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Comptroller of the Currency  
Administrator of National Banks

Large Bank

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## **Public Disclosure**

April 7, 2003

# **Community Reinvestment Act Performance Evaluation**

**MBNA America (Delaware), N.A.  
Charter Number: 24095**

**1100 North King Street  
Wilmington, Delaware 19884**

**Office of the Comptroller of the Currency  
Large Bank Supervision  
250 E Street, SW  
Washington, DC 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, and should not 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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## Overall CRA Rating

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

The following table indicates the performance level of **MBNA America (Delaware), N.A.** with respect to the Lending, Investment, and Service Tests:

Performance Levels	MBNA America (Delaware), N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	
Low Satisfactory			X
Needs to Improve			
Substantial Noncompliance			

\* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- Community development loans in which the bank often takes a lead position, and that are very responsive to the credit needs of the assessment area.
- Lending levels that reflect good responsiveness to assessment area credit needs, particularly to small businesses.
- Good distribution of loans among geographies, and good distribution among borrowers of different income levels in the assessment area.
- Qualified investments that exhibit good responsiveness to credit and community development needs in the assessment area.
- Community development services that are particularly responsive to the homeownership counseling needs of low- and moderate-income individuals.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. 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 the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Block Numbering Area (BNA):** A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental 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.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also

include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home Mortgage Loans:** such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## Description of Institution

MBNA America (Delaware), N.A. ("MBNA DE") headquartered in Wilmington, Delaware, is a subsidiary of MBNA Corporation. As of December 31, 2002, MBNA DE's assets totaled \$1.7 billion and tier 1 capital was \$432 million. The bank's assets represent approximately 4% of the Corporation's consolidated assets. MBNA DE converted from a state-chartered bank to a national bank effective October 1, 2000. The bank extends mortgage loans, small business loans in the form of business credit cards, and other secured consumer loan products nationwide. Mortgage loans are sold with servicing released within a short period of loan origination. In November 2002, the bank began securitizing its business credit card loans for sale in the secondary market. As of December 31, 2002, managed loans totaled \$1.8 billion, of which \$1.3 billion were business credit card loans. MBNA DE does not have branch offices and does not solicit deposits. It relies primarily on federal funds and other short-term borrowings for funding.

MBNA DE does not have bank subsidiaries. Affiliates to MBNA DE include MBNA America Bank, N.A., a leading credit card issuer and principal subsidiary of MBNA Corporation; MBNA Community Development Corporation (MBNA CDC) formed in 1995 to support community development activities; and MBNA Foundation, a nonprofit charitable entity. MBNA Foundation grant activities were considered in evaluating MBNA DE's CRA performance.

As a result of its strategic focus, MBNA DE is constrained in its ability to provide directly many of the loan products and banking services that more traditional banks offer in connection with their CRA programs. For example, MBNA DE does not have the expertise or infrastructure to provide mortgage loans and small business loans (other than "business cards") directly to borrowers in the normal course of business. Similarly, the absence of a branch office network and the services associated with traditional branch banking limits MBNA DE's ability to provide retail community development services directly to the public.

Other than the constraints described above, there are no known legal or financial factors that impede the MBNA DE's ability to help meet the credit and community development needs of its New Castle County assessment area. As a nontraditional bank, MBNA DE focuses its efforts on qualified investments and community development loans through which the bank can have a significant impact on the community.

This represents the bank's first CRA evaluation since its October 2000 conversion to a national bank. MBNA DE did not receive a CRA evaluation prior to becoming a national bank.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

For the Lending Test, mortgage loans and small loans to businesses were evaluated for the period January 1, 2001 through December 31, 2002. The mortgage lending analysis does not include home improvement loans since the bank elected not to report these loans under the Home Mortgage Disclosure Act (HMDA). Also, there is no analysis of small loans to farms since MBNA DE does not offer agricultural loans.

Community development loans, as well as qualified investments and community development services for the period October 1, 2000 to December 31, 2002 were considered in the evaluation. Also considered were qualified investments made prior to October 1, 2000 and still held on December 31, 2002. Our conclusions about qualified investments, and community development loans and services were based on the following factors as applicable: number and dollar amounts during the evaluation period, innovativeness and/or complexity, responsiveness to community credit needs, and the degree to which these instruments are not routinely provided by private investors.

