



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# LIMITED PURPOSE BANK

## PUBLIC DISCLOSURE

September 30, 2019

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

DSRM National Bank  
Charter Number: 23097

5600 Wyoming Boulevard NE, Suite 275  
Albuquerque, NM 87109

Office of the Comptroller of the Currency

Midsized and Credit Card Supervision  
400 7th Street SW, Suite 3E-218  
Washington, D.C. 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.

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## **Overall CRA Rating**

**Institution's CRA Rating:** This institution is rated Outstanding

The major factors that support this rating include:

- The institution demonstrated a high level of community development (CD) services and qualified investment activity, particularly investments and donations.
- The institution exhibits excellent responsiveness to CD investment and activity needs in its assessment area.

## Description of Institution

DSRM is a \$3.2 million bank located in Albuquerque, NM. DSRM is a subsidiary of Valero Refining and Marketing Company (VRMC), which is a wholly owned subsidiary of Valero Energy Corporation (Valero). DSRM was chartered as a Competitive Equality Banking Act (CEBA) limited-purpose credit card bank on October 1, 1996. The OCC simultaneously designated the bank as limited-purpose for evaluating CRA performance.

The bank's parent company, Valero, is headquartered in San Antonio, TX. As of December 31, 2018. Valero had a market capitalization of approximately \$31 billion. Valero is a Fortune 500 company. Valero manufactures and markets transportation fuels and petrochemical products. The parent company has approximately 10,000 employees. Valero fuel and products are sold at approximately 7,000 branded locations throughout 43 states in the United States of America (USA).

DSRM operates as a limited-purpose credit card bank. DSRM offers credit to retail customers for use at Valero branded stores. Outstanding credit card balances are sold to Valero Payment Services (VPS) daily. VPS is an indirect wholly-owned subsidiary of Valero. Therefore, DSRM does not retain any credit card receivables or exposure to credit losses, beyond the daily sales. All receivables are sold to VPS at their carrying value and without recourse. These are known as "pass-through receivables". As a CEBA bank the only product DSRM can offer is credit cards. CEBA banks are restricted from offering commercial loans or accepting demand, savings, or time deposits less than \$100,000. CEBA banks are restricted from making CD loans.

The status as a CEBA bank, requiring a narrow product offering, is the only legal or financial impediment in meeting the credit needs of the community. DSRM has not accepted any qualified retail deposits throughout the CRA evaluation period. DSRM has not engaged in any merger or acquisition activity during the CRA evaluation period. DSRM had a three-person staff throughout the evaluation period. The Albuquerque metropolitan statistical area (MSA) is the only AA, and state of New Mexico is the only rating area. The AA is the same as the prior CRA evaluation dated September 8, 2014, which DSRM was rated "Outstanding".

**Table 1: Financial Information (000s)**

	<b>Year-end 2016</b>	<b>Year-end 2017</b>	<b>Year-end 2018</b>	<b>Average for 2016 - 2018</b>
Tier 1 Capital	\$3,151	\$3,189	\$3,248	\$3,196
Total Income	\$667	\$717	\$749	\$711
Net Operating Income	\$56	\$62	\$80	\$66
Total Assets	\$3,734	\$3,765	\$3,824	\$3,774
Pass Through Receivables /Managed Assets	\$68,900*	\$72,262*	\$65,949*	\$69,037*

Source: Consolidated Report of Condition and Income and bank reported data. \*Off-Balance sheet credit card receivable balances.

## **Scope of the Examination**

### **Evaluation Period/Products Evaluated**

In evaluating the DSRM's performance under the CRA, we reviewed CD activity from September 9, 2014, through December 31, 2018. We reviewed the level and nature of qualified CD investments and CD services. At management's request, we also considered CD lending provided by affiliates.

For purposes of this evaluation, delineated assessment areas located within the same MSA are combined and evaluated as a single assessment area.

