



## **PUBLIC DISCLOSURE**

September 28, 2015

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Nordstrom fsb  
Charter Number 715846

8502 East Princess Drive, Suite 150  
Scottsdale, AZ 85255

Office of the Comptroller of the Currency  
Midsize 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.

## General Information and Institution's CRA Rating

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 Nordstrom fsb issued by the OCC, the institution's supervisory agency, for the evaluation period starting January 1, 2010 through August 31, 2015. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 195.

**This institution is rated "Outstanding".**

The conclusions for the three rating criteria are:

- The institution demonstrates a high level of community development (CD) lending, qualified investment, and CD services activity.
- The institution demonstrates no use of innovative or complex CD loans, qualified investments, or CD services.
- The institution demonstrates excellent responsiveness to credit and CD needs in its assessment area (AA).
- The OCC considered the discriminatory credit practices discussed on page 14 of this Report, including the nature, extent, and strength of the evidence of the practices; the root causes and the seriousness of the practices; the number of consumers harmed by the practices; and the bank's actions to address the deficiencies. After weighing these factors, the OCC determined not to downgrade the institution's rating of "Outstanding."

## Scope of the Evaluation

In evaluating the institution's performance under the CRA, we reviewed CD activities from January 1, 2010 through August 31, 2015. We reviewed the level and nature of CD lending, qualified investments, and CD services. At the institution's request, we also considered CD lending and qualified investments provided by its affiliates. At the prior evaluation dated August 30, 2010, the institution's prior regulator, the Office of Thrift Supervision (OTS), rated the institution "Satisfactory". The institution was evaluated as a small retail institution during the prior evaluation period.

The OCC considers all qualified investments, CD loans, and CD services that benefit areas within the bank's AA or a broader statewide or regional area that includes the bank's AA. The OCC also considers the CD activities that benefit areas outside the bank's AA, if the bank has adequately addressed the needs of its AA. The institution has adequately addressed the needs of its AA, and therefore, outside of AA CD loans and qualified investments were considered in evaluating its performance.

The CRA evaluation period covered two census periods consisting of 2000 and 2010. The institution's AA, the Phoenix-Mesa-Scottsdale, AZ Metropolitan Statistical Area (MSA) #38060 was not impacted by Office of Management and Budget revisions to Metropolitan Area (MA) geographic boundaries effective for CRA purposes on January 1, 2014. See the Description of Assessment Area section for additional information.

## **Description of Institution**

Nordstrom fsb is a \$293 million financial institution located in Scottsdale, AZ, a suburb of Phoenix, AZ. It has no branches. On September 11, 2012, Nordstrom fsb received its designation as a limited purpose institution for CRA evaluation purposes from the OCC. The institution received this designation based on its business strategy, primary focus, and product offerings.

Nordstrom fsb's primary business focus is the origination of general purpose and private label credit cards. The private label credit cards may be used to purchase goods and services at Nordstrom stores, Nordstrom Rack stores, Nordstrom.com, Nordstromrack.com, other Nordstrom-owned online sites, and from Nordstrom Direct (catalog). They also offer Nordstrom-branded private level debit cards and certificates of deposit. The debit cards may be used to purchase Nordstrom goods and services and are linked to customers' personal accounts at their chosen institution.

Nordstrom fsb is a wholly owned subsidiary of Nordstrom, Inc., a fashion specialty retailer, headquartered in Seattle, WA. Nordstrom, Inc. reported net income of \$720 million on \$13.1 billion in sales as of fiscal year-end January 31, 2015. During the evaluation period, Nordstrom fsb sold its accounts receivables to Nordstrom Credit, Inc., an affiliate and wholly owned subsidiary of Nordstrom, Inc. There were no mergers or acquisitions during the evaluation period. There are no known legal, financial, or other factors impeding the institution's ability to help meet the credit and CD needs of its AA.