### Data Integrity

To assure data integrity, we reviewed internal procedures and controls for reporting HMDA and small business loan data. While adequate procedures and controls are in place for accurate and timely reporting of loan data, the bank identified errors in reported small business loans for years 2001 and 2002. The net affect of the errors was to under-report loan originations in both years. The bank amended 2001 data, and corrected 2002 data prior to submission. As a result, this evaluation is based on accurate data.

We reviewed the bank's supporting documentation for community development loans and services, and qualified investments to verify these activities meet the CRA regulation's community development definition. Based on our review, all reported activities qualify for consideration in this evaluation.

### Selection of Areas for Full-Scope Review

MBNA DE has one assessment area (AA) consisting of New Castle County (NCC) in Delaware, which received a full scope review.

### Ratings

The bank's overall rating is based entirely on the area that received a full-scope review. Furthermore, greater weight is given to community development loans and qualified investments given the constraints discussed previously in this evaluation that restrict the bank's ability to provide directly many of the loan products and banking services offered by traditional banks as part of their CRA programs.



## Other

Refer to the Profile section in Appendix B for information on discussions with community organizations about community credit and development needs.

## **Fair Lending Review**

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

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated High Satisfactory. Based on a full-scope review, the bank's performance in the NCC AA is good.

#### Lending Activity

Refer to Table 1 in appendix C for the facts and data used to evaluate MBNA DE's lending activity.

MBNA DE's lending activity in the NCC AA is good given its focus on nationwide lending, lack of retail branch offices and competition from traditional full service banks. We did not perform an analysis of home improvement loans since the bank elected not to report home improvement loans under HMDA.

In NCC, small loans to businesses represented 90% of the total number of loans originated/purchased by the bank during the evaluation period, with home mortgage loans comprising the majority of the remainder. Among home mortgage loan originations/purchases 80% were for home purchase and 20% were for mortgage refinance.

Based on 2001 CRA aggregate data, MBNA DE made the largest number of loans (16.5%) to small businesses in the NCC AA. There were 113 lenders reporting small loans to businesses in NCC. Based on the number of loans originated, the top four lenders are credit card companies with a combined market share approaching 50%.

Based on 2001 HMDA aggregate data, MBNA DE has a 1% market share in overall home mortgage lending. The same aggregate data shows the bank with a 2.01% market share in home purchase lending and a .31% market share in mortgage refinance lending. There are 360 reporting mortgage lenders in NCC dominated by large mortgage companies. A deposit market share comparison is not applicable to MBNA DE since it does not generate deposits.

#### Distribution of Loans by Income Level of the Geography

##### *Home Mortgage Loans*

Refer to Tables 2 and 4 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases. As noted earlier, the bank elected to not report home improvement loans under the HMDA.

MBNA DE's geographic distribution of home mortgage loans is good given the demographics of, and competition in the AA. Within the NCC AA, less than 2% (1,969 units) of the owner-occupied housing units are in low-income geographies and 14% are located in moderate-

income geographies. Furthermore, the bank competes for mortgage loans with over 300 bank and non-bank lenders in the AA.

The bank's home purchase loan geographic distribution is good. The percentage of lending in moderate-income geographies slightly exceeds the percentage of owner-occupied housing in these geographies. In low-income geographies, the percentage of lending is below the percentage of owner-occupied housing in these geographies. The market share in moderate-income geographies exceeds the bank's overall market share, while the market share in low-income geographies is below the bank's overall market share.

The bank's mortgage refinance loan geographic distribution is good. The percentage of lending in moderate-income geographies exceeds the percentage of owner-occupied housing in these geographies. In low-income geographies, the percentage of lending is slightly below the percentage of owner-occupied housing in these geographies. The market share in both low- and moderate-income geographies exceeds the bank's overall market share.

### ***Small Loans to Businesses***

Refer to Table 6 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The geographic distribution of small loans to businesses is good. The percentage of loans in both low- and moderate-income geographies is below the percentage of businesses within those geographies. The bank's market share in low-income geographies significantly exceeds its overall market share. In moderate-income geographies, the bank's market share is below its overall market share. In 2001, MBNA DE ranked first among reporting lenders for its number of small loans to businesses in both low- and moderate-income areas.

