



LIMITED PURPOSE

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 3, 2003

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**Talbots Classics National Bank
Charter Number 24015**

**4 Blackstone Valley Place
Lincoln, RI 02865**

**Comptroller of the Currency
Large Bank Supervision
250 E Street, SW
Washington, D.C. 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.

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Institution's CRA rating:

This institution is rated "Outstanding."

The conclusions for the three rating criteria are:

- The bank and its affiliates demonstrate a high level of community development activities in this evaluation period, particularly qualified investments and community development services, that are not routinely provided by private investors in the Providence, RI/Fall River, MA MSA Assessment Area (AA). Talbots Classics National Bank (TCNB) adequately addressed community development needs within its AA, which allowed consideration of its affiliate's activities outside the AA. The bank's performance, coupled with significant levels of qualified grants from its affiliate, results in a strong CRA performance.
- The bank demonstrates extensive use of qualified investments that leverage and link multiple social service agencies in such a way as to be innovative and demonstrate management's leadership in addressing specific needs.
- The bank demonstrates excellent responsiveness to community development needs in its assessment area.

Scope of the Examination

In evaluating the bank's performance under the CRA, we reviewed community development activities from July 5, 2000 through December 31, 2002. We reviewed the level and nature of qualified investments and community development services. At the bank's request, we also considered qualified investments and community development services provided by its affiliates. This is the initial examination of this bank.

TCNB presented community development investments originated and community development services provided during the evaluation period by its affiliate, The Talbots, Inc. (TTI) for our consideration.

As part of the examination scope, we considered community development (CD) activities outside the institution's assessment area in reaching our performance conclusion. TCNB adequately addressed the needs of its assessment area. Therefore, qualified investments and community development services outside of its assessment area are considered in evaluating its performance.

Description of Institution

Talbots Classics National Bank, TCNB, is a limited-purpose (credit card) bank headquartered in Lincoln, Rhode Island. TCNB is an affiliate of The Talbots, Inc. (TTI), a publicly traded retail company listed on the New York Stock Exchange (NYSE) with the ticker symbol "TLB". TCNB was designated a limited purpose bank for evaluation under the Community Reinvestment Act on July 5, 2000. Its activities are limited to credit card activities described in 12 U.S.C. 1841 (c)(2)(F). TCNB is chartered under the Competitive Equality Banking Act (CEBA) of 1987 which limits its operation as a full service banking institution, and restricts lending to credit cards. TCNB provides credit card services to nearly 1.5 million customers of TTI. The proprietary credit card is a private label credit access instrument and may only be used to purchase merchandise through a TTI catalogue or retail store. TCNB does not accept deposits from the general public nor seek deposits from brokers. Its principal offices are at 4 Blackstone Valley Place in Lincoln RI, a suburb of Providence, RI. This single location includes operating facilities for 11 of its 12 employees. One employee maintains her primary office at TTI in Hingham, MA. TCNB has no branch bank offices.

Current operations evolved from credit card activities originated by TTI. On July 5, 2000, the TTI credit card portfolio was purchased and merged into TCNB. At the same time, the outstanding credit balances were sold to Talbots Classics Finance Company (TCFC), another affiliate of TTI. TCNB acquires accounts through retail and catalog operations of TTI and to lesser degree from direct mail to existing TTI customers. TCNB has assets totaling \$9.1 million and another \$202 million under management.

TCNB has a modest capacity with which to help meet the credit needs of its assessment area (AA). Charter limitations, specifically on lending products, preclude underwriting community development loans. As well, extremely low staff levels inhibit participation in a large number of community development services. Acknowledging these limitations, TCNB adopted an independent and focused strategy. TCNB emphasizes an historic focus of its affiliate TTI and is helping meet specific needs of women and children in its AA. As well, TCNB strives to enable low-income women to transition into stronger economic circumstances. Community development investments in its assessment area focus on this strategy.

Qualified investments and community development services of affiliates are not counted elsewhere in performance tests under CRA. As a result, we were asked to analyze and include several investments made by TTI that are both inside and outside TCNB's AA. The most significant examples include gifts in kind, and consumer credit counseling service contributions.

TTI is a national specialty retailer and cataloger of women's and children classic apparel, accessories and shoes. A men's line is recently initiated. At fiscal year end, February 1, 2003, TTI reported revenue of \$1.6 billion. It operates 910 outlets, up from 886 at fiscal year end, and circulates 50 million catalogs. Roughly 41 percent of sales are placed on charge cards issued by TCNB. TCI is headquartered in Hingham, Massachusetts, and a Boston suburb.