The bank has adequately addressed the needs of its assessment area, and therefore, outside of assessment area qualified CD investments, CD loans, and CD services were considered in evaluating its performance.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this bank, or any affiliate whose loans have been considered as part of the institution's lending performance, has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## State Rating

### State of New Mexico

#### CRA Rating for New Mexico: Outstanding

The major factors that support this rating include:

- The institution demonstrates a high level of CD services and qualified CD investment activity in the state of New Mexico. Affiliate CD lending supported the bank’s quantitative performance.
- The institution exhibits excellent responsiveness to credit and CD needs in the state of New Mexico.

#### Description of Assessment Area

DSRM’s operations are headquartered in the Albuquerque MSA. Albuquerque is an urban city located in the central part of New Mexico in the southwest of the USA. The Albuquerque MSA consists of four counties (Bernalillo, Sandoval, Torrance, and Valencia). According to 2015 U.S. American Community Survey (ACS), the Albuquerque MSA had a population of 902,731. Overall the population of the Albuquerque MSA grew approximately 1.1 percent throughout the evaluation period. The median family income was \$60,032. The median housing value was \$188,733. Within the Albuquerque MSA, 14.7 percent of families lived below the poverty level. As of December 2018, the unemployment rate was 4.7 percent, which was higher than the national average by 0.8 percent. The unemployment rate in the Albuquerque MSA dropped each year of the evaluation period. Major employment sectors in the AA include university education, healthcare/hospitals, government, and research laboratories. There is strong competition for deposit market share in the Albuquerque MSA. As of June 30, 2018, the top five banks with the largest deposit market share in the Albuquerque MSA, combined for 80.8 percent deposit market share. DSRM is ranked 22 out of 22 banks in deposit market share of 0.00 percent in the AA.

**Table 2: Albuquerque MSA Assessment Area Description**

	<b>Number</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
<b>Tracts</b>	203	5.9%	30.0%	32.5%	30.0%
<b>Families</b>	217,748	24.3%*	15.7%*	18.6%*	41.4%*
<b>Businesses</b>	57,280	9.1%**	23.8%**	33.2%**	23.8%**

Source: Demographic Data – 2015 ACS, Dun & Bradstreet Data. \*Represents families by income level. \*\*Represents businesses by income level of census tract.

We considered feedback from one community contact as part of this evaluation. This organization operates throughout New Mexico promoting small business development and training. This organization is committed to growing New Mexico’s economy by cultivating entrepreneurship. This contact stated there was a need for financial literacy at all levels, small business counseling, and micro-lending for small business and entrepreneurs. The contact indicated the CD needs of the AA were being met.

## Conclusions about Performance

### Summary

- DSRM provided a high level of CD investments and services. In addition to CD investments and services, DSRM received credit for CD lending made by Valero, the parent company. Considering available opportunities and scope of DSRM operations, the level of CD activity is excellent.
- DSRM is a leader in providing CD services in the Albuquerque MSA.
- DSRM exhibits excellent responsiveness to the identified community needs. CD activities promoted community service and economic development in New Mexico. CD activities benefitted CD organizations that provide financial literacy to low- and moderate-income (LMI) individuals. Additionally, DSRM provides funds and expertise to CD organizations that promote small business and entrepreneurs by providing funding when it may not otherwise be available.

### Qualified Investments

**Table 3: Qualified Investment Activity (000s)**

	<b>Benefits AA</b>	<b>Outside AA**</b>	<b>Totals</b>
<b>Originated Investments</b>	\$0	\$0	\$0
<b>Originated Grants</b>	\$229	\$68	\$297
<b>Prior-Period Investments that Remain Outstanding</b>	\$0	\$0	\$0
<b>Total Qualified Investments</b>	\$229	\$68	\$297
<b>Unfunded Commitments*</b>	\$0	\$0	\$0

\* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system. \*\* Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA.

