



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# LIMITED PURPOSE BANK

## PUBLIC DISCLOSURE

October 31, 2013

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Cedar Hill National Bank  
Charter Number 23323

9401 Southern Pine Blvd, Suite P  
Charlotte, NC 28273

Office of the Comptroller of the Currency

Midsized 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 Cedar Hill National Bank (CHNB) issued by the OCC, the institution's supervisory agency, for the evaluation period starting October 31, 2006 through October 31, 2013. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

### **This institution is rated Needs to Improve.**

The bank's overall rating is a blend of the state rating for Georgia (GA) and the Charlotte-Gastonia-Rock Hill, NC-SC MMSA (Charlotte MMSA). We placed more weight on the Charlotte MMSA rating because of its longer evaluation period and CHNB is longer located in GA. The conclusions for the three rating criteria that support the institution, MMSA, and state ratings are:

- The overall level of qualified investments and community development (CD) services is adequate. However, this conclusion is negatively impacted by the lack of innovative or complex CD activities and CHNB's unresponsiveness to credit and CD needs. Therefore, the overall conclusion is poor.
- CHNB demonstrates an adequate level of qualified investments and CD services as evidenced by its adequate and high level of performance in the Charlotte MMSA and the state of GA, respectively.
- CHNB demonstrates no use of innovative or complex qualified investments and CD services as evidenced by its lack of innovativeness or complexity in the Charlotte MMSA and the state of GA.
- CHNB demonstrates poor responsiveness to credit and CD needs as evidenced by its poor and adequate responsiveness in the Charlotte MMSA and state of GA, respectively.

## **Scope of the Evaluation**

In evaluating the bank's performance under the Community Reinvestment Act (CRA), we reviewed CD activities from October 31, 2006 through October 31, 2013. We reviewed the level and nature of qualified investments and CD services. At the bank's request, we also considered qualified investments provided by its affiliates. At the prior evaluation dated October 30, 2006, we rated the bank Outstanding.

On July 7, 2009, CHNB relocated from Lawrenceville, GA to Charlotte, NC. The new headquarters is located in the Charlotte MMSA. We evaluated the bank's performance during the timeframe it was located in each assessment area (AA). The evaluation periods for the state of GA and the Charlotte MMSA are from October 31, 2006 through July 6, 2009 and July 7, 2009 through October 31, 2013, respectively. We placed more weight on the Charlotte MMSA rating because of its longer evaluation period and since CHNB is no longer located in GA. The evaluation period for the Charlotte MMSA covered two census periods consisting of 2000 and 2010. Although the number of geographies (i.e. census tracts) in the bank's Charlotte MMSA AA significantly increased with the 2010 census data, the change in the percentage of geographies by income classification had no impact on the bank's CRA performance. See the Description of Assessment Area section for the Charlotte MMSA on page four for further information.

If a bank has adequately addressed its AA needs, the OCC considers CD activities the bank submits that benefit areas outside of its AA in the evaluation of its performance. The bank had adequately addressed the needs of its AA in the Atlanta-Sandy Springs-Marietta, GA Metropolitan Statistical Area (MSA) #12060 (Atlanta MSA). Therefore, we considered CD activities outside of this MSA when evaluating the bank's performance relative to this AA. However, the bank has not adequately addressed the needs of its AA in the Charlotte MMSA. Therefore, we did not consider CD activities outside of this AA when evaluating the bank's performance relative to this AA.

## Description of Institution

CHNB was chartered on February 2, 1988 as a limited-purpose credit card bank under the Competitive Equality Banking Act (CEBA). CEBA banks are restricted to credit card operations, maintain only one office, and do not accept demand deposits or savings or time deposits of less than \$100,000 (other than to secure extensions of credit). Additionally, CEBA banks may not engage in the business of making commercial loans. However, credit card loans to businesses, which meet the criteria for a "small business concern," that are eligible for business loans under regulations established by the Small Business Administration under 13 CFR 121 are not considered commercial loans. Lending limitations preclude the bank from making CD loans. Other than these limitations, there are no other legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its present and prior AA. See pages 15 through 17 for definitions of a CEBA bank and other terms.