Generally, TCNB sells all of its receivables. During the evaluation period, 100% of receivables

were securitized and sold to an affiliate of TTI. Please refer to Table 1 for financial highlights.

Table 1: Financial Information (000s)

| | Year-end 2000 (annualized) | Year-end 2001 | Year-end 2002 | Average for Evaluation Period |
|---------------------------------|---|--------------------------|--------------------------|--|
| Tier 1 Capital | 2,181 | 2,337 | 2,569 | 2,362 |
| Total Income | 362 | 356 | 731 | 483 |
| Net Operating Income | 362 | 356 | 731 | 483 |
| Total Assets | 8,007 | 8,632 | 9,085 | 8,575 |
| Pass-Through Receivables | 153,629 | 192,382 | 204,466 | 183,492 |

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

Description of Assessment Area

TCNB designates the multi-state Providence, RI/Fall River, MA MSA as its assessment area; it meets the regulatory requirements for an AA. This mainly urban assessment area contains 274 geographies and nearly 1.2 million people. The majority of the AA is in Rhode Island, the smallest and second most densely populated state in the Union. Four percent of the geographies are low-income and 22 percent are moderate-income. Thirty-seven percent of families are low- or moderate-income (LMI), including 11 percent of families having income below the poverty level. The updated weighted average median family income of the MSA is \$54,245.

Population centers include Providence, Fall River, Pawtucket, Woonsocket, and Central Falls, all of which are older industrial cities. Rhode Island also has one of the oldest populations, and 15 percent of families in the AA are over 65. The population is predominately (91 percent) white. Minority populations are concentrated; 80 percent live in just seven communities. The cities of Providence and Central Falls reflect poverty rates twice the average of the AA.

The region's residents employed in goods-producing industries are substantially fewer in number than was evident ten years ago, while the service producing sector accounts for the most growth and employment. High technology and financial operations centers are relatively new to the area, in part, because the proportion of the adult population having a college degree or better (20 percent) is one of the lowest in all of the New England MSAs. As a result, the state's economy did not display the boom-like qualities of neighboring states during the late stages of the past expansion, and the national recession's cyclical impact was more muted in Rhode Island than in neighboring states. Nevertheless, economic progress is being made and proximity to employment in Massachusetts and Connecticut keeps unemployment manageable at 3.6 percent.

While this is higher than the other New England states, it is lower than the national average of 4 percent. Goods producing sectors include manufacturing, fishing, and construction. They contribute about 17 percent of total personal income. Major manufacturing-sector employers include Trifari, Monet, and Vargas in jewelry; A.T. Cross and Quill in pens; Hasbro in toys; G-Tech in lottery machines; Brown & Sharpe in navigation equipment; and Raytheon in medical

equipment. Rhode Island’s service producing sector contributes about 50 percent of total personal income. Employment has increased in all areas except wholesale and retail trade. Wage rates are generally among the lowest in this sector and concerns over “living wages” are beginning to surface. Major sector participants include Fleet and Citizens in banking; Fidelity in financial services; Lifespan, St. Joseph, and Roger Williams in health care; Brown University, Rhode Island School of Design, and University of Rhode Island in higher education; and the U.S. Navy’s Naval Undersea Warfare Center.

The weighted average updated median income of this MSA is not strong. It is lower than comparative incomes in the MSAs of Burlington, VT and Manchester, NH. It is less than \$1 thousand higher than the median income of the MSA in Portland, ME. Population levels have decreased substantially from levels seen ten years ago. After several years of out-migration, population and levels of resident employees appear to be stabilizing. Housing values are lower than in surrounding states, and they have increased more slowly than during the evaluation period. Nevertheless, the current market reflects increases far outdistancing increases in income. The weighted average value of housing is high compared to the incomes of low- and moderate-income families. The median cost of housing stock is \$134,703 compared to low-income family income of \$27,123 and moderate-income family income of \$43,396.

Competition for banking services is strong in the Providence, RI/Fall River MA MSA. Approximately 24 full service financial institutions, including the headquarters of one and the former headquarters of another large interstate bank, vie to serve the local customer base. There are 251 banking offices in the AA. As well, Fleet Bank Rhode Island, Fleet Bank’s credit card bank in headquartered in this MSA; it’s the eighth largest credit card bank in the country. All of these institutions provide strong competition for community development activities. Competition for community development investments for a credit card, CEBA-chartered, institution is particularly keen due to its charter limiting constraint that prohibits meeting credit needs in the AA by traditional lending activities.

