



**LIMITED PURPOSE**

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Comptroller of the Currency  
Administrator of National Banks

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**PUBLIC DISCLOSURE**

**December 03, 2002**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Concord EFS National Bank  
Charter Number 22404**

**2525 Horizon Lake Drive, Suite 120  
Memphis, TN 38133**

**Comptroller of the Currency  
ADC - Memphis  
57 Germantown Court, Suite 309  
Memphis, TN 38108**

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

## **Institution's CRA rating:**

### **This institution is rated Satisfactory**

The conclusions for the three rating criteria are:

- The bank demonstrates an adequate level of community development lending, community development services, and qualified investment activity.
- The bank demonstrates no use of innovative or complex qualified investments, community development loans, or community development services.
- The bank demonstrates adequate responsiveness to credit and community development needs in its assessment area.

## **Scope of the Examination**

In evaluating the bank's performance under the CRA, we reviewed community development activities from December 20, 1999 through September 30, 2002. We reviewed the level and nature of qualified investments, community development lending, and community development services. At the bank's request, we also considered qualified investments provided by an affiliate. At the prior examination dated October 18, 1999, we rated the bank Satisfactory.

## **Description of Institution**

Concord EFS National Bank (CEFSNB) is headquartered in Memphis, Tennessee. It does not have any branches. CEFSNB was designated a limited purpose institution for CRA on July 3, 1996. CEFSNB has two primary lines of business: (1) bank card authorization, data capture and payment services; and (2) cash payment, transfer and billing services for trucking companies and truck stops. The bank was chartered in 1992. It began operations providing trucking company services through debit and credit cards. In 1994 it began opening consumer deposit accounts and in 1996 began handling direct deposit of payrolls into individual deposit accounts for trucking companies and their employees. During 2002, the bank acquired and merged an affiliate, EFS Federal Savings Bank of Memphis, that had been open less than three years. This affiliate did not have a CRA Evaluation performed. Qualified community development loans and investments of this affiliate were considered during this evaluation.

According to its articles of association as approved by OCC, CEFSNB's credit products are limited to extensions of credit in connection with its two primary types of business and through the issuance of credit cards. There are no additional legal, financial or other factors impeding the bank's ability to help meet the credit needs in its assessment area (AA).

CEFSNB is wholly owned by Concord EFS, Inc. (Concord), a bank holding company that owns the one bank and numerous other bank servicing companies. For the fiscal year ended December 31, 2001, Concord had total assets of \$2.7 billion, stockholders' equity of \$1.9 billion, total revenue of \$1.7 billion, operating income of \$287 million, and net income of \$216 million.

CEFSNB asked that we consider qualified investments made in its assessment area by Electronic Payment Services, Inc. (EPSI), a data processing company owned by the holding company. EPSI is headquartered in Wilmington, Delaware. It was purchased by Concord EFS in 1999. EPSI owns other affiliates that perform point of sale processing and automated teller services.

Table 1 reflects relevant financial information and provides a perspective on the bank's capacity to help meet the credit needs of its assessment area.

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

	<b>Year-end 2000</b>	<b>Year-end 2001</b>	<b>Most Recent Quarter-end 09/30/2002**</b>	<b>Average for Evaluation Period</b>
<b>Tier 1 Capital</b>	\$256,616	\$271,230	\$ 417,452	\$315,099
<b>Total Income</b>	\$704,080	\$870,106	\$1,059,136	\$877,774
<b>Net Operating Income</b>	\$130,306	\$109,211	\$ 49,574	\$ 96,364
<b>Total Assets</b>	\$716,769	\$790,152	\$1,240,423	\$915,781

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

## Description of Assessment Area

CEFSNB has one assessment area: Shelby County, Tennessee. Shelby County is one of five counties in MSA 4920, "Memphis, TN-AR-MS". The assessment area meets legal requirements.

Shelby County contains urban, suburban, and rural areas. The HUD updated median family income for 2002 was \$57,300, compared to the 1990 census median of \$31,900. Shelby County, of which the City of Memphis is a part, accounted for the majority of the population in the MSA in the 1990 census. In 1990, Shelby County's population was approximately 826 thousand. Approximately 17% of the households were below the poverty level. The unemployment rate in 1990 was 3.6%. For September 2002 (not seasonally adjusted) it was 5.1%, compared to 5.0% for the MSA, and 4.6% for the state. The seasonally adjusted rate for the Nation for September 2002 was 5.7%.

Additional demographic data is displayed in Table 2.

**Table 2: Assessment Area Description**

	<b>Number</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
<b>Tracts</b> <sup>1</sup>	185	23%	22%	22%	29%
<b>Families</b>	213,632	23%*	16%*	19%*	42%*
<b>Businesses</b> <sup>1</sup>	45,237	10%**	12%**	23%**	53%**
<b>Farms</b> <sup>1</sup>	806	4%**	10%**	25%**	61%**

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data. \*Represents families by income level.

\*\*Represents businesses by income level of census tract.

<sup>1</sup> Tracts, businesses and farms do not add to 100% due to rounding. 7 tracts are not income categorized.

One community contact was performed during this evaluation. It indicated that community credit and development needs include technical assistance for neighborhood-based developers. CEFSNB helps to meet this need through community development investments and services.