CHNB is a \$12 million financial institution located in Charlotte, NC. CHNB's assets are primarily centered in municipal securities. It has no branch offices. CHNB is a wholly-owned subsidiary of The Cato Corporation, headquartered in Charlotte, NC. It is a leading specialty retailer of women's fashion apparel operating over 1,300 stores throughout the United States under the store brands of Cato, It's Fashion, and Versona Accessories. CHNB offers private label consumer credit cards for the above stores, services the accounts, and sells the receivables to an affiliate, CatoWest, LLC.

Table 1 provides financial information relating to CHNB's financial capacity to help meet the needs of the present and prior AA. The average columns for the years 2006 – 2008 and years 2009 – September 30, 2013 are for the periods in which CHNB was located in the Atlanta MSA and Charlotte MMSA AAs, respectively.

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

	Year-end 2006	Year-end 2007	Year-end 2008	Year-end 2009	Year-end 2010
<b>Tier 1 Capital</b>	\$7,493	\$6,781	\$7,502	\$8,060	\$8,582
<b>Total Income</b>	\$4,907	\$4,863	\$4,490	\$3,849	\$3,560
<b>Net Operating Income</b>	\$1,462	\$1,423	\$1,294	\$944	\$871
<b>Total Assets</b>	\$10,215	\$9,448	\$10,216	\$10,621	\$11,121
<b>Pass-Through Receivables</b>	\$46,800	\$44,100	\$42,600	\$39,800	\$36,800

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

	Year-end 2011	Year-end 2012	Most Recent Quarter-end 09/30/13	Average for Years 2006 – 2008	Average for Years 2009 – 9/30/13
<b>Tier 1 Capital</b>	\$8,684	\$8,834	\$9,157	\$7,259	\$8,663
<b>Total Income</b>	\$3,790	\$3,501	\$3,604*	\$4,753	\$3,661
<b>Net Operating Income</b>	\$1,020	\$852	\$843*	\$1,393	\$906
<b>Total Assets</b>	\$11,345	\$11,343	\$12,058	\$9,960	\$11,298
<b>Pass-Through Receivables</b>	\$34,400	\$32,100	\$27,400	\$44,500	\$34,100

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

## Multistate Metropolitan Area Rating

### CRA Rating for the Charlotte-Gastonia-Rock Hill, NC-SC MSA #16740: Needs to Improve

The conclusions for the three rating criteria are:

- The bank demonstrates an adequate level of qualified investment and CD service activity. This conclusion is negatively impacted by the lack of innovative or complex CD activities and CHNB's unresponsiveness to credit and CD needs. Therefore, the overall conclusion is poor.
- The bank demonstrates no use of innovative or complex qualified investments or CD service activity.
- The bank demonstrates poor responsiveness to credit and CD needs in this AA.

### Description of Assessment Area

CHNB's AA consists of the entire Charlotte MMSA. The MMSA, based upon 2000 and 2010 census data, became CHNB's AA on July 7, 2009 when the bank's headquarters were relocated from Lawrenceville, GA. The AA consists of both urban and suburban areas and does not arbitrarily exclude low- or moderate-income geographies. According to 2010 census information, 47 (11.0 percent) of the geographies in this AA are low-income, 116 (27.0 percent) are moderate-income, 126 (30 percent) are middle-income, 134 (31.0 percent) are upper-income, and 5 (1.0 percent) have not been assigned an income classification. Although the number of geographies within this AA increased by 161 with the updated 2010 census data, the change in the percentage of geographies by income classification had no impact on the bank's CRA performance. See Tables 2 and 3 for additional information.

