



**Comptroller of the Currency
Administrator of National Banks**

PUBLIC DISCLOSURE

December 13, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FDS National Bank
Charter Number 22579

9111 Duke Boulevard
Mason, Ohio 45040

Office of the Comptroller of the Currency
Ohio Valley Field Office
440 South LaSalle Street, Suite 2700
Chicago, Illinois 60605

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.

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 operations 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 **FDS National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 13, 1996**. 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 the 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 CFR Part 25.

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

The period under review for this bank begins with the opening of FDS National Bank (FDSNB) on September 8, 1993 and carries through December 12, 1996. During the period ending September 30, 1996, FDSNB showed net earnings before taxes and extraordinary items of \$13,822,000. During this same period, its community development investment activities, taking into account the activities of FDSNB and its owner, Federated Department Stores (FDS) (through FDS's wholly-owned subsidiary The Financial and Credit Services Group, Inc. [FACS]) have totaled approximately \$3,375,000. This represents nearly 25% of FDSNB's earnings over the entire period.

Despite the volume of investments that have been made, the fact that none are considered to be innovative or complex is the primary reason for the assignment of an overall rating of satisfactory.

Description of Institution

FDSNB was designated a limited purpose bank for CRA purposes on February 26, 1996. As such, the bank is evaluated on its community development investment and service activities.

FDSNB was chartered under the Competitive Equality Banking Act of 1987 (CEBA) on September 8, 1993. As a CEBA bank, its activities are limited by law to performing services related to the issuance and ongoing maintenance of a credit card lending portfolio. It may not engage in the business of making or purchasing commercial, residential, or retail oriented loans, with the exception of credit card loans. This prohibition significantly limits FDSNB's

ability to participate in community development activities for CRA purposes. In addition to these legal restrictions, FDSNB's ability to provide community development services is also limited by the size of its staff (12) and the specialized nature of the staff's financial expertise.

FDSNB is located in Mason, Ohio, a suburb of nearby Cincinnati, Ohio. The bank is a wholly-owned subsidiary of the Financial and Credit Services Group (FACS Group Inc. or FACS), itself a wholly owned subsidiary of Federated Department Stores (FDS). FDS is one of the nation's leading department store retailers with approximately 411 department stores and 150 specialty stores in 36 states. The largest concentration of credit card holders are in California, New York, New Jersey, Florida, Washington and Ohio. FDSNB owns the proprietary credit card accounts for all of the FDS stores - Bloomingdales, Macy's, Lazarus, Rich's, Goldsmiths, The Bon Marche, Sterns, and Burdines. In addition, it issues bank credit cards which are co-branded with certain department store divisions. As of September 30, 1996, FDSNB had total assets of approximately \$93 million. Of this amount, \$72 million were the bank credit card balances. Proprietary card balances are sold daily to a bank affiliate.

Description of Assessment Area

FDS National Bank (FDSNB) has defined its assessment area as Deerfield Township, Warren County, Ohio. Its one office is located in that township.

Warren County is part of the Cincinnati metropolitan statistical area (MSA #1640). The demographic makeup of Deerfield Township is significantly different than that of both Warren County and the MSA within which it is contained. Deerfield Township residents, in general, are more likely to be middle or upper income than the residents of Warren County, or the Cincinnati MSA. These differences are shown in Exhibit-4.

Demographic information on FDSNB's assessment area is presented in Exhibits 1, 2, and 3, which follow:

Exhibit - 1

Population						
	<i>Total Population</i>	<i>Population Over 65</i>	<i>Households below Poverty Level</i>	<i>Households on Public Assistance</i>	<i>Total Families</i>	<i>Total Households</i>
	26,431	1,654	290	237	7,389	9,489

Source: US Census Bureau, from CRAWiz, PCI Inc.

Exhibit - 2

Housing							
	<i>Owner-Occupied</i>	<i>Rental-Occupied</i>	<i>1-4 family units</i>	<i>Multi-Family Units</i>	<i>Mobile Homes/ Trailers</i>	<i>Vacant Units</i>	<i>Total Units</i>
	7,277	2,138	8,403	1,269	84	427	*9,842

Source: US Census Bureau, from CRAWiz, PCI Inc.

* Not all categories of housing are included in this table; therefore, the addition of the six categories shown above will not equal the figure shown under total units.

Exhibit - 3

Families Arranged by Income Level and Income Level of Tract						
	<i>Census Tracts</i>	<i>Total Families</i>	<i>LI Families</i>	<i>ModI Families</i>	<i>MI Families</i>	<i>UI Families</i>
<i>LowInc Tracts</i>	0	0	0	0	0	0
<i>ModInc Tracts</i>	0	0	0	0	0	0
<i>MidInc Tracts</i>	1	534	76	140	97	221
<i>UppInc Tracts</i>	5	6,855	414	645	1,569	4,227
Totals	6	7,389	490	785	1,666	4,448

Source: US Census Bureau, from CRAWiz, PCI Inc

Exhibit - 4

Comparative Information for the General Market Area			
	<i>Deerfield Twp.</i>	<i>Warren County</i>	<i>Cincinnati MSA</i>
<i># of Census Tracts</i>	6	29	373
<i># of Low Income Tracts</i>	0	0	39
<i># of Moderate Income Tracts</i>	0	3	80
<i>% of Families which are Low Income</i>	7%	14%	20%
<i>% of Families which are Moderate Income</i>	11%	16%	18%

The largest private employer in Deerfield Township is The FACS (Financial & Credit Services Group) Group, which is the parent company of FDSNB. Other large employers are the Proctor and Gamble Health Care Research Center and Cintas.