Table 1 provides financial information relating to Nordstrom fsb's financial capacity to help meet the needs of its AA. Nordstrom fsb's assets are centered in credit card receivables and interest bearing bank balances. Nordstrom fsb primarily derives its income from merchant fees assessed on each sales transaction and origination and servicing fees for receivables that are subsequently sold to Nordstrom Credit, Inc.

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

	<b>Year-end 2010</b>	<b>Year-end 2011</b>	<b>Year-end 2012</b>	<b>Year-end 2013</b>
<b>Tier 1 Capital</b>	\$117,431	\$112,104	\$120,614	\$123,583
<b>Total Income</b>	\$236,729	\$262,010	\$297,136	\$316,595
<b>Net Operating Income</b>	\$121,197	\$146,746	\$175,303	\$199,412
<b>Total Assets</b>	\$228,392	\$312,562	\$244,407	\$246,365
<b>Pass-Through Receivables</b>	\$2,309,217	\$2,294,339	\$2,373,393	\$2,450,801

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

	<b>Year-end 2014</b>	<b>Most Recent Quarter-end 06/30/15</b>	<b>Average for Evaluation Period</b>
<b>Tier 1 Capital</b>	\$125,952	\$116,277	\$119,327
<b>Total Income</b>	\$331,644	*\$313,562	\$292,946
<b>Net Operating Income</b>	\$209,332	*\$183,584	\$172,596
<b>Total Assets</b>	\$249,717	\$292,841	\$262,381
<b>Pass-Through Receivables</b>	\$2,558,696	\$2,240,266	\$2,371,119

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

## Description of Assessment Area

Nordstrom fsb's AA, based upon 2000 and 2010 census data, consists of the entire Phoenix-Mesa-Scottsdale, AZ MSA #38060. The MSA consists of Maricopa and Pinal Counties. This MSA is the largest in the state and consists of urban, suburban, and rural areas. The AA does not arbitrarily exclude LMI geographies. See Tables 2a and 2b for demographic data related to the institution's AA.

Phoenix-Mesa-Scottsdale is once again among the West's top performing large metro areas. The economy has strengthened since mid-2014; with one-year growth in nonfarm payrolls near a cycle high and higher than the state and national averages. Most industries are expanding, but job gains have been especially strong in healthcare and professional and business services. Construction payrolls have rebounded alongside a strengthening multifamily housing market. The AA unemployment rate has resumed its decline, and at 5.8 percent (August 2015), it is on par with the U.S. average. The decline has occurred with the labor force increasing, suggesting that hiring has been strong enough to absorb new entrants. In the context of these gains, only a stagnant single-family housing market is of concern. Major industries consist of professional and business services, followed by education and health services, government, and retail trade. Major government employers are the state of Arizona,

City of Phoenix, and Maricopa County. Major private employers include Wal-Mart Stores, Inc., Banner Health System, and Wells Fargo.<sup>1</sup>

In the Phoenix-Mesa-Scottsdale, AZ MSA #38060, non-agricultural wage and salaried employment increased 8.5 percent from 1.87 million in January 2010 to 2.03 million in August 2015. During this same period, the unemployment rate decreased from 10.4 percent to 5.8 percent. The state of Arizona’s unemployment rate was 6.3 percent as of August 2015.

Ten 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 the same period, the AA had 1.00 million families. Twenty-one percent of families were low-income, 18 percent were moderate-income, 20 percent were middle-income, and 41 percent were upper-income. The 2010 Department of Housing and Urban Development’s (HUD’s) adjusted median family income for the AA was \$66,100. The 2015 Federal Financial Institutions Examination Council (FFIEC) estimated median family income for the AA was \$64,000. There was a significant increase in census tracts between the 2000 and 2010 Census due to population growth in the AA.