The MMSA's recovery continues to outpace those of North Carolina and the United States. Real output grew 5.0 percent in 2012, double the rates of the state and the nation, and the local economy continues to perform well in 2013. The metro area has regained all the jobs it lost during the recession. Job gains have been broad based, with more than three quarters of industries adding jobs in recent months. Driven by a strong housing market, construction has joined professional services as a growth driver. The pillar financial industry remains volatile, as the ongoing restructuring has kept payroll growth in check. The unemployment rate has been declining rapidly, narrowing the gap with the national level to less than one percentage point for the first time since the end of 2008. Furthermore, the labor force is expanding as job seekers are gaining confidence and entering the labor market. Major industries consist of professional and business services, followed by government, and retail trade. Major employers include Carolinas HealthCare System, Wells Fargo, Wal-Mart Stores, Inc. and Bank of America Corporation<sup>1</sup>.

In the MMSA, non-agricultural wage and salaried employment increased 11.0 percent from 770,665 in July 2009 to 856,999 in October 2013. During this same period, the unemployment rate decreased from 11.9 percent to 7.5 percent. The states of NC's and SC's unemployment

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<sup>1</sup> Moody's Analytics, November 2013

rates were 7.5 percent and 7.2 percent, respectively as of October 2013. Seven percent and 9.0 percent of families live below the poverty level in the AA based on 2000 and 2010 Census Data, respectively. It is especially difficult for this segment of the population to afford and maintain a home. As of 2000, the AA had 353,333 families. Nineteen percent of families were low-income, 19.0 percent were moderate-income, 23.0 percent were middle-income, and 39.0 percent were upper-income. As of 2010, the AA had 435,147 families. Twenty-two percent of families were low-income, 18.0 percent were moderate-income, 20.0 percent were middle-income, and 40.0 percent were upper-income. The 2009 Department of Housing and Urban Development’s adjusted median family income for the AA was \$62,100. The 2013 Federal Financial Institutions Examination Council (FFIEC) estimated median family income for the MSA was \$64,100.

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

	Number	Low	Moderate	Middle	Upper
<b>Tracts*</b>	267*	6%	27%	43%	23%
<b>Families</b>	353,333	19%**	19%**	23%**	39%**
<b>Businesses</b>	151,535	3%***	18%***	44%***	35%***

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.

**Table 3: Assessment Area Description – 2010 Census Data**

	Number	Low	Moderate	Middle	Upper
<b>Tracts</b>	428*	11%	27%	30%	31%
<b>Families</b>	435,147	22%**	18%**	20%**	40%**
<b>Businesses</b>	161,672****	9%***	20%***	28%***	42%***

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.

We determined the credit and CD needs by contacting representatives from a nonprofit housing organization, a governmental authority responsible for affordable housing and economic development, and a governmental authority that assists local municipalities and county governments administer state and federal grants related to CD programs. We also reviewed the Department of Housing and Urban Development (HUD) Consolidated Housing and CD Plans for Charlotte, NC. HUD Consolidated Housing and CD Plans are comprehensive planning documents that identify community needs.

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

Affordable Housing Needs

- HUD Section 8 subsidized and public housing. As of December 2009, there was a waiting list of 3,212 applications for public housing and 2,506 applications for Section 8 subsidized housing in Charlotte, NC.
- Supportive housing for the homeless, including the chronic homeless and individuals with special needs. As of December 2009, an additional 2,000 units of service-enriched housing for homeless individuals and families and 500 units for chronic homeless individuals were needed in Charlotte, NC.
- Affordable rental housing for extremely low-income residents whose income is less than 30.0 percent of the area median income (AMI). HUD identifies households paying more

than 30.0 percent and 50.0 percent of their annual income on housing costs as moderately and severely cost burdened, respectively. In Charlotte, NC as of December 2009, 11.0 percent (2,885 individuals) and 69.0 percent (17,520) of individuals whose income were less than 30.0 percent of AMI had housing costs that were moderately and severely cost burdened, respectively.

