



Office of the
Comptroller of the Currency
Washington, DC 20219

LIMITED PURPOSE BANK

PUBLIC DISCLOSURE

August 22, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Cedar Hill National Bank
Charter Number: 23323

8100 Denmark Road
Charlotte, NC 28273

Office of the Comptroller of the Currency

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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 Satisfactory.

The major factors that support this rating include:

- The institution demonstrates an adequate level of community development (CD) services and qualified investment activities.
- The institution demonstrates no use of innovative or complex qualified investments or CD services.
- The institution exhibits adequate responsiveness to credit and CD needs in its assessment area (AA).

Description of Institution

Cedar Hill National Bank (CHNB or bank) is a \$13.9 million financial institution headquartered in Charlotte, North Carolina (NC) and is a wholly-owned subsidiary of The Cato Corporation (Company), also headquartered in Charlotte, NC. The Cato Corporation is a leading specialty retailer of value-priced fashion apparel and accessories operating three concepts: “Cato,” “Versona Accessories,” and “Its Fashion” (collectively referred to as Cato stores). As of January 29, 2022, the Company operated 1,311 stores in 32 states.

Since opening on February 2, 1988, the bank operates as a limited purpose credit card bank, with a Competitive Equality Banking Act (CEBA) charter that limits the bank’s lending activities to credit card issuance and operations only, maintaining one office, and places limits on deposit-taking abilities (no demand deposit accounts, and no accounts opened for less than \$100,000 except for savings accounts held as collateral for secured credit cards). Lending limitations preclude the bank from making CD loans. We considered the specialized nature of the bank’s financial expertise in our evaluation of the bank’s CRA performance. There were no other legal, financial, or other factors impeding the bank’s ability to help meet the credit needs of its AA.

In March 2019, the bank’s office was relocated from 9401 Southern Pine Boulevard, Charlotte, NC to 8100 Denmark Road, Charlotte, NC. The office distance between the two locations was 2.5 miles and did not materially affect the bank’s operations.

CHNB reported total assets of \$13.9 million as of December 31, 2021, of which \$12.7 million or 91.4 percent are cash and high-quality investment securities. The investment securities are primarily corporate bonds, municipal obligations, and asset-backed securities. CHNB offers private label credit cards for the Cato stores, services the accounts, and sells the receivables to an affiliate, CatoWest, LLC. As of December 31, 2021, there were 201,767 accounts monitored and serviced by the 13 full-time and 14 part-time staff.

Table 1 below provides financial information relating to CHNB’s financial capacity to help meet the needs of its AA.

Table 1: Financial Information (000s)

	Year-end 2018	Year-end 2019	Year-end 2020	Year-end 2021	Most Recent Quarter-End 06/30/2022	Average for Evaluation Period
Tier 1 Capital*	9,651	10,309	10,713	11,103	10,692	10,494
Total Income*	2,896	2,689	2,153	2,041	2,174**	2,370
Net Operating Income*	680	795	549	500	494**	604
Total Assets*	12,229	13,060	13,687	13,948	12,929	13,171
Pass Through Receivables /Managed Assets*	.40	.43	.55	.57	.55	.50

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

Scope of the Examination

Evaluation Period/Products Evaluated

In evaluating the bank's performance under the CRA, we reviewed CD activities from July 10, 2017, through December 31, 2021. We reviewed the level and nature of qualified investments and CD services. At the bank's request, we also considered qualified investments and CD services provided by its affiliates. At the prior examination dated July 10, 2017, we rated the bank Outstanding.

For purposes of this evaluation, bank delineated AAs located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area.

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

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) in determining a national banks 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 institution 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 institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Multistate Metropolitan Statistical Area Rating

Charlotte MMSA

CRA Rating for the Charlotte MMSA: Satisfactory

The major factors that support this rating include:

- The institution demonstrates an adequate level of CD services and qualified investment activities in the Charlotte MMSA.
- The institution demonstrates no use of innovative or complex qualified investments or CD services in the Charlotte MMSA.
- The institution exhibits adequate responsiveness to credit and CD needs in the Charlotte MMSA.