**Table 2a: Assessment Area Description – 2010 Census Data**

	Number	Low	Moderate	Middle	Upper
<b>Tracts*</b>	991	9%	25%	34%	31%
<b>Families**</b>	1,000,063	21%	18%	20%	41%
<b>Businesses*** / ****</b>	343,574	6%	16%	31%	46%

Source: Demographic Data – 2010 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. \*\*\*\*1% of businesses are located in geographies that have not been assigned an income classification.

**Table 2b: Assessment Area Description – 2000 Census Data**

	Number	Low	Moderate	Middle	Upper
<b>Tracts*</b>	696	6%	29%	34%	30%
<b>Families**</b>	814,264	19%	19%	22%	40%
<b>Businesses***</b>	284,839	4%	22%	32%	42%

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.

We determined the credit and CD needs by contacting representatives from three housing organizations and an economic development organization. We also reviewed the HUD Consolidated Housing and CD Plans for Maricopa County and the cities of Scottsdale, Phoenix, Peoria, Mesa, Glendale, and Chandler. HUD Consolidated Housing and CD Plans are comprehensive planning documents that identify community needs.

<sup>1</sup> Moody’s Analytics, April 2015

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

### Affordable Housing Needs

The HUD Consolidated Housing and CD Plans issued by Maricopa County and the above cities consistently identify the decrease in available affordable housing as an issue requiring community attention. The following needs were mentioned.

- Increase the quality of owner-occupied housing through housing rehabilitation assistance and land acquisition / redevelopment for LMI households.
- Increase the supply of affordable rental housing for LMI households by providing rehabilitation assistance and assisting with land acquisition and development of units.
- Preserve the supply of quality rental units in the public and private market through continuation of public housing.
- Increase the volume of HUD Section 8 rent subsidized housing for low-income individuals.
- Increase the number of multi-family units for lower income families and individuals.
- Foster homeownership opportunities for LMI families.
- Address the needs of the homeless and special needs population through homeless prevention and supportive / transitional housing opportunities.

### Community Service Needs

- Support community services for LMI individuals, including childcare, medical, and dental care, employment training services, transportation services, emergency food assistance, and educational services.
- Youth programs targeted to children of LMI families.

### Economic Development Needs

- Revitalization and stabilization of distressed residential and commercial neighborhoods.
- Micro business loans for new start-up businesses.
- Working capital loans for existing businesses.

Opportunities for CD loans, qualified investments, and CD services within the AA are abundant. The AA has numerous housing and social service agencies that provide community services to LMI individuals and there are numerous agencies involved in economic and business development. Although opportunities for complex and innovative qualified investments are limited, due to the intense competition from full-service institutions, numerous opportunities exist other than donations. These consist of low-income housing tax credits (LIHTC), mortgage-backed securities secured by

mortgages to LMI individuals, qualified investment funds (QIF)<sup>2</sup>, and investments in CD financial institutions (CDFI).

## Conclusions about Performance

### Summary

- Nordstrom fsb's level of CD lending, qualified investments, and CD services, including those from its affiliates, is high given available opportunities, competition from full-service institutions, its financial condition, and the unique nature of its operations. Nordstrom fsb and its affiliates made \$18 million in qualified investments and CD loans that directly benefited its AA, and an additional \$16.2 million outside of its AA. Additionally, Nordstrom fsb representatives provided CD services to four non-profit organizations that provide community services and affordable housing to LMI individuals residing within the institution's AA.
- Nordstrom fsb did not use innovative or complex CD loans, qualified investments, or CD services to meet community needs.
- Nordstrom fsb exhibits excellent responsiveness to CD needs in its AA. Nordstrom fsb's CD lending, qualified investments and CD services promoted economic development and provided affordable housing and community service programs targeted to LMI individuals. These CD activities were in direct response to identified community needs.