- Improving housing conditions and promoting homeownership in six targeted neighborhoods as part of Charlotte’s Neighborhood Revitalization Program. The six neighborhoods consist of Lakewood, Lincoln Heights, Reid Park, Thomasboro-Hoskins, Washington Heights, and Wingate.
- Foreclosure prevention and homeownership counseling services.
- Rehabilitation of owner-occupied single family homes for low- and moderate-income families.

Community Service Needs

- Emergency rental and utility assistance for individuals at imminent risk of becoming homeless.
- Domestic violence assistance for women and their children.
- Services to assist veterans in obtaining benefits, locating affordable housing, and dealing with their disabilities.
- Substance abuse and mental health assistance for individuals and their families.
- Free or reduced health care and dental care services.
- Employment and life skills training to enter and/or advance in the workforce.
- Free childcare services.

Economic Development Needs

- Revitalization and stabilization of five distressed business districts as identified by the City of Charlotte. These areas consist of Beatties Ford Road, Eastland Mall area, Rozzells Ferry Road, North Tryon Street, and Wilkinson/Freedom/Morehead.

Opportunities for qualified investments and CD services within this AA are abundant. The AA has numerous housing and social service agencies that provide community services to low- and moderate-income 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 banks, numerous opportunities exists other than donations. These consist of low-income housing tax credits, mortgage-backed securities secured by mortgages to low- and moderate-income individuals, qualified investment funds (QIF)<sup>2</sup>, and investments in CD financial institutions (CDFI).

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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 (bank’s) AA. These investments include individual mortgages to low- and moderate-income individuals, municipal housing bonds, and other mortgage backed securities that assist low- and moderate-income individuals with housing needs.

## Conclusions about Performance

### Summary

- CHNB’s level of qualified investments, including those from its affiliate, The Cato Corporation, is adequate. The Cato Corporation made one \$300 thousand qualified investment that benefited this AA.
- CHNB did not use innovative or complex qualified investments or CD services to meet credit and community needs of this AA.
- CHNB exhibits poor responsiveness to identified credit and CD needs in this AA over its 52-month evaluation period. CHNB did not address any of the affordable housing, community service, or economic development needs identified on pages five and six.

### Qualified Investments

The Cato Corporation donated \$300 thousand to the United Way of Central Carolina (United Way). United Way disbursed the funds to 16 agencies that used the proceeds to train staff members on how to keep at risk children from dropping out of school. The children are primarily from low- and moderate-income families within this AA. Although the level of qualified investments is adequate, it is negatively impacted by the lack of innovativeness or complexity and CHNB’s unresponsiveness to credit and CD needs. Table 4 identifies the total dollar amount of qualified investments. Table 5 details CHNB’s amount of qualified investments as a percentage of Average Tier 1 Capital, Average Total Income, and Average Pass-Through Receivable.

**Table 4: Qualified Investment Activity (000s)**

	<b>Benefits AA</b>
<b>Originated Investments</b>	\$0
<b>Originated Grants</b>	300
<b>Prior-Period Investments that Remain Outstanding</b>	0
<b>Total Qualified Investments</b>	\$300
<b>Unfunded Commitments*</b>	\$0

\* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.



**Table 5: Qualified Investment Percentages**

	<b>Benefit AA (%)</b>
<b>Total Investments/Average Tier 1 Capital</b>	3.46
<b>Total Investments/Average Total Income</b>	8.19
<b>Total Investments/Average Pass-Through Receivables</b>	.88

**Community Development Services**

CHNB did not provide any CD services for us to consider in evaluating the bank’s performance in this AA.

## State Rating

### State of Georgia

#### CRA Rating for Georgia: Satisfactory

The conclusions for the three rating criteria are:

- The bank demonstrated a high level of qualified investments and CD services activity.
- The bank demonstrated no use of innovative or complex qualified investments or CD services.
- The bank demonstrated adequate responsiveness to credit and community development needs in this AA.