Description of Charlotte MMSA

CHNB's AA consists of the Charlotte-Concord-Gastonia, NC-SC MMSA (Charlotte MMSA), which is comprised of the counties in North Carolina of Anson, Cabarrus, Gaston, Iredell, Lincoln, Mecklenburg, Rowan, and Union and in South Carolina, Chester, Lancaster, and York counties. The AA consists of both rural and suburban areas and meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. According to the 2015 U.S. Census American Community Survey (ACS), the AA consists of 545 CTs comprising 45 low-income CTs, 154 moderate-income CTs, 176 middle-income CTs, 165 upper-income CTs, and five CTs with no designations. Strong competition for financial services exists within CHNB's AA, which includes nationwide and regional institutions.

According to the U.S. Bureau of Labor Statistics, as of December 31, 2021, the unemployment rate in the Charlotte MMSA was 4.0 percent, which is higher than the national average of 3.7 percent. The unemployment rate in July 2017 was 3.6 percent and 4.0 percent as of December 31, 2021, which is an increase of 0.4 percent during the evaluation period.

According to Moody's Analytics, the Charlotte-Concord-Gastonia economy is keeping a steady pace. The expansion in payrolls relative to the pre-pandemic peak is outperforming about two-thirds of Charlotte's peers among the nation's 25 largest metro areas. Surging finance payrolls have been the primary driver of growth and have been more than enough to offset some weakness in construction hiring. The strength of the labor market is fueling a surge in house price appreciation, even as price growth cools nationally. As a result, single-family permitting remains at some of its highest levels since 2007. The top employers include Atrium Health, Wells Fargo & Co, and Walmart.

Housing affordability is a challenge in the Charlotte MMSA. The FFIEC estimated 2021 median family income was \$77,300. The median housing value was \$334,995 in January 2018 and

\$399,500 in December 2021, a 19.3 percent increase, according to Realtor.com. The 2021 housing value would require a mortgage payment of \$2,145 based on a 30-year mortgage with a 5 percent interest rate. Based on this data and not accounting for down payment, homeowner’s insurance, real estate taxes, or any additional monthly expenses, a low-income borrower making \$38,650 per year (or less than 50 percent of the 2021 FFIEC adjusted median family income in the AA) could afford a mortgage payment of \$966 per month. A moderate-income borrower making \$61,840 per year (or less than 80 percent of the 2021 FFIEC adjusted median family income in the AA) could afford a mortgage payment of \$1,546 per month. This illustrates that low and moderate-income (LMI) borrowers would be challenged to qualify for a mortgage loan in the AA.

Further challenges include the 11.4 percent of families below poverty level and the high percentage of rental units. Using the 2015 ACS, published household data has changed since the previous review. Total housing units of 973,522 consisted of 881,030 in occupied housing units and 92,492 in vacant housing units. Owner-occupied units totaled 579,489 or 59.5 percent, rental occupied units totaled 301,541 or 31.0 percent, and vacant units totaled 92,492 or 9.5 percent of total housing units. See Table 2 for additional information.

Table 2: Charlotte Multistate Metropolitan Statistical Area Description

	Number	Low	Moderate	Middle	Upper	NA***
Tracts	545	8.3%	28.3%	32.3%	30.3%	0.9%
Families	595,211	5.8%*	24.9%*	34.6%*	34.5%*	0.3%*
Businesses	229,173	6.2%**	19.5%**	29.2%**	44.7%**	0.4%**

Source: Demographic Data - 2015 American Community Survey, June 2021 Dun & Bradstreet Data.

*Represents families by income level.

**Represents businesses by income level of census tract.

***The NA category consists of geographies that have not been assigned an income classification.

During the evaluation period, a community contact was conducted to determine the credit and CD needs in the AA. The contact was conducted with a housing development organization located in Charlotte, NC whose mission is to provide decent and safe housing that is affordable to LMI families while supporting their efforts to achieve self-sufficiency. The contact indicated the need to produce additional housing units that are affordable, which would address the need to serve the growing number of households that cannot afford market rate housing. In particular, mixed-income development would benefit residents and the community. During the evaluation period, CHNB invested in a bond that supports economic development in LMI areas.