### Qualified Investments

Qualified investments that benefited the institution's AA totaled \$1.4 million. The majority of the investments made inside the AA were to organizations that promoted affordable housing. The remainder of the investments in the AA were grants and donations to organizations, which provided services targeted to LMI individuals and promoted economic development within the AA. Since the institution adequately addressed its AA needs, we considered qualified investments totaling \$16.2 million that benefited areas outside the institution's AA. Of these, approximately \$10 million were to a partnership that owns affordable housing complexes. The remainder of the investments were grants and donations to organizations that provided services targeted to LMI individuals. There were no investments that were considered innovative or complex. Table 3 provides the aggregate dollar amount of qualified investments. Table 4 provides the volume of qualified investments as a percentage of Average Tier 1 Capital, Average Total Income, and Average Pass-Through Receivables.

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<sup>2</sup> A QIF makes investments in qualified securities throughout the nation and can target its purchases to fund projects in each shareholder's (institution's) AA. These investments include individual mortgages to LMI individuals, municipal housing bonds, and other mortgage backed securities that assist LMI individuals with housing needs.

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

	<b>Benefits AA</b>	<b>Outside AA</b>	<b>Totals</b>
<b>Originated Investments</b>	\$160	\$9,979	\$10,139
<b>Originated Grants</b>	1,244	6,203	7,447
<b>Prior-Period Investments that Remain Outstanding</b>	0	0	0
<b>Total Qualified Investments</b>	\$1,404	\$16,182	\$17,586
<b>Unfunded Commitments*</b>	\$0	\$0	\$0

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

**Table 4: Qualified Investment Percentages**

	<b>Benefits AA (%)</b>	<b>Outside AA (%)</b>	<b>Total (%)</b>
<b>Total Investments/Average Tier 1 Capital</b>	1.18	13.56	14.74
<b>Total Investments/Average Total Income</b>	.48	5.52	6.00
<b>Total Investments/Average Pass-Through Receivables</b>	.06	.68	.74

Listed below are the qualified investments the institution and its affiliates made during the evaluation period.

**Affordable Housing: \$11.0 million**

- The institution's parent, Nordstrom, Inc., made an "in-kind" donation of \$9.98 million, representing its 99 percent interest in a limited partnership, to the general partner. The partnership owns three affordable housing multi-family complexes in Seattle, WA containing 134 units operating under the Federal LIHTC program. Individuals' income levels must be between 45 percent and 60 percent of the median family income to qualify for housing. The donated amount represents 99 percent of the properties' appraised value. This donation reflected responsiveness to the areas outside of the institution's AA with an identified need for affordable housing.
- Nordstrom fsb donated \$263 thousand to a non-profit housing organization that rehabilitates, repairs, constructs, and provides single-family housing for LMI families residing within the institution's AA. This organization also provides interest free financing and training (i.e., budgeting, financial literacy, home ownership, and maintenance) for families accepted in their program. This organization has constructed 217 homes, rehabilitated 54 homes, and repaired 700 homes during the evaluation period. Rehabilitation and preservation of affordable housing units was an identified need in the AA.
- Nordstrom fsb donated \$252 thousand to a CDFI that fosters affordable housing and economic development along the AA's light rail system. This organization is a



financial intermediary that provides grants and loans to third parties in support of their mission. During the evaluation period, this CDFI has provided funding for the redevelopment of several commercial properties and construction of 338 affordable housing units for LMI individuals. Increasing the number of affordable housing units available for LMI individuals as well as the revitalization and stabilization of distressed residential and commercial neighborhoods were identified needs of the AA.

- Nordstrom fsb donated \$210 thousand to a non-profit housing organization that develops and builds affordable housing, provides home financing, and provides home counseling and other community services to LMI individuals and families residing within the institution's AA. Between 2010 and 2014, this organization has provided housing counseling and education services to 4,935 families, prevented 956 foreclosures, and provided 845 housing units to LMI families through its home purchase, mortgage refinancing, and down payment assistance programs. Fostering homeownership opportunities for LMI families was an identified need of the AA.
- Nordstrom fsb donated \$100 thousand to a non-profit organization that provides grants for the development of affordable housing within the institution's AA. Since 2012, this entity provided grants for the construction of 732 LMI housing units. Increasing the number of multi-family units for LMI families and individuals was an identified need of the AA.
- Nordstrom, Inc. donated \$192 thousand to ten organizations that provides affordable housing to LMI individuals across the United States. This donation reflects responsiveness on the institution's part to identified needs outside the AA by providing affordable housing for LMI individuals.