#### Description of Assessment Area

CHNB's AA, based upon 2000 census data, consisted of the entire Atlanta-Sandy Springs-Marietta, GA MSA #12060 (Atlanta MSA). The AA consisted of both urban and suburban areas and did not arbitrarily exclude low- or moderate-income geographies. This AA ceased being CHNB's AA on July 6, 2009 when the bank's headquarters were relocated to Charlotte, NC. The Atlanta MSA is the largest MSA within the state. According to 2000 census information, 72 (11.0 percent) of the geographies in this AA were low-income, 185 (27.0 percent) were moderate-income, 250 (36.0 percent) were middle-income, 182 (26.0 percent) were upper-income, and 1 (less than 1.0 percent) had not been assigned an income classification. See Table 6 for additional information.

The metro Atlanta area is recognized as the transportation, distribution, and cultural center of the Southeastern United States. The industrial base includes manufacturing, transportation, distribution, retailing, wholesaling, finance, government, research, education, medicine, and technical support. Hartsfield-Jackson Atlanta International Airport is recognized as the world's busiest airport. Atlanta is the rail center of the South that supports one of the largest inland ports in the world, and one of the top five distribution centers in the United States. During the evaluation period for this AA, the area ranked among the top five in the nation in job growth and was home to approximately 30 Fortune 1000 companies. Top employers included Emory University, Delta Air Lines, The Publix Super Markets, Inc., The Kroger Company, AT&T/BellSouth Corporation, Wal-Mart Stores, Inc., and The Home Depot.

In the Atlanta MSA, non-agricultural wage and salaried employment decreased 5.0 percent from 2,570,619 in October 2006 to 2,430,103 in July 2009. During this same period, the unemployment rate increased from 4.4 percent to 10.4 percent. The state of GA's unemployment rate was 10.4 percent as of July 2009. Seven percent of families lived below the poverty level in the AA based on 2000 Census Data. It is especially

difficult for this segment of the population to afford and maintain a home. As of 2000, the AA had 1,086,862 families. Twenty percent of families were low-income, 18.0 percent were moderate-income, 22.0 percent were middle-income, and 40.0 percent were upper-income. The 2009 HUD adjusted median family income for the MSA was \$71,700.

**Table 6: Assessment Area Description – 2000 Census Data**

	Number	Low	Moderate	Middle	Upper
<b>Tracts*</b>	690*	11%	27%	36%	26%
<b>Families</b>	1,086,862	20%**	18%**	22%**	40%**
<b>Businesses</b>	612,755	5%***	19%***	39%***	37%***

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 reviewing several CRA public evaluations of other financial institutions with evaluation periods that included dates from 2006 through 2009. We also reviewed four HUD Consolidated Housing and CD plans for Sandy Springs, GA, Gwinnet County, GA, DeKalb County, GA, and Atlanta, GA for the same period.

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

Affordable Housing Needs

- HUD Section 8 subsidized and public housing.
- Emergency shelter and transitional housing for the homeless.
- Affordable rental housing for low- and moderate-income individuals.
- Affordable owner occupied housing for first time homebuyers.
- Rehabilitation of owner occupied homes and multifamily rental housing.
- Down payment and closing cost assistance for first time home buyers.

Community Service Needs

- Supportive services for the homeless, individuals with disabilities, and low-income individuals.
- Access to job training for low- and moderate-income individuals.

Economic Development Needs

- Revitalize and stabilize economically distressed neighborhoods.
- Micro enterprise training programs for potential and existing small business owners.
- Revolving loan funds to meet the credit needs of potential and existing small business owners.

Opportunities for qualified investments and CD services within this AA were abundant. The AA had numerous housing and social service agencies that provided community

services to low- and moderate-income individuals and there were numerous agencies involved in economic and business development. Although opportunities for complex and innovative qualified investments were limited, due to the intense competition from full service banks, numerous opportunities existed other than donations. These consisted of low-income housing tax credits, mortgage-backed securities secured by mortgages to low- and moderate-income individuals, QIF, and investments in CDFIs.

