



Comptroller of the Currency
Administrator of National Banks

LIMITED
PURPOSE

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Public Disclosure

March 9, 1998

Community Reinvestment Act Performance Evaluation

**Chevron Credit Bank, N.A.
Charter Number: 23139**

**488 East Winchester Street, Suite 300
Murray, UT 84107-7590**

**Office of the Comptroller of the Currency
Western District Office
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NOTE: 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

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 neighborhoods, consistent with 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 **Chevron Credit Bank, N.A.**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 9, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA rating: **This institution is rated “Satisfactory.”** The major factors which support this rating include:

- Chevron Credit Bank, N.A., (CCB) has an adequate level of qualified investments and a sufficient amount of community development services. CCB provides grants to local organizations, and a bank employee serves on two local organizations' loan committees.
- The institution makes use of innovative and/or complex qualified investments or community development services. A majority of its qualified investments are grants, which are funding sources not normally provided by private investors. Also, an affiliate donated a Chevron Service Station to an organization to manage and operate, with profits going toward neighborhood reinvestment projects.
- The institution exhibits a good responsiveness to credit and community development needs of its assessment area. A high percentage (43%) of the institution's qualified investments and services support affordable housing needs.

Description of Institution

Chevron Credit Bank, N.A., was chartered on December 16, 1996, as a Competitive Equality Banking Act (CEBA), credit card bank. The bank simultaneously received its designation as a limited-purpose institution for purposes of the Community Reinvestment Act (CRA). Its CRA performance is evaluated under the Community Development Test. The CEBA status limits the bank's ability to accept deposits and extend loans outside the credit card scope of operations. As such, the bank's CRA evaluation focuses on community development investments, activities performed by affiliates, and services.

CCB operates as a majority-owned subsidiary of Chevron USA. Chevron Corporation, through Credit Card Enterprises, has issued proprietary credit cards since the 1920's. The bank's only office is located in Murray, Utah, in Salt Lake County (SLC). The operations center, providing customer service and support functions for CCB, is located in Concord, California. Most of the operations are performed by an affiliate, Credit Card Enterprises. CCB itself has only seven employees; four are in Murray, Utah. The bank reported a net income of \$6.05 million for 1997. At year end 1997, assets and equity capital totaled \$80.2 million and \$11.7 million, respectively. Total assets reflect the bank's practice of selling on a daily, non-recourse basis, all of its receivables generated by credit card accounts to a securitization trust. Daily receivable sales average \$7.5 million.

The general banking environment in Utah is very competitive. Two regional financial institutions dominate the banking activities in the state, but dozens of community banks, thrifts, and credit unions compete for business within CCB's assessment area.

Description of Assessment Area

CCB has designated Salt Lake and Davis Counties as its assessment area. Both counties are located within the Salt Lake-Ogden Metropolitan Statistical Area (MSA) in the State of Utah. The assessment area is a mix of urban, suburban, and rural areas. The 1997 Department of Housing and Urban Development estimated median family income for this MSA is \$47,700. According to the 1998 Economic Report to the Governor, the Utah economy continues to be strong with a job growth rate of 4.4% and unemployment rate of 3.2% in 1997. As a result, housing costs have steadily risen. The average home price in the Salt Lake City/Ogden area was \$131,000 in the 3rd Quarter of 1997, according to the National Association of Realtors. However, wages have not kept pace with increasing real estate prices and rental rates.

The assessment area consists of 192 census tracts. Salt Lake County is the most populous county in the state, with an estimated 819,000 residents in 1996. Despite being one of Utah's most urbanized counties, there are 686 farms in SLC. The county's average annual growth rate in the 1990s has been 1.7%, slightly below the state's 2.1%. SLC's 3.0% unemployment rate in 1996 was the second lowest in the state. The trade and services sectors comprise over one-half of SLC's major industry employment. And, eight of the ten largest employers in the county are in the public sector.

Davis County's population of approximately 220,000 in 1996 makes it the third most populous in the state. The major industries in Davis County are government, trade, and services. Hill Air Force base in 1996 was the largest employer in the county with over 7,000 employees. The county is one of the state's leading producers of grain crops. The table below shows the number and percent of census tracts by income level, and the number and percent of families in those tracts.