The United Way of Warren County prepared a detailed Community Needs Assessment from mid-1994 to mid-1995. The assessment was prepared because of a perception in the county that its rapid rate of growth (Warren County is presently the fastest growing county in Ohio) might be creating unforeseen difficulties for both present and would-be residents. A broad cross-section of county residents took part in the process. The top three needs identified by this group were:

- 1) *Affordable Housing* -- Start an education program for the general public, political leaders, and service providers dealing with issues that relate to the development of affordable housing in Warren County;
- 2) *Employment/Training* -- Develop an integrated or unified service delivery system (“one-stop career center”) available to all job/training seekers and employers;
- 3) *Low income/Basic Needs* -- Provide additional child care services - especially for second and third shift parents because these are the shifts most accessible to entry level workers.

Conclusions with Respect to Performance

FDSNB has followed a comprehensive coordinated strategy designed to ensure CRA performance since its creation. This strategy has included direct investments/contributions into FDSNB's assessment area, to the extent feasible, and more broadly targeted contributions in the general Cincinnati area in conjunction with its parents, FACS and FDS.

FDSNB has engaged in a number of community development investment programs:

- 1) It has placed a \$25,000 deposit in the Cincinnati Central Credit Union to support small business lending in the Over-The-Rhine community in Cincinnati. Any interest or dividend payable on this deposit has been waived;
- 2) It granted \$2,500 to the Greater Cincinnati Housing Alliance for supporting the housing alliance's affordable housing goals;
- 3) It granted \$2,500 to Cooperative Fiscal Services (a social and small business service organization in the Over-The-Rhine community) to assist them with their programs in economic education and providing financial services in their community;
- 4) It granted \$5,000 to the Warren County First-Time Home Buyers Assistance Program in order to help newcomers purchase and/or rehabilitate affordable older housing in the county. FDSNB requested, and it was agreed, that persons wishing to buy in Deerfield Township would receive preference in the moneys derived from FDSNB's grant. This grant was made in direct response to the previously discussed need identified in the local community needs assessment;
- 5) FDSNB has rebated approximately \$6,500 to the local Community Credit Counseling Service (CCCS) for the services it has provided to FDSNB customers: a significant number of the customers which CCCS has helped are low- and moderate-income persons;
- 6) And, finally, FDSNB has contributed approximately \$25,000 to the United Way since 1993. Our analysis of the local United Way's distribution pattern showed that 35% of its dollar contributions went to programs meeting the definition of community development contained in the CRA regulation (12 CFR 25). Consequently, we assign \$8,750 ($25,000 \times .35$) in community development credit to these investments.

The total amount of the investments considered above is approximately \$50,000.

FDSNB staff have also been involved in community development service activities. The most notable of these was the involvement of the Chief Financial Officer of FDSNB in providing financial counsel to a non-profit organization in determining the feasibility and desirability of acquiring an apartment complex to provide affordable housing for the elderly.

This project was completed and includes rent subsidies provided by the non-profit organization where needed.

FDSNB has also requested that we take into account the community development investments made by its parent corporations, FACS Group, and FDS (including community development investments made by the FDS Foundation).

The FACS group has two principal commitments of funds to community development investment:

- 1) FACS makes significant ongoing contributions to CCCS programs around the United States. It has rebated the following amounts during the period under review -- 1993 - \$429,000; 1994 - \$390,000, 1995 - \$763,000, and through September 30, 1996 - \$883,000 for a total contribution of \$2,465,000.
- 2) FACS makes significant ongoing contributions to the local area United Way programs. The total contribution of FACS to United Way during this period was \$1,091,000. Using the same adjustment used above on the FDSNB contribution, we assign \$382,000 in community development credit to this investments.

The total amount of the investments by FACS considered above is approximately \$2,847,000.

Finally, we will consider the investments made by the parent (FDS) of both FDSNB and FACS.

- 1) FDS makes significant ongoing contributions to the local area United Way programs. The total contribution of FDS to United Way during this period was \$532,000. Accordingly, we assign \$186,200 ($532,000 \times .35$) in community development credit to this investment.
- 2) FDS also makes direct contributions to a wide range of educational, cultural, and social service organizations within the greater Cincinnati area. Our analysis of these programs indicates a similar distribution (35%) to programs that meet the definition of community development within the CRA regulation. Accordingly, FDSNB received a total of \$273,000 in community development credit from these direct investments.

Compliance with Antidiscrimination Laws and Regulations

Our examination did not disclose any violations of the antidiscrimination laws and regulations.

Scope of Examination

This examination was conducted in accordance with the standard procedures for limited purpose institutions. All community development investments and services presented by bank management were reviewed in detail to ensure they qualify for consideration under the Community Development test. We also considered activities from affiliated organizations as allowed by the regulation.