### **Lending Gap Analysis**

Reports detailing MBNA DE's home mortgage and small business lending activity during the evaluation period were reviewed to identify gaps in the geographic distribution of those loans. No unexplained conspicuous gaps were identified.

### ***Inside/Outside Ratio***

This portion of the evaluation was performed at the bank level.

During the evaluation period, MBNA DE originated a low volume of loans within the NCC AA. The bank originated 2.6% of its HMDA loans and less than 1% of small loans to businesses in the NCC AA. The low percentages reflect the bank's status and strategic focus as a nationwide lender, and the lack of retail branches in NCC. This performance, therefore, has a neutral impact on the overall analysis of the geographic distribution of the bank's lending.

## **Distribution of Loans by Income Level of the Borrower**

### ***Home Mortgage Loans***

Refer to Tables 8 and 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases. As noted earlier, the bank elected to not report home improvement loans under the HMDA.

MBNA DE's distribution of home mortgage loans by borrower income level is excellent in the AA.

The percentage of MBNA DE's home purchase lending to moderate-income borrowers significantly exceeds the percentage of moderate-income families. The bank's home purchase lending to low-income borrowers exceeds the percentage of families that are low-income. The market share of home purchase lending to both low-income and moderate-income borrowers exceeds the bank's overall market share.

The percentage of MBNA DE's mortgage refinance lending to moderate-income borrowers significantly exceeds the percentage of moderate-income families. The bank's mortgage refinance lending to low-income borrowers is below the percentage of low-income families. The market share of mortgage refinance loans to both low-income and moderate-income borrowers exceeds the bank's overall market share.

### ***Small Loans to Businesses***

Refer to Table 11 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The borrower distribution of small loans to businesses is good in the AA.

MBNA DE reported revenue information on 1,875 or 47% of its small loans to businesses. Small loans to businesses received less weight in the overall borrower distribution analysis since less than a majority of these loans were reported with revenue information.

The percentage of small loans made to businesses with revenues of \$1 million or less, is less than the percentage of businesses in the AA with such revenues. MBNA DE, however, ranked second among reporting lenders in the AA (14.8% market share) for its number of small loans to businesses with revenues of \$1 million or less. This market share is near the bank's 16.5% market share for small loans to all sized businesses in the AA. Also, the vast majority (99%) of MBNA DE's small loans to businesses have an original loan amount of \$100 thousand or less. These loans consist of business credit card loans with an average loan size of \$9,500.

## **Community Development Lending**

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's level of community development (CD) lending.

CD lending had a positive impact on bank performance under the Lending Test.

During the evaluation period, MBNA DE made loan commitments totaling \$8.6 million, of which \$3.8 million funds CD projects in the NCC AA and \$4.8 million funds CD projects throughout Delaware area including the NCC AA. The bank advanced \$4.2 million under these commitments, primarily to CD projects in the NCC AA. MBNA DE's CD lending is primarily through binding commitments to loan pools with funds advanced as CD projects are identified. The bank's CD lending addressed the primary needs of the AA which are affordable housing and community services for low- and moderate-income individuals and families, and revitalization and stabilization of low- and moderate-income communities.

Described below are more significant CD loans made during the evaluation period based on dollars committed and advanced, responsiveness to community development needs, or features that are innovative and complex.

MBNA DE made lending commitments totaling \$4.8 million to five loan funds administered by a multi-bank CDC. The CDC provides financing for community development in Delaware including NCC through loan pools for affordable housing and commercial development. The bank advanced \$810 thousand under its commitments during the evaluation period. The bank is among the lead participants in three of the loan funds described below.