Table 2: Assessment Area Description

| Demographic Characteristics | Number | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA % of # |
|------------------------------------|---------------|-------------------|------------------------|----------------------|---------------------|------------------|
| Geographies | 274 | 4.0% | 21.9% | 54.4% | 17.5% | 2.2% |
| Families* | 314,103 | 1.8% | 18.5% | 60.0% | 19.7% | 0 |
| Small Businesses** | 48,572 | 5.0% | 14.0% | 61.0% | 20.0% | 0 |

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data. *Represents families by income level. **Represents businesses by income level of census tract.

Two community contacts were made as part of this evaluation. Both identified poverty as a critical social concern. Also, both identified low levels of education and training as the primary cause of poverty. Lack of income and low-levels of income generate other social needs, not the least of which are sustenance (food) and safe shelter (affordable housing). While both of these agencies are providing basic needs, food and shelter, both are committed to the process of

transitioning poverty level and low-income families to more economic independence. They have found that managing a paycheck, no matter how small, is a new and challenging experience for many. At the same time, the Providence, RI/Fall River, MA MSA is one of the most ethnically diverse areas in the country. The Latino population in Providence is the fastest growing population in the city. By way of financial literacy, “one-size”, training programs have been found to not fit all who can benefit from training. Languages and cultures are impediments to standard English-language, classroom training. Training materials need to be in more than one language. Facilitators most familiar with a particular agency are more effective than “outside consultants.”

One community contact manages a transition housing facility for low-income single parent families. After 24 months of subsidized housing and on-going training, the families are expected to have a level of financial independence and the life management skills to move into less structured communities. More than 160 families have transitioned through this program. The opportunities for bank involvement are many and diverse. TCNB was referenced as a new and deeply committed member of the financial community helping to enhance resident’s financial literacy through its innovative participation.

The other contact provides specialized services to a network of other social action agencies. One need to which solutions are being developed is empowering low- and moderate-income women, many of whom are head of households, with training and skills in money management, budgeting, banking, credit, and taxes. In non-English speaking, non-white families, women are much more likely to have little or no knowledge of these subjects. This contact stated that their Economic Empowerment Program has many opportunities for financial institutions to participate. Examples include funding for training materials in multiple languages, bi-lingual speakers, providing training facilities, and offering premiums or vouchers to help open bank accounts. TCNB was referenced as a bank that has taken a leadership role in helping low-income women gain training essential to enhancing the management of their families.

Conclusions About Performance

Summary

- ❖ TCNB and its affiliates demonstrate high levels of community development activities in this evaluation period. TCNB's level of community development activities in its Providence, RI/Fall River, MA assessment area is excellent based upon performance context issues that include the bank's limited financial capacity, its short period of time in business, its low number of employees, and strong competition for community development opportunities. TCNB made \$291 thousand in qualified investments that directly benefit its assessment area. Based on a review of CRA Performance Evaluations of the other limited purpose (CEBA credit card) institutions and the largest full-service bank headquartered in the assessment area, TCNB's ratio of investments was higher than those banks, both of which have substantially greater resources. TCNB provided a high level of CD services in relation to its capacity. Activities demonstrate leadership in addressing low- and moderate-income women's needs.

In addition, TCNB affiliate's CRA-related activities enhance the bank's CRA performance. The affiliate provides a significant level of qualified community development grants inside as well as outside the bank's immediate assessment area. Ten grants inside the AA total \$67 thousand and more than 150 grants outside the assessment area totaling \$2.8 million demonstrate a strong leadership commitment by the parent company to provide assistance to programs that help improve the quality of life for disadvantaged women and children. Please see Table 3.

- ❖ TCNB develops and participates in innovative community development projects that address and help resolve needs previously un-met.
- ❖ TCNB demonstrates excellent responsiveness to the community development needs of very low-income women in its Providence, RI/Fall River, MA assessment area. The bank researched specific needs of this under-served population and contributed investment and service assets to help address critical needs. TCNB's participation includes grant-money for training programs, meeting space for training, staff skills in organizing and accomplishing critical objectives, and staff skills in raising money, and donations of food. As well, TCNB's parent was an active participant.

Qualified Investments

During the evaluation period, the bank provided qualified community development investments of \$291 thousand to their assessment area. The bank's investment in the AA is a \$250 thousand equity investment in a Community Development Corporation's investment fund. As well, ten qualifying, community development grants were made by the bank totaling \$41 thousand.

TCNB's affiliate, TTI, made ten qualified grants in the AA during the evaluation period. The total of these additional investments is \$67 thousand. As well, TTI made more than 150

qualified CD donations outside the AA totaling \$2.8 million. The service agencies receiving these grants, primarily as gifts-in-kind, qualify as meeting the primary purpose of community development.