### **Community Services for LMI Individuals: \$6.4 million**

- Nordstrom fsb made fair share contributions totaling \$3.1 million to organizations that provide free consumer credit counseling services primarily to LMI individuals across the United States. A portion of this amount (\$40 thousand) was used for individuals residing within the institution's AA. This donation reflected responsiveness to the areas outside of the institution's AA with an identified need for educational services for LMI individuals.
- Nordstrom fsb donated \$91 thousand to a non-profit foundation whose sole purpose is to support the operation of a charter school for children of LMI families residing within the institution's AA. The substantial majority of the approximately 350 students are homeless. The institution's donation was used to fund school programs including transportation services, food and hygiene kits, social services, and medical care. Community services including medical and dental care and transportation services targeted to LMI individuals was an identified need in the AA.

- Nordstrom fsb donated \$62 thousand to a non-profit youth development organization located in the institution's AA that primarily serves boys and girls from LMI families. This organization provides education and career programs, character and leadership programs, health and life skills programs, art programs, and sports and fitness programs. Youth programs targeted to children of LMI families was an identified need in the AA.
- Nordstrom fsb donated \$42 thousand to a non-profit organization that provides community services to LMI individuals to end the cycle of homelessness within the institution's AA. This organization assists approximately 465 individuals annually in acquiring employment and education skills to secure gainful employment and afford market rate housing. Community services including employment training and educational services for LMI individuals was an identified need in the AA.
- Nordstrom fsb donated \$40 thousand to a non-profit organization that supports a neighborhood center located in one of the lowest income census tracts within the city of Scottsdale. Services provided in the "center" include early childhood development, afterschool and teen programs, recreation, education and drug prevention programs, medical and dental services, and senior citizen programs. The "center" also houses a police substation. Community services including youth programs and educational and medical services targeted to LMI individuals was an identified need in the AA.
- Nordstrom fsb donated \$32 thousand to a non-profit organization that provides supportive services to the homeless located in the institution's AA. These services include temporary shelter, soup kitchens, health care, battered woman's center, and alcohol and drug recovery centers serving over 5,000 individuals annually located in the institution's AA. Community services including healthcare and emergency food assistance for LMI individuals was an identified need in the AA.
- Nordstrom fsb donated \$30 thousand to a non-profit organization that provides temporary housing and supportive services to approximately 140 low-income mothers and their infants annually, residing within the institution's AA. Services provided include counseling, job training, life skills courses, and mentoring to pregnant and parenting women. Community services including employment training and educational services targeted to LMI individuals was an identified need in the AA.
- Nordstrom fsb donated \$29 thousand to a local chapter of a non-profit organization that seeks to eliminate hunger by rescuing perishable food from local restaurants, hotels, caterers, and resorts that would otherwise go to waste. It delivers the food to a network of organizations that feed the hungry. On a statewide basis, this organization delivers over 2.2 million pounds of food annually. Emergency food assistance for LMI individuals was an identified need in the AA.

- Nordstrom fsb donated \$10 thousand to a non-profit organization that works with middle and high school students from LMI families residing within the institution's AA, to develop self-esteem, leadership skills, and prepare them for high school and college. Approximately 3,200 students benefit from this organization annually. Youth programs targeted to children of LMI families was an identified need in this AA.
- Nordstrom fsb donated \$7 thousand to a coalition of non-profit neighborhood organizations engaged in activities and initiatives that benefit LMI individuals residing within the institution's AA. Historical initiatives included foreclosure prevention, small business development, and Individual Development Accounts (IDAs) for low-income students enrolled in local universities. IDAs are matched savings accounts that help people with modest means save towards the purchase of a lifelong asset or another worthwhile goal. Providing community services to LMI individuals was an identified need in the AA.
- Nordstrom, Inc. donated approximately \$3 million to 255 organizations across the United States that provide community services to LMI individuals. A portion of this amount (\$36 thousand) directly benefited the institution's AA. This donation reflected responsiveness to the areas outside of the institution's AA with an identified need for community services for LMI individuals.