## **Conclusions about Performance**

### **Summary**

- CHNB's level of qualified investments and CD services, including those from its affiliate, The Cato Corporation, was high given available opportunities, strong competition from full service banks, legal restrictions, its financial condition, and the unique nature of its banking operations. CHNB and its affiliate made \$2.3 million of prior period and \$1.3 million of current period-qualified investments that benefited this AA and areas outside of this AA, respectively.
- CHNB did not use innovative or complex qualified investments or CD services to meet credit and community needs of this AA.
- CHNB exhibited adequate responsiveness to credit and CD needs in this AA. CHNB's qualified investments and CD services provided affordable housing targeted to low- and moderate-income individuals in response to identified community needs.

### **Qualified Investments**

Qualified investments within and outside CHNB's AA totaled \$2.3 million and \$1.3 million, respectively. This level of qualified investments was high given the nature of CHNB's operations, legal restrictions, its financial condition, intense competition from full service banks, and available opportunities. Although the qualified investments were responsive to community needs, they were not innovative or complex. Table 7 identifies the total dollar amount of qualified investments. Table 8 details CHNB's amount of qualified investments as a percentage of Average Tier 1 Capital, Average Total Income, and Average Pass-Through Receivable.

**Table 7: Qualified Investment Activity (000s)**

	<b>Benefits AA</b>	<b>Outside AA</b>	<b>Totals</b>
<b>Originated Investments</b>	\$0	\$0	\$0
<b>Originated Grants</b>	0	1,278	1,278
<b>Prior-Period Investments that Remain Outstanding</b>	2,300	0	2,300
<b>Total Qualified Investments</b>	\$2,300	\$1,278	\$3,578
<b>Unfunded Commitments*</b>	\$0	\$0	\$0

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

**Table 8: Qualified Investment Percentages**

	<b>Benefits AA (%)</b>	<b>Outside AA (%)</b>	<b>Total (%)</b>
<b>Total Investments/Average Tier 1 Capital</b>	31.68	17.61	49.29
<b>Total Investments/Average Total Income</b>	48.39	26.89	75.28
<b>Total Investments/Average Pass-Through Receivables</b>	5.17	2.87	8.04

- CHNB purchased \$2 million of Cobb County Housing Authority Revenue Bonds from September 2004 through February 2006. The bank also purchased a \$300 thousand City of Roswell Housing Authority Bond in May 2002. These prior period investments provided affordable housing to low- and moderate-income individuals residing within this AA. CHNB sold these bonds in March 2010.
- The Cato Corporation donated \$1.178 million in clothes, since 2007, to a network of over 3,000 non-profit social services agencies that distributed the clothes to low- and moderate-income individuals in over 48 states. This in-kind donation, valued at cost, benefited individuals outside this AA.
- In 2006 and 2007, The Cato Corporation donated \$100 thousand in clothes to two social services agencies located outside this AA in the Charlotte MMSA. The social service agencies distributed the clothes to low- and moderate-income individuals. This in kind donation, valued at cost, was made prior to CHNB relocating to the Charlotte MMSA. Therefore, we did not consider this CD activity in evaluating the bank's performance in the Charlotte MMSA.

## **Community Development Services**

CHNB provided a CD service to one housing organization that constructs and provides new single-family housing to low- and moderate-income families residing within this AA. This organization provides interest free financing and training (i.e., budgeting, financial literacy, home ownership, and maintenance) to families accepted in their program. A CHNB representative served on the Board from October 2005 through July 2009 and

reviewed applications from individuals applying to be accepted into the program. This CD service met an identified need of providing affordable housing.

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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

## 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 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:** 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 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.

**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. (Credit card loans made to businesses, which meet the criteria for a "small business concern," that are eligible for business loans under regulations established by the Small Business Administration under 13 CFR 121 are not considered commercial loans.)

**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 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 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 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) – 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 bank. 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 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.