- MBNA DE committed \$1 million to a loan fund that provides long-term financing for commercial real estate projects in Delaware including NCC. The fund seeks development projects in low- and moderate-income areas targeted for revitalization. Loans made under the program are structured to fill funding gaps not met by other financing sources. MBNA DE's commitment represents 17.24% of the fund which totals \$5.8 million. The bank's commitment to the fund is the second largest among the ten participating banks. No loan advances were requested from the bank during the evaluation period.
- MBNA DE had commitments totaling \$3.1 million to two loan funds that provide short-term financing for development projects in low- and moderate-income urban areas targeted for revitalization in Delaware including NCC. The funds are used for property acquisition and site control. The bank's \$1.1 million commitment to the first of these funds represented 10.62% of the \$10.5 million fund, and the second largest among the nineteen participating banks. The bank advanced \$810 thousand to this fund during the evaluation period which helped fund nine development projects including six in NCC. During the evaluation period, MBNA DE made a \$2 million commitment to the second fund representing a 30.77% interest in the \$6.5 million fund. The bank and its affiliate MBNA America Bank, NA, each have the largest commitment to this fund among the seven participating banks.

A \$1.6 million direct loan was extended to a social services agency serving Delaware. The low interest loan allowed the agency to acquire a YWCA facility located in a low- and moderate-income area that was slated for closing. The agency will continue the services that the YWCA provided to the surrounding low- and moderate-income community and introduce new services, including kindergarten and after school programs for children, pre-school education, parenting classes, and services to teens and seniors, including a daily hot lunch program.

A \$750 thousand commitment was made to a \$2 million loan pool used to acquire properties that are converted to group homes for low-income people with developmental disabilities. MBNA DE took a leadership role by increasing its commitment from \$500 thousand due to an increase in the number of homes to be acquired, as well as bringing in another financial institution experienced in managing loan pools to provide a flexible loan structure when the non-profit organization administering the program rejected the original loan structure. MBNA DE funded \$375 thousand of its commitment during the evaluation period.

A \$525 thousand direct loan was made to a public-private sponsored 501(c)(3) corporation that promotes affordable housing in the city of Wilmington. The loan funded the rehabilitation of six vacant, run-down properties in a low-income area targeted for revitalization through increased homeownership. By providing a non-interest bearing loan, the bank helped insure the affordability of the homes to low- and moderate-income first time homebuyers.

A \$250 thousand low interest loan was made to a CDFI for a CD loan fund that provides capital to small businesses, developers of affordable housing, and community organizations throughout Delaware including NCC. The bank used a complex equity equivalent loan structure in order to provide CDFI with funding that also qualifies as capital. The loan transaction received a Bank Enterprise Award of 15%, or \$37,500.

A \$150 thousand no-interest loan was extended to a non-profit organization to help fund the renovation of its community services center. The center is located in a low-income census tract in the city of Wilmington and provides needed services to the surrounding low-income population. Services provided by the center include day care for infants through pre-school children, and emergency services, parenting skills development and GED classes for adults.

## **Product Innovation and Flexibility**

Product flexibility had a positive impact on the Lending Test conclusions for the AA.

MBNA DE indirectly offers a flexible mortgage loan product designed to meet the credit needs of low- and moderate-income individuals. The bank has an agreement with a local financial institution to purchase up to \$10 million in mortgage loans annually. The agreement includes specifications to ensure mortgages are offered to low- and moderate-income borrowers and terms are affordable, such as offering a below market interest rate and zero down payment. Also, borrowers are required to attend homebuyer counseling either through the banks' program or any other HUD certified counseling program. MBNA DE reports these loan purchases in accordance with HMDA and, therefore, are included in the analysis of mortgage lending.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Investment Test is rated High Satisfactory. Based on a full-scope review, the bank's performance in the NCC AA is good.

Refer to Table 14 in appendix C for the facts and data used to evaluate the bank's level of qualified investments.

During the evaluation period, MBNA DE had commitments of \$6.2 million for qualified investments in the NCC AA and the broader regional area. The bank advanced \$1.1 million under these commitments. Also, MBNA DE, through MBNA Foundation, made grants totaling \$665 thousand to 27 community development organizations and programs serving NCC and Delaware. These organizations and programs provide many services to low- and moderate-income individual and areas in NCC including financial literacy education, youth programs, child day care, food programs, homeless shelters, affordable housing and neighborhood revitalization.

Described below are qualified investments made during the evaluation period. These investments are responsive to AA needs for affordable housing, community revitalization, and employment opportunities for low- and moderate-income individuals and areas.

MBNA DE had qualified investment commitments totaling \$3.94 million to three low-income housing tax credit funds administered by a multi-bank CDC. The funds are used for multifamily rental housing for low- and moderate-income individuals and families in Delaware including NCC. The funds are being used to finance 19 separate projects generating over 700 units of affordable housing. The bank advanced \$187 thousand under its investment commitments to the funds during the evaluation period.