## Conclusions About Performance

### Summary

CEFSNB's level (number and dollars) of community development activities was adequate; it did not use innovative or complex community development activities; and its responsiveness to community development needs in its assessment area was adequate.

Level of community development activities: As indicated in Tables 3 and 4, the bank's qualified investments for the evaluation period totaled \$7.5 million or 5% of its average Tier 1 Capital and 2% of its average total income.

Responsiveness to identified community development needs: CEFSNB has been responsive to the needs for public schools serving low- and moderate-income individuals or geographies; funding for affordable housing; technical assistance for neighborhood-based developers, and community services targeted to low- or moderate-income individuals.

### Qualified Investments

Tables 3 and 4 summarize the bank's qualified investments and compare the dollar amounts to indicators of the bank's financial capacity.

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

	<b>Benefits AA</b>
<b>Originated Investments</b>	\$7,531
<b>Originated Grants</b>	0
<b>Prior-Period Investments that Remain Outstanding</b>	\$7,450
<b>Total Qualified Investments</b>	\$14,981

**Table 4: Qualified Investment Percentages**

	<b>Benefit AA (%)</b>
<b>Total Investments/Average Tier 1 Capital</b>	5%
<b>Total Investments/Average Total Income</b>	2%

Significant investments originated during this evaluation period are:

- Qualified Zone Academy Bonds (QZABs). During this evaluation period the bank purchased \$2.5 million in these bonds.
- Charitable donations totaling \$531 thousand were made by CEFSNB and its affiliate to charitable organizations, including the following:
  - \$300 thousand to Senior Housing Crime Prevention Foundation that helps provide security (community services targeted to low- or moderate-income individuals).
  - \$135 thousand to an organization that provides educational programs primarily to low- and moderate-income children. See additional information under Community Development Services.
  - \$45 thousand to Habitat for Humanity and \$13 thousand to another organization for Habitat for Humanity (affordable housing).
  - \$10 thousand to Neighborhood Housing Opportunities, Inc. (affordable housing).
  - \$10 thousand to Memphis Community Development Partners (affordable housing and activities that revitalize or stabilize low- or moderate-income geographies).
  - \$7.5 thousand to The Exchange Club Family Center (community services targeted to low- or moderate-income individuals).
  - \$5 thousand to Teen Challenge (community services targeted to low- or moderate-income individuals).

## Community Development Lending

Community development loans totaling \$600 thousand were made to three non-profit organizations to facilitate affordable housing and community services targeted to low- or moderate-income individuals. Table 5 compares this lending to indicators of the bank’s financial capacity.

**Table 5: Community Development Lending Percentages**

	<b>Benefits AA (%)</b>
<b>Total CD Lending/Average Tier 1 Capital</b>	< 1%
<b>Total CD Lending/Average Total Income</b>	<1%

## Community Development Services

During the evaluation period, community development services were provided to two organizations, the Memphis Community Development Partnership (MCDP) and the Children’s Museum of Memphis (CMOM).

The mission of MCDP is “Building strong neighborhoods by enhancing community-based development.” It functions as a local intermediary to help expand the efforts of local community development corporations (CDCs) that primarily focus on qualified community development projects. MCDP has helped these organizations expand beyond housing to sustainable, comprehensive community building, including multifamily housing, commercial, business, and workforce development for low- and moderate-income individuals. In addition to providing technical assistance, MCDP provides loans to the CDCs through a \$1+ million loan pool provided by area banks and an economic development corporation. CEFSNB’s CRA officer serves on the Loan Committee.

The CMOM is an educational facility that primarily benefits low- and moderate-income children. One of the goals of this facility is to reduce the school drop out rate by providing the children with science, math, health, technology, and financial literacy programs. During this evaluation period, a bank officer assisted with fund raising for expansion of the museum’s building.

## Fair Lending Review

An analysis of the most recent public comments and consumer complaint information was performed according to the OCC’s risk-based fair lending approach. A comprehensive fair lending examination is not applicable for CEFSNB; it does not offer any consumer or mortgage loan products.

## Definitions and Common Abbreviations

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

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

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

**Benefit to Assessment Area** – A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity benefits a broader statewide or regional area that includes the bank’s assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

**Block Numbering Area (BNA)** – Statistical subdivisions of counties in which census tracts have not been established. The United States Census Bureau has established BNAs in conjunction with state agencies.

**CEBA** – Competitive Equality Banking Act of 1987, which permitted corporations to form limited-purpose credit card banks, whose operations are restricted to credit card activities, without the corporation becoming subject to the limitations of a “bank holding company” under the Bank Holding Company Act. A CEBA credit card bank engages only in credit card operations, does not accept demand deposits or savings or time deposits of less than \$100,000 (other than to secure extensions of credit), maintains only one office and does not engage in the business of making commercial loans.

**Census Tract (CT)** – Small, locally defined statistical areas within Metropolitan 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.

**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.

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

**Geography** – A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

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

**Median Family Income (MFI)** – The median income 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.

**Metropolitan Area (MA)** – Area defined by the director of the United States Office of Management and Budget. MAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

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

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

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

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

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