One's amount of qualified investments as a percentage of Average Tier 1 Capital, Average Total Income, and Average Pass-Through Receivables.

Table 3: Qualified Investment Activity (000s)

	Benefits AA	Outside AA	Totals
Originated Investments	\$640	\$0	\$640
Originated Grants	\$1,680	\$18,144	\$19,824
Prior-Period Investments that Remain Outstanding	\$2,500	\$0	\$2,500
Total Qualified Investments	\$4,820	\$18,144	\$22,964
Unfunded Commitments*	\$0	\$0	\$0

* "Unfunded Commitments" means legally binding investment commitments that are tracked and recorded by the bank's financial reporting system.

Table 4: Qualified Investment Percentages

	Benefits AA (%)	Outside AA (%)	Total (%)
Total Investments/Average Tier 1 Capital	8.86	33.34	42.20
Total Investments/Average Total Income	3.06	11.53	14.59
Total Investments/Average Pass-Through Receivables	.42	1.59	2.01

Affordable Housing: \$3.6 million

- Credit One invested \$3.14 million in a CRA Qualified Investment Fund (QIF) of which \$2.5 million consisted of prior period investments that remain outstanding. A QIF makes investments in qualified securities throughout the nation and can target its purchases to fund projects in each shareholder’s (i.e. bank’s) AA. The bank’s investment funded 23 individual mortgages (i.e. home purchase and refinance) to low- and moderate-income individuals and refinanced an existing mortgage for an 80-unit apartment complex targeted to low- and moderate-income individuals in the AA.
- Credit One donated \$253 thousand to Neighborhood Housing Services of Southern Nevada (NHSSN). NHSSN is a non-profit housing organization that provides affordable housing and related services to low- and moderate-income individuals residing within the bank’s AA. NHSSN operates 132 affordable rental units, a Homeownership Program (i.e., homebuyer education and down payment assistance), a Safe Home Program (i.e., provides security modifications to homes), and a Neighborhood Revitalization Program. Approximately 680 individuals receive services from this organization annually.
- Credit One donated \$65 thousand to Nevada HAND, Inc., a non-profit CD Housing Organization that owns and/or operates over 2,500 housing units targeted to low- and moderate-income individuals, in 25 communities within the bank’s AA.
- Credit One donated \$50 thousand to Habitat for Humanity of Las Vegas (Habitat), a non-profit housing organization that constructs and provides new single-family housing to families whose incomes are at or below 60 percent of Clark County’s median income. This organization also provides interest free financing and training (i.e., budgeting, financial literacy, home ownership, and maintenance) for families accepted in their program. Approximately 20 families receive new homes annually.
- Credit One donated \$40 thousand to Family Promise of Las Vegas (FPLV), a non-profit organization that provides up to 54 low-income families with transitional shelter and up to 20 homeless families, whose parents are disabled, with permanent housing. In 2012, 57 percent of their guests were children and 48 percent of these children were under the age of six. Additionally, over 70 percent

of their guests' families were single mothers with children. Credit One's donation assisted FPLV's new community service collaboration with Community Partnership for Opening Doors and allowed NHSSN to provide sliding scale rental assistance for at least six low-income families for six months.

- Credit One donated \$35 thousand to Rebuilding Together Southern Nevada, a non-profit organization that rehabilitates homes for low-income individuals residing within the bank's AA. Approximately 370 individuals receive services from this organization annually.
- Credit One donated \$22 thousand to Women's Development Center (WDC), a non-profit organization that assists homeless, low-income, and very-low income individuals, within the bank's AA, in obtaining decent, safe, and sanitary affordable housing. WDC also provides case management, job development, housing and credit counseling, money management, homebuyer education, and foreclosure prevention services. Approximately 2,500 families receive services from this organization annually.
- Credit One donated \$5 thousand to East Las Vegas CDC, a non-profit housing organization that designed, constructed, and sold 40 single-family homes located in the Mi Casa En El Sol housing project to low- and moderate-income individuals. Funding for this project was derived from the City of Las Vegas, Clark County, and financial institutions.

Community Services for Low- and Moderate-Income Individuals: \$19.3 million (\$18.1 million outside the AA).

- Credit One and Sherman donated \$125 thousand and \$18 million, respectively, to Meeting Street Academy, a non-profit organization located in Charleston, SC that provides college preparatory education programs to children from low-income families. The academy was established in August 2008 with an initial enrollment of approximately 45 children ages three and four. The plan is to add a new grade each year.
- Credit One donated \$198 thousand to the Las Vegas Rescue Mission (LVRM), a non-profit organization that provides community services to needy individuals residing within the bank's AA. The LVRM provides meals, packaged food, short term housing, clothing, job development, and counseling for a variety of needs. It currently houses approximately 100 men and 42 women in its Residential Program and Shelter of Home Program, respectively. Additionally, LVRM's emergency shelter has space for 46 men.
- Credit One donated \$125 thousand to HELP of Southern Nevada, a non-profit organization that assists low- and moderate-income families and individuals to overcome barriers and attain self-sufficiency through direct services and referral to other organizations. These services include home weatherization, emergency

resource and family services, homeless services, Southern Nevada 2-1-1 information and referral center, and holiday assistance services in which food and support are provided during the Thanksgiving and Christmas holidays. Over 80,000 individuals, residing within the bank's AA, receive services from this organization annually.