Chevron Credit Bank, N.A., Assessment Area															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
Census Tracts		Families		Census Tracts		Families		Census Tracts		Families		Census Tracts		Families	
8	4%	4,343	2%	42	22%	71,090	24%	96	50%	155,761	53%	46	24%	62,816	21%

Source: Demographic Data - 1990 U.S. Census

The primary need within the assessment area is affordable housing for low- and moderate- income individuals. There is also a need for multi-family rental housing, small business loans, and credit education/counseling for both business owners and individual consumers. The Federal Low Income Housing Tax Credits Program offers financial institutions qualified investment opportunities. However, much of the monies are pre-allocated to non-profit entities, and the remaining balances are quickly taken by larger, long-established regional financial institutions. The State of Utah, through the Utah State Housing Agency, offers low-interest money for home purchase to low- and moderate- income families. However, these funds are limited and there exists stiff competition among private investors/financial institutions for dollar allocations.

Conclusions with Respect to Performance

We rated Chevron Credit Bank, N.A., as having a Satisfactory record of performance under the Community Reinvestment Act. Many of its community development activities are in the area of affordable housing, a primary need within the bank's assessment area. In CCB's fifteen months of operation, it has accumulated \$175,477 in qualified investments. These are investments not normally provided by private investors. Eighty-six (86%) percent of these investments are in the form of grants.

Community Development Services

- A bank officer serves on the Salt Lake Neighborhood Housing Services Loan Committee. The officer lends his consumer credit expertise to help the committee make prudent lending decisions for the benefit of non-traditional borrowers through the allocation and administration of loan resources. This organization provides affordable housing opportunities and financing for low- income individuals.

Community Development Services (Continued)

- A bank officer serves as a member of the Credit Committee for the Utah Microenterprise Loan Fund (UMLF). The committee determines lending policies and makes loan decisions based on the merit of each loan application. UMLF is a private, non-profit corporation designed to provide financing and management support to entrepreneurs. The UMLF serves owners of start-up and existing firms who do not have access to traditional funding sources, especially those who are socially and/or economically distressed.

Qualified Investments

- ***Grants*** - \$140,000 in grants made during the evaluation period. The monies went to several different community groups and organizations which provide affordable housing, and social and educational services targeted toward low- and moderate-income individuals. Some examples of the types of grants provided are as follows:
 - * \$65,000 to help an organization build twelve new affordable homes in the Guadalupe neighborhood of Salt Lake City, Utah. Guadalupe, a ten block neighborhood, is the most blighted area in the Fairpark community. Based on the organization's research, this area has received little investment from local government and lending institutions since 1986.
 - * \$5,000 to assist a low-income, physically challenged homeowner, install a wheel chair ramp entrance to her home and retrofit the bathroom with a handicap accessible shower.
 - * \$12,500 to an organization whose mission is to assist Utah families and individuals who face the difficulties of homelessness, poverty, unemployment, abuse, and cultural or educational illiteracy.
- ***Investment*** - \$25,000, through a bank affiliate, to help provide early stage credit to prospective entrepreneurs and existing business owners who lack sufficient resources to finance their venture through traditional means.
- ***Consumer Credit Counseling Services (CCCS)*** - During the evaluation period, Chevron USA contributed \$10,477 in CCCS, which benefitted the bank's assessment area, or a broader statewide area, including the assessment area. Nationwide, Chevron USA contributed approximately \$194,000 to CCCS in 1997 through year-to-date 1998.

Qualified Investments outside the Assessment Area

- ***In-kind Contribution*** - Chevron USA donated a newly remodeled Chevron Service Station in Oakland, California, to a non-profit redevelopment organization, to operate and manage. This organization's mission is to create business, training, and educational opportunities for economically disadvantaged African-American residents and to redevelop local neighborhoods in the City of Oakland. The organization will use operating profits generated by the service station for neighborhood reinvestment projects. Subject to the success of the initial venture, additional stations valued at “\$2 - \$2.5 million” could bring the value of the investment to more than \$10 million.
- ***Low Income Housing Tax Credits*** - In 1997, Chevron Corporation invested \$36.6 million in low- income housing tax credits encompassing twenty-two states nationwide. None of the projects, however, were in its assessment area, or a broader or regional area which includes the bank’s assessment area.
- ***Other Donations*** - Bank affiliates made \$2,418,800 in donations outside the bank’s assessment area during the evaluation period. Ninety-five percent (\$2,293,600) of these donations went to various United Way organizations nationwide, which certified that 51% or more of the donated monies went to agencies and activities targeted toward low- income individuals.

Compliance with Anti-Discrimination Laws and Regulations

We reviewed the bank's compliance with fair lending laws and regulations during our December 31, 1997, examination. We identified no violations of the substantive provisions of the anti-discrimination laws and regulations.

Scope of the Examination

In evaluating the bank's performance under the CRA, we reviewed community development activities since its inception, December 16, 1996, through March 9, 1998. We reviewed the level and nature of community development related qualified investments and services. At the bank's option, we also considered community development investments and services provided by its affiliates.