



Comptroller of the Currency
Administrator of National Banks

Limited Purpose

Midwestern District Office
2345 Grand Blvd., Suite 700
Kansas City, Missouri 64108

PUBLIC DISCLOSURE

August 24, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**May National Bank of Arizona
Charter Number 21920
1615 Fifty-Second Street
Tempe, Arizona 85281**

**Supervisory Agency: Office of the Comptroller of the Currency
Midwestern District
Mid-Size and Credit Card Banks
2345 Grand Blvd., Suite 700
Kansas City, Missouri 64108**

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.

GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

Assessment Area (AA) - The geographic area which an institution selects as the community within which its regulator will assess the institution's record of CRA performance. Generally, an urban assessment area will not extend beyond the boundaries of an MSA. A rural assessment area may contain one or more neighboring counties.

Census Tract (CT) - Small, locally defined statistical areas within an MSA. The United States Census Bureau determines these areas in an attempt to group homogeneous populations. A CT has boundaries defined by each 10-year census and has an average population of 4,000.

Community development - Activities related to at least one of the following four areas:

- affordable housing (including multifamily rental housing) for low- and moderate-income individuals;
- community services targeted to low- and moderate-income individuals;
- activities that promote economic development by financing businesses or farms that meet size and revenue standards defined by the CRA regulation; or
- activities that vitalize or stabilize low- and moderate-income geographies.

Community development service - A service that has community development as its *primary* purpose, is related to the provision of financial services, and has not been considered in the evaluation of the bank's retail banking services.

Community Reinvestment Act (CRA) - A statute that requires federal regulators to evaluate a financial institution's lending performance in light of the credit needs in the institution's local community. *(This is a generic description of the bank's requirements and not a legal explanation of the requirements contained in 12 U.S.C. 2901, as amended, and 12 C.F.R. 25, as amended.)*

Income levels - These relate to individuals, families, households, or the CTs in an MSA.

Low = An income level that is less than 50% of the median income.

Moderate = An income level that is at least 50% and less than 80% of the median income.

Middle = An income level that is at least 80% and less than 120% of the median income.

Upper = An income level that is 120% or more of the median income.

Limited purpose bank - A bank that offers only a narrow product line (such as credit card or automobile loans) to a regional or broader market. The bank must apply to and receive from its regulator a designation as limited purpose.

GLOSSARY OF TERMS AND COMMON ABBREVIATIONS (Continued)

May National Bank of Arizona (MBA) - The Comptroller of the Currency approved MBA's request for designation as a limited purpose bank on January 22, 1996.

The May Department Stores Company, St. Louis, Missouri (May Company) - A national department store company which owns 100% of MBA.

Median Family Income (MFI) - The median (midpoint, not average) family income for a specific MSA as determined by the United States Census Bureau. The Department of Housing and Urban Development updates this figure annually using an estimated inflation factor.

Metropolitan Statistical Area (MSA) - An area containing a city with a population of at least 50,000 or an urbanized area with a population of at least 50,000 and a total metropolitan population of at least 100,000. Generally, MSAs consist of one or more whole counties that have a high degree of interaction.

Qualified investment - A lawful investment that has as its *primary* purpose community development.

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 **May National Bank of Arizona (MBA)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **August 24, 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 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 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated "**Satisfactory**".

The OCC examined MBA using the CRA regulation's Community Development Test, which assesses the bank's record of helping to meet community credit needs through qualified investments or community development services. The only lending product MBA offers is credit card loans. By definition, credit card loans cannot be community development loans. Therefore, MBA's CRA performance was evaluated by the amount of its qualified investments and community development services. This evaluation covers the period from **September 6, 1996, to August 24, 1998**.

We rated the bank's CRA performance **Satisfactory** because:

- The bank has an adequate level of qualified investments within its assessment area given its financial resources and the opportunities available. MBA's qualified investments consist of financial contributions totaling \$308,000.
- MBA's senior management provides a reasonable level of community development services within its assessment area. Representatives of senior management provide expertise to several community organizations.
- Several contributions support innovative programs and projects. This reflects a good response to the community development needs in the assessment area.
- Qualified investments provided to the assessment area through MBA's parent, May Company, supplement the bank's performance.

Description of Institution

MBA was chartered on April 1, 1991, as a Competitive Equality Banking Act (CEBA) credit card bank. On January 22, 1996, MBA received its designation as a limited-purpose institution for the purposes of CRA, and 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. Consequently, the bank's CRA evaluation focuses on its community development investments and services and the activities of its affiliates.

MBA is located in Tempe, Arizona, and is a wholly-owned subsidiary of Grande Levee, Inc. (formerly known as May Funding, Inc.), which in turn is a wholly-owned subsidiary of May Company. MBA is affiliated with May National Bank of Ohio which is also a wholly-owned subsidiary of Grand Levee, Inc. May Company owns and operates eight major department store chains including: Famous-Barr and L.S. Ayres (treated as one division), Filene's, Foley's, Hecht's and Strawbridge's (treated as one division), Kaufmann's, Lord & Taylor, Meier & Frank, and Robinsons-May. As of June 30, 1998, MBA had total assets of \$4.3 million, Tier 1 capital of \$4.2 million, and net income of \$2.1 million. The bank services a credit card portfolio of approximately 6.6 million accounts with \$540 million in outstanding balances. Consistent with its size and resources, MBA can help meet community development needs in its assessment area through qualified investments and services. The bank's prior CRA rating was "Satisfactory Record of Meeting Community Credit Needs" as of September 6, 1996.

Description of Assessment Area

MBA's assessment area is the Phoenix-Mesa, Arizona MSA which includes the city of Tempe. According to the 1990 census, the assessment area's population is 2.24 million and the 1998 Department of Housing and Urban Development estimated median family income is \$48,300. The assessment area complies with the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) areas.