#### **Activities that Promote Economic Development: \$160 thousand**

- Nordstrom fsb made a \$100 thousand equity investment in a CDFI that operates a CD loan fund within the institution's AA. During the evaluation period, this entity made 47 loans totaling \$5.7 million to small businesses creating 139 permanent jobs and provided funding for affordable housing projects. Activities that promote economic development were an identified need in the AA.
- Nordstrom fsb purchased a \$60 thousand auto-renewal certificate of deposit at a CDFI credit union within the institution's AA. This credit union offers a full range of deposits, services, and loan products to promote economic development and to revitalize and stabilize LMI geographies. Revitalization and stabilization of distressed residential and commercial neighborhoods was an identified need in the AA.

#### **Community Development Lending**

Nordstrom fsb originated seven CD loans totaling \$16.6 million that benefited the institution's AA. These loans provided affordable housing and community services to LMI individuals and promoted economic development within the institution's AA, all of which were identified as needs. There were no loans that were considered innovative or complex. Table 5 provides the volume of CD loans as a percentage of Average Tier 1 Capital, Average Total Income, and Average Pass-Through Receivables.

**Table 5: Community Development Lending Percentages**

	<b>Benefits AA (%)</b>
<b>Total CD Lending/Average Tier 1 Capital</b>	13.91
<b>Total CD Lending/Average Total Income</b>	5.67
<b>Total CD Lending/ Average Pass-Through Receivables</b>	.70

Listed below are the qualified loans the institution and its affiliates made during the evaluation period.

- Nordstrom Credit, Inc., an affiliate, originated a \$5.3 million loan to a non-profit organization that provides community services and affordable housing to low-income American Indians residing within the institution's AA. Loan proceeds were used to refinance their service center that provides community services to over 6,000 individuals per year. The below market interest rate saved this organization over \$100 thousand per year in interest charges. Providing community services and affordable housing to LMI individuals was an identified need in the AA.
- Nordstrom fsb originated a \$3 million loan to a non-profit organization. This entity makes loans to third parties that provide community services to LMI individuals and revitalize and stabilize LMI neighborhoods within the institution's AA. Two loans were funded to date with Nordstrom fsb's loan proceeds. A \$500 thousand loan, of which Nordstrom fsb provided \$250 thousand, was made to help construct a 64-bed behavioral health center that primarily serves LMI American Indians. Another \$500 thousand loan was made to purchase equipment for a new medical and behavioral health center that will serve children and families from a low-income neighborhood in south Phoenix. Medical services for LMI individuals was an identified need in the AA.
- Nordstrom fsb originated two loans, totaling \$2.3 million, to a non-profit housing organization that rehabilitates, repairs, constructs, and provides single-family housing for LMI families residing within the institution's AA. One of the loans was used for neighborhood revitalization and home repairs for approximately 700 homes. The other loan provided working capital funds to purchase lots for future development and for the completion of an affordable housing development (10 units) that preserved a \$225 thousand grant from the Federal Home Loan Bank. Increasing the quality of owner-occupied housing through housing rehabilitation assistance and land acquisition / redevelopment for LMI households was an identified need in the AA.
- Nordstrom fsb originated a \$2 million loan to a CDFI financial intermediary that fosters affordable housing and economic development along the AA's light rail system by providing grants and loans to third parties in support of their mission. Nordstrom's loan proceeds, and funds from other sources, were used to construct 338 affordable housing units and develop three commercial properties (two restaurants and one retail store) creating 41 permanent jobs. Increasing the supply of affordable housing units to LMI households as well as revitalization and

stabilization of distressed residential and commercial neighborhoods were identified needs in the AA.