**Table 4: Qualified Investment Percentages**

	<b>Benefits AA (%)*</b>	<b>Outside AA (%)**</b>
<b>Total Investments/Average Tier 1 Capital</b>	7.16	2.12
<b>Total Investments/Average Total Income</b>	32.2	9.6
<b>Total Investments/Average Pass-Through Receivables</b>	0.3	0.1

\* Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA.

DSRM made a high level of CD investments in New Mexico. DSRM made 39 qualified CD donations to 11 organizations totaling \$296.8 thousand. CD investments were equal to 9.28 percent of tier 1 capital and 41.8 percent of total income. CD investments were responsive to identified community needs. All qualifying CD investment activity consists of donations.

DSRM donations consisted of 66.8 percent of the money dedicated to community services. Funds donated for community service were used to support homeless shelters, reading initiatives and financial literacy targeted at LMI students, and credit counseling services for LMI individuals. DSRM also made 22.5 percent of their CD investment money to support economic development in New Mexico. DSRM provided donations to various organizations that promote economic development through providing loans and micro-loans to small businesses and entrepreneurs. Additionally, a DSRM donation supported one organization that provides affordable housing for LMI families.

**CD Lending**

Management requested we considered three CD loans totaling \$60 thousand funded by their parent company Valero. The CD loan volume represents a good level of CD lending. The bank uses innovative and flexible lending practices in providing CD loans. Bank affiliate CD loans are responsive to identified community needs.

Considering the fact that DSRM is not allowed to make CD loans, CD loan volume is good. Valero has made three qualified CD loans that count towards DSRM’s CRA performance evaluation. CD loan volume is equivalent to 1.9 percent of tier 1 capital and equal to 8.4 percent of the bank’s total income. Qualified CD lending represents flexible lending practices. The CD loans were made with interest rates below the market level. Additionally, Valero has forgiven interest payments to these organizations each year. CD lending is responsive to identified community needs. The CD loans were made to organizations that promote economic development. One organization’s mission is to alleviate poverty through creating and preserving job opportunities throughout New Mexico, particularly in low-income and underserved communities. The other organization promotes economic development by providing small business loans and micro-loans to small businesses and entrepreneurs in the Albuquerque MSA.

**Table 5: CD Lending Percentages**

	<b>Benefits AA (%)*</b>
<b>Total CD Lending/Average Tier 1 Capital</b>	1.9%
<b>Total CD Lending/Average Total Income</b>	8.4%
<b>Total CD Lending/Average Pass-Through Receivables</b>	0.1%

\* CD loans included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA

**CD Services**

DSRM is a leader providing CD services. DSRM’s three employees contributed 1,738 service hours to CD organizations in the Albuquerque MSA throughout the evaluation period. CD service activities primarily benefitted two organizations. One of the organizations provides community service in the form of financial literacy and other needed services to LMI individuals. The other organization promotes economic development through providing small



loans to businesses and entrepreneurs. Bank staff provided CD services consistent with their duties at DSRM.

DSRM provides good responsiveness with their CD service activity. DSRM schedules employee time each week for CD service hours at the various organizations. At DSRM 100.0 percent of the employees are regularly involved in CD service activities. Management has shown a commitment to consistently supporting CD service activities throughout the evaluation period. CD services activities are responsive to identified community needs of economic development and community service.

**Table 6: CD Service Activities**

<b>CD Service</b>	<b>Benefits AA* Service Hours</b>
Economic Development	773
Affordable Housing	3
Community Service	962

*\* CD services included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA*

## Appendix A: Summary of State Ratings

RATINGS: DSRM National Bank	
Overall Bank:	Overall Bank Rating
DSRM National Bank	Outstanding
State:	State Rating:
New Mexico	Outstanding

## Appendix A: Definitions and Common Abbreviations

The following terms and abbreviations may be used in this performance evaluation, including the CRA tables. 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 the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the small entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** Affordable housing (including multifamily rental 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder’ and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

**Full-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under §1003.2 of this title, and that is not an excluded transaction under §1003.3(c)(1) through (10) and (13) of this title.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income Individual:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

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

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

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose CD.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

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

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.