The following chart shows the distribution of census tracts and families by income level.

Income Level	Census Tracts		Families	
	#	%	#	%
Low-income	31	6%	115,732	20%
Moderate-income	122	25%	107,005	18%
Middle-income	184	38%	134,903	23%
Upper-income	149	30%	225,189	39%
N/A (income not available)	4	1%	N/A	N/A
Total	490	100%	582,829	100%

Source: 1990 U.S. Census

According to the Phoenix, Arizona Consolidated Plan Executive Summary, the Phoenix-Mesa economy is among the strongest in the United States (U.S.) with the services and retail industries providing the bulk of employment. Although the area has experienced major population increases, unemployment remains low at 3%. From 1945 to 1990, Phoenix rose from ninety-ninth to ninth in population rank among U.S. cities. The Phoenix-Mesa MSA ranked first in the nation for new job creation during 1997.

During this evaluation, we reviewed community contact interviews performed by federal financial institution regulators during 1997 and 1998, including several made by the OCC within the three previous months. The regulators interviewed persons representing housing, small business and economic development organizations, and government agencies. These contacts help the OCC to better understand the economic conditions and credit needs of the community and to identify community development opportunities that exist within the bank's assessment area. Based on these contacts, the primary need in the assessment area is the creation of additional affordable housing units for low- and moderate-income persons. These contacts also mentioned the need for credit counseling for low- and moderate-income persons, and additional venture capital for small business development. Although there are many community-based organizations that focus on community development within the assessment area, these organizations offer few opportunities for equity investments. Most expressed a need for grants and contributions to cover operating costs.

Conclusions with Respect to Performance

MBA made \$308,000 in grants and contributions to various organizations within its assessment area, representing a reasonable level of qualified community development investments. Some of the programs supported by MBA's investments contain innovative features. Also, management provided an adequate number of community development services within the assessment area, based on the bank's size and capacity. MBA's investments and services reflect adequate responsiveness to the assessment area's community development needs.

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The bank's CRA performance is supplemented by \$12.4 million in qualified investments made by May Company, of which, \$6.2 million is attributable to this bank's performance. Each qualified investment made by May Company was divided evenly between MBA and May National Bank of Ohio for CRA purposes. The following are examples of significant investments and services generated by MBA and May Company:

Significant MBA Investments

- \$100,000 to the local chapter of a nonprofit organization that solicits contributions and distributes funds to organizations that provide community development services.
- \$60,000 to an organization that assists LMI persons in starting or expanding small businesses. The group manages a micro-loan fund and technical training to small business owners. One innovative feature of this organization's program is the "borrower's circle," made up of other small business owners, which meets regularly to discuss challenges and obstacles to running a business and offer mutual support.
- \$57,000 to a credit counseling service that provides debt management counseling and basic consumer credit education to LMI persons. This amount includes \$15,000 used to establish the MBA Education Center and contributions to help the organization's consumer debt repayment program.
- \$52,000 to a nonprofit organization dedicated to providing affordable housing for LMI families. The bank's investment supports the group's effort to construct 196 new homes in one development that includes a community meeting facility and a day care center.
- \$27,000 to a nonprofit organization that provides funding and technical assistance to Community Development Corporations (CDC). These CDCs work to develop affordable housing, support small businesses, and create jobs in LMI areas. MBA's contributions helped fund a four-day training seminar on real estate development for representatives of 24 nonprofit CDCs.
- \$10,000 to a local organization working to revitalize LMI neighborhoods and provide home ownership opportunities to LMI persons. A particularly noteworthy feature of the group's efforts is the Home Ownership Center, which provides training on purchasing, rehabilitating, insuring, maintaining, and managing a home, at one location. MBA's contributions were targeted to the group's Home Ownership Center.

MBA Services

- MBA's Human Resources Officer serves on the Executive Advisory Board of a nonprofit community organization. This organization's mission is to assist local CDCs in rebuilding LMI communities by providing financial support and training to local groups. The officer lends his skills and expertise in helping the organization allocate its resources most effectively.
- MBA's Human Resources Officer also serves on the Advisory Board of an organization that provides

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funding and technical assistance to help LMI persons start small businesses. The bank officer used his expertise in human resources to chair the subcommittee that conducted the search for a new Executive Director.

- Several members of MBA's management team obtained certification from the Consumer Credit Counseling Service in credit counseling and budgeting. They periodically serve as instructors for these subjects in LMI communities.

May Company Investments Outside the Assessment Area (Each dollar amount reflected here represents one-half of the total investment made by May Company)

- \$3.5 million to a nation wide nonprofit group which provides funding to organizations delivering community development services to LMI persons.
- \$1.2 million to a credit counseling service as part of its Fair Share Program. May Company contributes a percentage of the gross amount collected on its behalf from LMI borrowers participating in this debt repayment program. These funds support the group's credit education, counseling, and other programs targeted at LMI persons.
- \$700,000 invested in limited partnerships for LMI housing. These funds were used to assist a St. Louis, Missouri-based nonprofit organization develop affordable housing for LMI families in St. Louis.
- \$700,000 in certificates of deposit with seventeen minority- and women-owned financial institutions.
- \$45,833 to the St. Louis-based LMI housing advocacy group. The May Company also provides this organization with free office space at its corporate headquarters.
- \$20,000 equity investment in a St. Louis-based Community Development Corporation.
- \$12,500 equity investment in a western Pennsylvania Community Development Corporation.

May Company Services Outside the Assessment Area

- May Company has a revolving line of credit totaling \$15.6 million with a consortium of seventeen minority- and women-owned financial institutions.

Compliance with Anti-Discrimination Laws and Regulations

We did not identify any violations of anti-discrimination laws and regulations.