- Credit One donated \$125 thousand to the YMCA of Southern Nevada (YMCA). The bank directed its contributions to support various programs targeted to children of low- and moderate-income families residing within the bank's AA. These programs include the After School Tutorial Program that provides direct educational and support services to boys and girls ages 6 to 12 and Y's Strong Kids Program that provides YMCA memberships to children.
- Credit One donated \$93 thousand to Candlelighters Childhood Cancer Foundation of Nevada (CCCFN), a non-profit organization that provides community services to children with cancer and their families. Their services include a patient advocacy program, travel for treatment program, emergency assistance program, medical expense assistance program, and family counseling. Approximately 500 families residing within the bank's AA, the majority of which are low- and moderate-income, receive services from this organization annually.
- Credit One donated \$61 thousand to the Nevada Partnership for Homeless Youth (NPHY), a non-profit organization whose mission is to eliminate homelessness among Nevada's youth. NPHY is the only youth service provider in Nevada with a continuum of care including a street outreach program, 24-hour crisis intervention services, full-time drop in center, and an independent living program. Over 2,700 youths, from within the bank's AA, receive services from this organization annually.
- Credit One donated \$56 thousand to Opportunity Village, a non-profit organization that provides services to individuals with intellectual disabilities residing within the bank's AA. The substantial majority of their clientele are low-income individuals. This agency provides vocational assessments, job training, community job placement, art and life skill enrichment, advocacy, and social recreation programs for over 3,000 individuals annually.
- Credit One donated \$52 thousand to The Shade Tree, a non-profit organization that provides shelter and services to homeless and abused women and children in crisis. Services include job development skills programs, children's activity and educational programs, transitional and emergency shelter, and day shelter. Approximately 3,100 low-income women and their children from within the bank's AA receive services from this organization annually.
- Credit One donated \$439 thousand to 11 organizations that provide other community services targeted to low- and moderate-income individuals residing within the bank's AA. These organizations supported scholarships for higher

education, education programs for students in public schools, health care, mentoring services, credit counseling services, food pantries, job training and employment counseling, and services for the homeless. An additional \$19 thousand was donated to a non-profit organization located in Orange County, CA that provides social services to the homeless.

Activities that Promote Economic Development: \$60 thousand

- Credit One donated \$60 thousand to Nevada Microenterprise Initiative (NMI), a non-profit CDFI that provides entrepreneurial training and micro business loans, up to \$35 thousand, for qualified start-up and existing businesses. The businesses that receive these loans have gross annual revenues of \$1 million or less and promote economic development by supporting permanent job creation, retention, and/or improvement for persons who are currently low- or moderate-income. NMI originated 412 loans since 2007.

Community Development Services

The bank's CRA officer and other bank employees used their financial expertise to take an innovative approach to address the issue of chronic homelessness within the bank's AA by forming the Community Partnership for Opening Doors (CPOD). The CPOD is a collaboration between the bank and 14 non-profit organizations with the simple goal of moving individuals and families from homelessness to affordable rentals to permanent home ownership. The 14 organizations consist of the LVRM, The Shade Tree, Jewish Family Service Agency (JFSA), Lutheran Social Services of Nevada, Catholic Charities of Southern Nevada, U.S. VETS – Las Vegas (USV), Salvation Army, NPHY, FPLV, NHSSN, YMCA, Big Brothers and Big Sisters (BBBS), NMI, and Habitat. Bank representatives identified a multi-step process to end chronic homelessness.

The first step in eliminating homelessness is providing temporary housing and services to families and individuals in need. Credit One representatives identified several non-profit agencies (i.e., Catholic Charities of Southern Nevada, FPLV, LVRM, The Shade Tree, USV, and NPHY) that assist homeless individuals and families by providing temporary shelter and food. Bank representatives discovered, after reviewing the agencies' missions, that once clients left the agencies' care, there was no follow up to determine if they actually overcame their homeless situation. It was evident these agencies were only providing the first step in ending chronic homelessness, and additional steps were needed.

Thus, Credit One representatives formed CPOD and worked closely with several non-profit agencies to develop eligibility guidelines for a rental assistance program offered by NHSSN and other agencies. The program provides rental assistance for up to six months based on a sliding income scale. Bank representatives are integrally involved in this process by serving as Board members for these non-profit agencies and using their financial expertise and influence to reach CPOD's goals.

