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Comptroller of the Currency  
Administrator of National Banks

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Central District  
One Financial Place, Suite 2700  
440 South LaSalle Street  
Chicago, IL 60660

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

July 31, 1996

Key Bank USA, National Association  
Charter # 22908  
127 Public Square  
Cleveland, OH 44114

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 **Key Bank USA, National Association** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 31, 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 **Outstanding**.

The reason for this bank's Outstanding rating is found in its volume of community development investments. During the nine months (approximately) Key Bank USA, National Association (KBUSA) has been open, it has invested over 9% of its after tax net income (approximately 5.8% of pre-tax income) in community development investments. This is a level substantially above that normally seen in this industry.

### Description of Assessment Area

KBUSA has defined its assessment area as Cuyahoga County, Ohio. Its one office is located in that county. Demographic information on the county is as follows:

Exhibit - 1

<b>Population</b>						
	<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>
	1,412,140	220,659	77,161	58,858	373,183	563,303

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

Exhibit - 2

<b>Housing</b>							
	<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>
	348,985	214,258	456,456	136,205	3,225	41,295	604,538

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

Exhibit - 3

<b>Income</b>								
	<i>LMI Census Tracts</i>	<i>MI Census Tracts</i>	<i>UI Census Tracts</i>	<i>Total Census Tracts</i>	<i>LMI House-holds</i>	<i>MI House-holds</i>	<i>UI House-holds</i>	<i>Total House-holds</i>
	200	176	110	499*	168,209	247,809	147,163	563,303**

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

\* Total number of tracts may not add due to unclassified tracts

\*\* Total number of households may not add due to rounding

Exhibit - 4

<b>Families Arranged by Income Level and Income Level of Tract</b>					
	<i>Census Tracts</i>	<i>Total Families</i>	<i>LMI Families</i>	<i>MI Families</i>	<i>UI Families</i>
<i>LMI Tract</i>	200	105,373	72,298	19,344	13,732
<i>MI Tract</i>	176	159,460	55,249	46,595	57,633
<i>UI Tracts</i>	110	108,350	18,634	20,345	69,368
<b>Totals</b>	<b>499</b>	<b>373,183</b>	<b>146,181</b>	<b>86,284</b>	<b>140,733</b>

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

The principal employers in Cuyahoga County are: the U.S. Department of Defense, the medical services business (including Blue Cross/Blue Shield of Northern Ohio, The Cleveland Clinic, and University Hospitals among others), and financial services businesses (including KeyCorp and National City Corp among others). There also continues to be a strong manufacturing sector principally related to the automotive businesses.

## **Description of Institution**

Key Bank USA, National Association (KBUSA) commenced operations on September 5, 1995. It has one office, located on the eighth floor of 127 Public Square, Cleveland, Ohio.

KBUSA provides the following consumer loan services: credit cards, educational loans, indirect automobile loans, and indirect marine/RV loans.

“Indirect” loans are loans which are generated by a dealer of a product (in this case, automobiles, boats, or recreational vehicles) for a bank under a previously negotiated arrangement. The bank will provide the dealer with a listing of terms and interest rates on a regular basis. The dealer then submits the loan application generated in connection with the sale of his/her product to the bank. The bank determines whether to make the loan, and communicates its decision back to the dealer. The relationships between dealers and banks are most frequently not exclusive, i.e., dealers may send applications for credit to several banks at once.

KBUSA obtains the funds to lend through newspaper and direct mail advertisements of Certificates of Deposits, Super N.O.W (Negotiable Order of Withdrawal), Money Market and Individual Retirement Accounts. Each of these types of accounts has a minimum deposit requirement, with the lowest being \$1,000 for an Individual Retirement Account.

Exhibit - 5

<b>Financial Performance of KBUSA</b>		
	<i>Total Assets (000's)</i>	<i>Total Income (000's)</i>
<i>December 31, 1995</i>	\$2,046,968	\$12,128
<i>June 30, 1996</i>	\$2,329,055	\$15,394

Source: KBUSA Internal Reports

On March 29, 1996, the OCC approved the designation of KBUSA as a limited purpose bank for the purposes of the Community Reinvestment Act. There are no legal impediments to KBUSA fulfilling its obligations under CRA.

## Conclusions with Respect to Performance

Since its opening, KBUSA has made three major investments in community development programs.

- 1) \$1 Million in the Enterprise Housing 1995 Limited Partnership -- This is a fund organized and managed by the Enterprise Social Investment Corporation (ESIC) upon the recommendation of Neighborhood Progress, Inc (a local intermediary neighborhood funding program) and Cleveland Tomorrow (a business roundtable group working to create a vision for the community through developing initiatives for the private and public sector for development and stabilization the community). This fund is specifically designed to create housing, in conjunction with a supportive social services system, for the homeless and persons with special needs in Cuyahoga County. It would work at developing conventional housing units and single room occupancy (SRO or multi-family) rental units.
- 2) \$1 Million in the National Equity Fund 1995 Limited Partnership -- This is a fund organized and managed by the Local Initiatives Support Corporation (LISC). This fund was also designed in conjunction with Neighborhood Progress, Inc. and Cleveland Tomorrow. It provides funding to local community development corporations (LDC's) to assist them in a wide range of activities. There are a number of projects in Cleveland/Cuyahoga County which are supported by this fund: a) Northeastern Neighborhood Homes II (Northeastern Neighborhood Development Corp. & Lutheran Housing Corp), a project which will provide 40 new and 10 rehabilitated homes; b) CHN New Construction III (Cleveland Housing Network), a project which will provide 45 new single family homes; c) Gabriel's Green - Phase I (Bell Burten Carr Development Corp. & Lutheran Housing Corp), a project which will provide 40 elderly and 15 single family homes.
- 3) \$500,000 Loan to the Ohio Mezzanine Fund -- This is a fund which has been supported by a consortium of local financial institutions. Its primary activity will be to provide "mezzanine financing" and to finance requests that are considered "not bankable" by the local financial community, since they do not meet conventional bank credit underwriting standards. The typical small business which the Fund would finance would be one that meets most conventional credit criteria but which lacks sufficient equity to support its desired growth. A small business for this fund is one that meets the definition used by the U.S. Small Business Administration.

Ultimately the loan to the Ohio Mezzanine Fund will be evaluated as a community development loan, since KBUSA will be entitled to claim a pro-rata share of the Fund's loans as its own. The fund is just beginning to contact potential customers/beneficiaries of its programs, so we consider the \$500,000 an investment, since the commitment was necessary to organize the fund.

KBUSA, through its employees, is also beginning to develop Community Development Service Affiliations. It is presently providing technical and/or financial support to the Cleveland Education Fund, Cleveland Housing Network, Cleveland Works, Inc., Greater Cleveland Habitat for Humanity, and Towards Employment.

Fair lending practices and procedures were reviewed in conjunction with the examination of KeyBank National Association, Cleveland, Ohio. No violations of the substantive provision of the antidiscrimination laws and regulations were identified.