Overall, TCNB and its affiliate made investments and grants totaling more than \$3.1 million, or 133 percent of average Tier 1 Capital.

The bank demonstrates extensive use of qualified investments that are innovative and demonstrate management’s leadership in providing specific services to low- and moderate-income women and children. Five of ten bank grants provide for specific financial training for low- and moderate-income women. This initiative has expanded and evolved into a stand-alone training program being offered through out the AA and New England. As well, the bank’s involvement in strategic planning for low-income women’s training program links a consortium of other agencies in such a way that leverages the investment dollars across a much wider spectrum than previously demonstrated. Five other donations were accepted into receiving agencies’ general fund for use helping LMI individuals help themselves solve housing and money management problems.

The financial training grants are characterized as innovative and not routinely provided by private investors. Factors that make these grants distinctive include the following:

- Funds provide financial training services to women not otherwise available;
- Funds were put to work in a strategic plan that leveraged benefits across a network of more than 20 social service agencies, rather than providing benefit to the constituents of an individual agency. This is the first time such a training initiative has been launched; and
- Funds were used in programs that linked bank staff participation to community development service opportunities.

Table 3: Qualified Investment Activity (\$000s)

| | Benefits AA | Outside AA | Totals |
|------------------------------------|--------------------|-------------------|---------------|
| Originated Investments | 250 | 0 | 250 |
| Originated Grants | 108 | 2,794 | 2,902 |
| Total Qualified Investments | 358 | 2,794 | 3,152 |

Table 4a: Qualified Investment Percentages

| | Benefits AA (%) | Outside AA (%) | Total (%) |
|---|------------------------|-----------------------|------------------|
| Total Investments/Average Tier 1 Capital | 15.2 | 118.3 | 133.4 |
| Total Investments/Average Total Income | 74.1 | 570.2 | 652.6 |
| Total Investments/Average Pass-Through Receivables | .2 | 1.5 | 1.7% |

The following examples illustrate the most significant community development investments and grants by TCNB and its affiliate. They benefit the Providence, RI/Fall River, MA MSA AA, the greater statewide area of Rhode Island, and broad regional and national areas that include the AA.

Financial Training and Education---one of the top three needs in the AA. The AA has one of the country's highest poverty levels and lowest education levels among all residents.

- Two donations totaling \$17,500 to an Economic Empowerment Program that develops financial management skills for low-income women. TCNB helped design this program, the first of its kind in this area. As well, TCNB fostered the availability of this program to more than twenty social service agencies it had met while researching area needs. This linkage to multiple agencies and fostering the use of “train-the-trainer” principles was innovative in this service sector and AA and demonstrated leadership in financial training. TCNB evidenced further leadership of this program by contributing meeting space and staff participation for the inaugural training seminar. After the first two-day training in bank facilities, follow-on sessions have been held in two other AA locations. The Economic Empowerment Program is now seeking financial support to take this training to adjoining states. Despite acknowledged success with this investment, TCNB found that a growing Latino population in its AA had more difficulty with the educational concepts than some others. As a result, TCNB immediately addressed this issue and made a follow-on contribution to translate all teaching material and handouts to Spanish. Participating agencies are finding beneficial results.
- Two donations totaling \$7500 to an agency supporting a 22-unit transitional housing facility for low-income single parent families. TCNB's first donation matched another grant earmarked for financial literacy training. In their second donation, the bank help initiate another financial literacy program in English and Spanish supporting identified needs in this agency's training programs. Overall, funding supports programs that help low-income families achieve economic independence.
- Three grants totaling \$106 thousand to the Consumer Credit Counseling Service as allocations to assist in financial, credit, and family budget programs, primarily for low- and moderate-income families.

Affordable Housing---the number one need in the AA according to community contacts.

- A \$250 thousand equity investment in a regional Community Development Corporation's investment fund. Funds were used to underwrite four units of affordable single-family mortgages to LMI borrowers in the state of Rhode Island.
- Two donations totaling \$4500 to a homeless shelter in Providence.
- Twelve donations totaling \$6500 to shelters, Habitat for Humanity projects, and agencies providing shelter in Massachusetts and Rhode Island.

Food---a need identified by community contacts serving families in subsidized housing.

- Two donations totaling \$10 thousand to a community food bank serving low-income individuals and families in Providence.

Clothing—a need identified by community contacts serving poverty-level families trying to transition into the work force and needing to dress appropriately.

