



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 Ohio
Charter Number 21922
300 Sheffield Center
Lorain, Ohio 44055**

**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 Ohio (MBO) - The Comptroller of the Currency approved MBO'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 MBO.

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 Ohio (MBO)** 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 MBO 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 MBO offers is credit card loans. By definition, credit card loans cannot be community development loans. Therefore, MBO'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 community development opportunities available. MBO's qualified investments consist of financial contributions totaling \$642,000.
- MBO offers an adequate level of community development services within its assessment area. Representatives of senior management provide expertise to several community organizations.
- Some 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 MBO's parent, May Company, supplement the bank's performance.

Description of Institution

MBO was chartered on May 1, 1991, as a Competitive Equality Banking Act (CEBA) credit card bank. On January 22, 1996, MBO 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.

MBO is located in Lorain, Ohio, 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. MBO is affiliated with May National Bank of Arizona which is also a wholly-owned subsidiary of Grande 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, MBO had total assets of \$8.3 million, Tier 1 capital of \$5.9 million, and net income of \$4.7 million. The bank services a credit card portfolio with \$950 million in average receivable balances. Consistent with its size and resources, MBO can help meet community development needs of 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

MBO's assessment area is the Cleveland, Ohio, MSA. According to the 1990 census, the assessment area's population is 2.2 million and the 1998 Department of Housing and Urban Development estimated median family income is \$49,400. 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	115	16%	51,262	8%
Moderate-income	123	17%	87,549	15%
Middle-income	297	41%	287,743	49%
Upper-income	163	23%	163,828	28%
N/A (income not available)	21	3%	N/A	N/A
Total	719	100%	590,382	100%

Source: 1990 U.S. Census

The economy of the Cleveland MSA is stable with unemployment at 3%. Households receiving public assistance represent 9% of all households. A significant portion of LMI census tracts are located in the City of Cleveland and in Lorain County. Major employers in the assessment area include the transportation, insurance, telecommunications, and financial services industries.

Our examination initiated two community contacts, and we reviewed ten community contact interviews performed by federal financial institution regulators during 1996, 1997 and 1998. We 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 needs of the assessment area include: additional venture capital for small business development, initiatives to increase home ownership among low- and moderate-income residents, rental unit rehabilitation programs designed to bring rental housing stock up to local codes, the creation of additional affordable housing units for LMI persons, and credit counseling for LMI persons.

Conclusions with Respect to Performance

MBO made \$642,000 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 MBO'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. MBO's investments and services reflect adequate responsiveness to the assessment area's community development needs.

Community Reinvestment Act

May National Bank of Ohio

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 MBO and May National Bank of Arizona for CRA purposes. The following are examples of significant investments and services generated by MBO and May Company:

Significant MBO Investments

- \$387,000 to the local chapter of a nonprofit organization that solicits contributions and distributes funds to organizations that provide community development services.
- \$65,000 to a credit counseling organization. The organization educates and counsels LMI individuals on credit usage and debt management issues. MBO provides funds for credit education, money management counseling, and home ownership courses. In addition, an MBO officer serves as a member of the group's Board of Trustees.
- \$58,000 to a nonprofit organization devoted to developing affordable housing in Cleveland's neighborhoods, with special emphasis given to serving low-income families and promoting home ownership.
- \$44,000 for construction of a home in Lorain, Ohio. The local chapter of a grassroots organization channels community donations of time, expertise, money, and physical resources toward construction of LMI homes. An innovative feature of this program requires homeowners to contribute their own sweat-equity in exchange for a 0% mortgage which will generate a payment stream to the organization. These payments will partially fund future construction projects.
- \$29,000 for job placement and rent assistance programs managed by an agency promoting economic equality for minorities and LMI persons.
- \$17,500 to a program which prepares LMI students for opportunities in the workforce and higher education. This innovative program uses a national school-to-career model based on the premise that there is a gap between the secondary classroom and the demands of the adult workplace.

MBO Services

- MBO executives contribute time and expertise to several of the programs outlined above as teachers, board members, and advisors. In addition, bank staff serve the community in projects as varied as development of a credit education program for young people, and through participation in a community-wide CRA task force.

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

Community Reinvestment Act

May National Bank of Ohio

- \$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.