Conclusions About Performance

Summary

CHNB provided an adequate level of qualified investments and CD services in relation to available opportunities, legal restrictions, financial capacity, nature of operations, and competition from local, national, and regional banks and savings institutions. The bank provided an economic development investment that was responsive to identified mixed income development needs in the AA

- The institution demonstrated an adequate level of qualified investment activities and CD services. Investments and donations totaled \$614,585 and 934 CD service hours were performed.
- The institution demonstrates no use of innovative or complex qualified investments or CD services.
- The institution exhibits adequate responsiveness to affordable housing needs. The bank made a qualified investment in a bond that supports economic development in LMI areas.

Qualified Investments

During the evaluation period, there were seven current period qualified grants and a prior period loan fund with an outstanding balance of \$600,000. The bank held a \$30,000 prior period bond; however, we did not place significant weight on this investment as it matured during the evaluation period. The bank did not make use of innovative or complex investments. The prior period investment and grants were made to CD-qualified organizations that support community services and economic development.

The following table summarizes the bank’s investment and grants inside the AA:

Table 3: Qualified Investment Activity (000s)

	Benefits AA**
Originated Investments	\$0
Originated Grants	\$14.6
Prior-Period Investments that Remain Outstanding	\$600
Total Qualified Investments	\$614.6
Unfunded Commitments*	\$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.

The following table measures the level of total qualified investment activities in terms of average allocated tier 1 capital, average total income, and pass-through receivables over the evaluation period:

Table 4: Qualified Investment Percentages

	Benefits AA (%)*
Total Investments/Average Tier 1 Capital	5.9
Total Investments/Average Total Income	25.9
Total Investments/Average Pass-Through Receivables	4.7

* Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area

Described below are some of the most significant qualified investment and donations:

- The prior period investment with an outstanding balance of \$600,000 is an SBA loan fund where funds are used to promote economic development by supporting permanent job creation, retention and/or improvements in LMI areas for LMI persons who are employed in small businesses.
- A \$2,500 donation to an organization whose purpose is to improve the reading, spelling, and writing skills of low-income children who struggle with literacy.
- Three donations totaling \$1,585 to a local food bank that provides a regional distribution warehouse and branches with supplies of food and grocery items to charitable agencies.

CD Services

CHNB exhibited an adequate responsiveness to CD needs.

The evaluation of the bank’s CD Services performance takes into consideration the impact of the COVID-19 pandemic. The bank’s AA was in government-mandated lockdowns where residents were required to limit activities outside of the home and businesses reduced operations. This impacted the bank’s ability to perform outside CD services.

A majority of CHNB’s employees and affiliate employees performed community services hours to a local food bank by gathering and packing food that was donated to a food bank.

The following table highlights CD services performed by CHNB and affiliate employees.

Table 5: CD Service Activities

CD Service	Benefits AA*
Community Services	511
Total Community Development Service Hours	511

* 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

During the evaluation period, CHNB moved its branch operations in 2019 and was operating during the COVID-19 pandemic. For the period October 1, 2020 through December 31, 2021, a majority of CHNB employees (many are part time) and its affiliate employees performed community services to a local food bank by holding food drives. The food bank serves over 950 partner agencies to assist people in need. During the evaluation period, CHNB had in a single year as many as 25 employees and 255 affiliate employees perform food drives. A total of 511 community service hours were performed.

Appendix A: Summary of MMSA and State Ratings

RATINGS		Cedar Hill National Bank	
Overall Bank:		Overall Bank Rating	
Cedar Hill National Bank		Satisfactory	
MMSA:		MMSA Rating:	
Charlotte MMSA		Satisfactory	

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.

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: The OCC considers all qualified investments, community development loans, and community development services that benefit areas within the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

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 saving or time deposits of less than \$100,000 (other than secured extensions of credit), maintains only one office and does not engage in the business of making commercial loans.

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.

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.

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).

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.

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

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 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.

MMSA (state): Any multistate metropolitan statistical area or multistate combined statistical area, as defined by the Office of Management and Budget.

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

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.

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 items used in 12 CFR 8. [If not already reported to the OCC, the bank provides this information].

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

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.

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.

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.