- Nordstrom fsb originated a \$2 million line of credit (LOC) to a non-profit housing organization that develops and builds affordable housing, provides home financing, and provides home counseling and other community services to LMI individuals and families residing within the institution's AA. The first draw on the LOC provided working capital for an 18 home development in south Phoenix. Fostering homeownership opportunities for LMI families was an identified need in the AA.
- Nordstrom fsb originated a \$2 million loan to a CDFI financial intermediary that provides small business loans and technical assistance to small business owners within the institution's AA. This entity administers the U.S. Small Business Administration (SBA) Micro Loan Pool Program and was the first SBA micro lender in Arizona. Nordstrom fsb's loan proceeds provided working capital for the small business-lending program. The number of loans this entity made during the evaluation period was not available. Providing working capital loans for existing businesses was an identified need in the AA.

## **Community Development Services**

Nordstrom fsb representatives provided CD services to four organizations that provide community services and affordable housing to LMI individuals residing within the institution's AA. These services are listed below.

- A Nordstrom fsb representative currently serves on the Board and two committees of a non-profit housing organization that rehabilitates, repairs, constructs, and provides single-family housing for LMI families residing within the institution's AA. This individual used his financial expertise for fund raising activities, drafting a 5-year strategic plan, assisting in obtaining a bank loan, and assisting families to qualify for their new home purchase loan.
- A Nordstrom fsb representative currently serves on the Board and Finance Committee of a non-profit organization that provides education and career programs, character and leadership programs, health and life skills programs, arts programs, and sports and fitness programs for boys and girls of LMI families residing within the institution's AA. This individual used his financial expertise for fund raising activities, improving oversight of the organization's financial condition, and improving the organization's governance by advocating regular annual reviews of their policies by the Board.
- Two Nordstrom fsb representatives served on the Local Advisory Counsel of a non-profit, financial intermediary, CDFI that fosters affordable housing and economic development along the region's light rail system. These individual used their financial expertise for funding raising activities, strategic planning, and establishing projects and priorities for the organization.

- A Nordstrom fsb representative served on the Campaign Cabinet of a non-profit organization that has a mission of ending hunger and homelessness, ensuring children and youth succeed, and increasing the financial stability of LMI individuals and families. This individual used his financial expertise for funding raising activities.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c) or 195.28(c), in determining a national bank's or federal saving association's (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.

The OCC found, during a previous review of the bank's underwriting criteria and credit scoring system, that certain automated actions governing credit decisions taken in connection with on-line applications violated the Equal Credit Opportunity Act and its implementing regulation, Regulation B. Bank management responded with appropriate remedies and corrective actions. No harmed applicants could be specifically identified. The corrective actions included changes to automated systems, policies, procedures, and training programs.

The OCC will consider any evidence of discriminatory or other illegal credit practices relative to this institution that other regulators may provide to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information provided concerns activities that occurred during the evaluation period addressed in this performance evaluation."

## 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. An institution subsidiary is controlled by the institution 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 institution has its main office, branches, and deposit-taking ATMs.

**Benefit to Assessment Area:** A qualified Community Development 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 institution's assessment area. If an institution has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the institution that benefit areas outside of its assessment area.

**Census Tract (CT) – 2000 Census:** Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

**Census Tract (CT) – 2010 Census:** 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.

**Community Development (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 community development. 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 an institution's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the institution, and to take this record into account when evaluating certain corporate applications filed by the institution.

**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 institution is in effect.

**Median Family Income (MFI) – 2000 Census:** The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

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

**Median Family Income (MFI) – 2010 Census:** The median income derived from the United States Census Bureau's American Community Survey data every 5 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.



**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 institution. 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 institution 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.