As part of the rental assistance program, a dedicated case manager works with clients to identify their needs and obstacles to continued employment. Clients also receive assistance with budgeting so they can afford the monthly rent. Credit One representatives work with these agencies to ensure they have the necessary resources and that counselors possess the necessary skills to provide financial counseling. Other services provided during this process include LVRM providing USDA food boxes to clients, JFSA providing mental health counseling, the YMCA providing free six-month memberships that include free child care, BBBS providing tutoring for children, and NMI providing entrepreneurial training so clients may start their own small business.

The final step in the collaboration program is for clients to become homeowners. Case managers continue to work with clients to achieve this goal once they have completed the rental assistance program. CPOD agencies assist clients in applying for a new home with a zero percent, interest only loan through Habitat or applying for down payment assistance through NHSSN.

CPOD continues to operate and has bi-monthly meetings that are planned and led by Credit One's CRA Officer. Fifteen individuals have completed this multi-step process since the collaboration started in late 2011.

Additionally, representatives of Credit One provided CD services to eight organizations that provide community services and affordable housing to low- and moderate-income individuals residing within the bank's AA. Examples of these CD services are listed below.

- Credit One representatives have served as HELP Board members since 2007. They used their financial expertise in (i) drafting, reviewing, and approving the agency's annual budgets and five-year strategic plan, (ii) fund raising activities, (iii) applying for grants, and (iv) developing programs and services targeted to low- and moderate-income individuals.
- A Credit One representative serves as a FPLV Board member. He uses his financial expertise in (i) drafting, reviewing, and approving the agency's annual budgets and five-year strategic plan, (ii) applying for grants, and (iii) developing programs and services targeted to low- and moderate-income individuals. He also serves as the agency's Marketing Chairperson, is involved in fundraising events, and assists the agency in collaborating with other non-profit agencies within the bank's AA.
- A Credit One representative serves as a LVRM Board member. He uses his financial expertise in (i) drafting, reviewing, and approving the agency's annual budgets and five-year strategic plan, (ii) fund raising activities, and (iii) developing programs and services targeted to low- and moderate-income individuals. He also

assists the agency in collaborating with other non-profit agencies within the bank's AA.

- Credit One representatives have served as CCCFN Board members since 2007. They use their financial expertise in (i) drafting, reviewing and approving the agency's annual budgets and five-year strategic plan, (ii) fund raising activities, (iii) applying for grants, and (iv) developing programs and services targeted to low- and moderate-income individuals.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Assessment Area (AA): A geographic area that consists generally of one or more MSAs (using the MSA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

Benefit to Assessment Area: A qualified CD activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity has the potential to benefit the assessment area and is located in the broader statewide or regional area that includes the bank's assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

CEBA: Competitive Equality Banking Act of 1987, which permitted corporations to form limited-purpose credit card banks, whose operations are restricted to credit card activities, without the corporation becoming subject to the limitations of a "bank holding company" under the Bank Holding Company Act. A CEBA credit card bank engages only in credit card operations, does not accept demand deposits or savings or time deposits of less than \$100,000 (other than to secure extensions of credit), maintains only one office and does not engage in the business of making commercial loans. (Credit card loans made to businesses, which meet the criteria for a "small business concern," that are eligible for business loans under regulations established by the Small Business Administration under 13 CFR 121 are not considered commercial loans.)

Census Tract (CT): Small, relatively permanent statistical subdivisions of a county delineated by local participants as part of the U.S. Census Bureau's Participant Statistical Areas Program. The primary purpose of CTs is to provide a stable set of geographic units for the presentation of decennial census data. CTs generally have between 1,500 and 8,000 people, with an optimum size of 4,000 people.

CD (CD): Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small

Business Investment Company programs (13 CFR 121.301)) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of CD. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Limited Purpose Institution: An institution that offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market and for which a designation as limited purpose bank is in effect.

Median Family Income (MFI): The median income derived from the United States Census Bureau's American Community Survey data every five years and used to determine the income level category of geographies. Also, it is the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level of individuals within a geography. For any given geography, the median is the point at which half of the families have income above it and half below it.

- **Low-Income** – An income level that is less than 50 percent of the MFI.
- **Moderate-Income** – An income level that is at least 50 percent and less than 80percent of the MFI.
- **Middle-Income** – An income level that is at least 80 percent and less than 120 percent of the MFI.
- **Upper-Income** – An income level that is 120 percent or more of the MFI.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

Net Operating Income: As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments.

Pass-Through Receivables: Outstanding receivables tied to all accounts issued or owned by the bank. Pass-through receivables include receivables attributable and receivables retained on balance sheet as those terms are used in 12 CFR 8.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Total Assets: Total bank assets as listed in the Consolidated Report of Condition and Income.

Total Income: From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income.