- Three donations of women’s clothing totaling \$46 thousand to a service agency that provides appropriate clothing to low-income women transitioning into the workforce
- Seven donations, from affiliate outlets in Rhode Island, of gifts in kind (women’s and children’s clothing) totaling \$67 thousand. The clothing went to service agencies in the AA and a broader statewide Rhode Island area that includes the AA. The agencies provide work-appropriate outfits for low-income women interviewing for jobs or who are new to the working world
- 136 annual donations, from regional and nationwide affiliate outlets, of gifts in kind clothing totaling \$2.6 million to social service agencies individually qualified as meeting the community development primary purpose test. The gifts in kind are provided as clothing only.

Community Development Lending

Evaluation of CD Lending is not applicable. TCNB’s charter restricts its lending to credit cards. As a result, it cannot directly originate community development loans.

Community Development Services

- The bank demonstrates excellent responsiveness to community development needs in its assessment area.

Performance context issues make accomplishments, under this test, more difficult for this bank than performance for a more traditional bank or a bank of longer standing. Examples of issues that hinder performance include the following.

- There are a small number of bank employees in the evaluation period; the average number of bank employees in the evaluation period is 11.
- Time was critical. Forming the bank and ensuring its success consumed staff time and overtime during the evaluation period. The bank was chartered in July 2000, and this is its first CRA examination.
- Assessment area needs were unknown. The assessment area, related needs, and CD service opportunities were not previously known. Not only was the bank new, it was

new to this area.

Despite performance context issues, TCNB's level of community development services is high. As well, CD services evidence innovative community education and activities, meeting needs not previously met.

The services provide a highly positive impact on the assessment area. Two services complement qualified investments in the AA and respond direct to community needs identified by community contacts. As stated earlier, the investments evidence innovation through their educational programs and cooperation with other agencies. As a result, the services provided by bank staff that helped social service agencies fulfill the positive impact of investments are also innovative. A description of each follows.

- A bank manager serves on the Strategic Plans Committee of the Economic Empowerment Program of the Women's Institute for Housing and Economic Development. The Training Committee of the Economic Empowerment Program identified a need to provide financial literacy training for women in a sub-section of the AA. The bank manager through her involvement on the Strategic Plans committee helped formulate the financial literacy training initiative for low-income women.
- Another bank manager who is responsible for corporate facilities and premises, including the bank building, arranged for an Economic Empowerment Program training seminar to be held in the bank.

Within the AA, another CD service provided a positive impact upon identified needs. A bank employee organized and administered a benefit function in conjunction with a local long-term transitional housing program for battered, addicted, and low-income women and children. Proceeds help purchase housing facilities for service agency clients.

As well, the bank's affiliate operates three outlets in the assessment area. The outlets do not provide financial services. However, staff from each outlet developed, organized, and administered a functioning partnership with a local social service agency to collect and distribute food and clothing for poverty level and low-income individuals. The skill set provided by staff members of the affiliate were administrative and not dissimilar from administrative skills provided by traditional bank staff.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.

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 MAs (using the MA 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 benefits a 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.

Block Numbering Area (BNA) – Statistical subdivisions of counties in which census tracts have not been established. The United States Census Bureau has established BNAs in conjunction with state agencies.

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. [*This definition is not needed for non-CEBA Limited Purchase or Wholesale Institutions.*]

Census Tract (CT) – Small, locally defined statistical areas within Metropolitan 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.

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.

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 or a block numbering area 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. [*This definition is not needed if bank is designated a wholesale institution.*]

Median Family Income (MFI) – 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.

Metropolitan Area (MA) – Area defined by the director of the United States Office of Management and Budget. MAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Net Operating Income – As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments. [*Schedule RI - Income Statement, line 8 or UBPR, page 2, “PreTax Operating Income (TE)”*]

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. [*If not already reported to the OCC, the bank provides this information. If not applicable to institution being examined, definition is not required.*]

Qualified Investment - A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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. [*Schedule RC-R - Regulatory Capital, line 3a(1) or UBPR, page 11A, "Net Tier One"*]

Total Assets – Total bank assets as listed in the Consolidated Report of Condition and Income. [*Schedule RC - Balance Sheet, line 12 or UBPR, page 4, "Total Assets"*]

Total Income – From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income. [*Schedule RI - Income Statement, Total Interest Income, line 1g and Total Noninterest Income, line 5g, except for banks with domestic offices only and total assets less than \$100 million, line 5c or UBPR, page 2, "Total Interest Income" and "Noninterest Income"*]

[For wholesale institutions, add this definition]

Wholesale Institution – An institution that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers and for which a designation as a wholesale bank is in effect.