MBNA DE advanced \$900 thousand under its \$2.25 million investment commitment to a community development capital fund certified as a Community Development Financial Institution (CDFI). The fund makes investments in growth companies that create job opportunities for former welfare recipients and other low-income individuals in economically distressed areas of the mid-Atlantic region including NCC.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Service Test is rated Low Satisfactory. Based on a full-scope review, the bank's performance in the NCC AA is adequate.

### **Retail Banking Services**

MBNA DE does not offer retail banking services. The bank does not have a branch office network and does not solicit deposits. It relies primarily on federal funds and other short-term borrowings for funding.



Due to the above factors, retail banking services are not relevant to the Service Test rating.

### **Community Development Services**

MBNA DE's performance in providing CD services to NCC is adequate. The bank has specifically targeted housing counseling in providing CD services to the NCC AA.

MBNA DE partners with a local financial institution to conduct homebuyer counseling seminars. The free seminars are geared to low- and moderate-income first time homebuyers, and include individuals who borrow through the flexible mortgage loan program the bank offers with the same financial institution (refer to discussion under Product Innovation and Flexibility for additional information on this loan program). The counseling sessions attract an average of 40 participants each month. During the evaluation period, 861 people attended these seminars.

Also, senior officers provide their services to several community development organizations and programs through their board and committee memberships. These include organizations providing services to low- and moderate-income individuals and small businesses.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): <ul style="list-style-type: none"> <li>• January 1, 2001 to December 31, 2002</li> </ul> Investment and Service Tests and CD Loans: <ul style="list-style-type: none"> <li>• October 1, 2000 to December 31, 2002</li> </ul>	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
MBNA America (Delaware), NA (MBNA DE) Wilmington, Delaware		
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<i>MBNA Foundation</i>	Affiliate	Qualified Grants
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
New Castle County, Delaware (Part of the Wilmington-Newark MSA #9160)	Full Scope	

# Appendix B: Market Profiles for Full-Scope Areas

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### Market Profiles for Areas Receiving Full-Scope Reviews

New Castle County.....	B2
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## New Castle County AA

Demographic Information for Full-Scope Area: New Castle County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	120	7.50	19.17	50.83	20.83	1.67
Population by Geography	441,946	3.86	16.80	53.87	25.47	0.00
Owner-Occupied Housing by Geography	112,040	1.76	14.19	55.36	28.69	0.00
Businesses by Geography	25,579	12.60	16.02	45.93	25.29	0.16
Farms by Geography	483	1.45	14.29	55.28	28.98	0.00
Family Distribution by Income Level	115,305	16.57	18.39	26.46	38.58	0.00
Distribution of Low- and Moderate- Income Families throughout AA Geographies	40,313	7.41	26.02	55.00	11.56	0.00
Median Family Income	\$44,332	Median Housing Value		\$110,104		
HUD Adjusted Median Family Income for 2002	\$75,900	Unemployment Rate		5.1%		
Households Below the Poverty Level	7.61%	(BLS: Dec. 2002)				

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 U.S. Census, and 2002 HUD updated MFI.

MBNA DE designates New Castle County, Delaware (NCC) as its assessment area (AA), which is in the Wilmington-Newark Metropolitan Statistical Area 9160. The AA complies with CRA guidelines and does not arbitrarily exclude low- and moderate-income areas. Based on 1990 U.S. Census Bureau Data, NCC is the most densely populated county in Delaware with 441,946 or two-thirds of the State's population. Wilmington represents the largest city in NCC with a population of 71,529. Newark, containing the University of Delaware, is also a significant population center in NCC.

The AA contains 120 census tracts, of which 118 are populated. All low-income census tracts and nine of the 23 moderate-income census tracts are located in Wilmington. The 2002 HUD adjusted median family income for NCC is \$75,900.

There are a total of 173,560 housing units in NCC of which 95% are occupied, and 5% are vacant. Seventy-five percent are one-to-four family units, and 20% are multi-family units. Sixty-five percent are owner occupied and 30% are renter occupied. The average age of housing stock is 35 years. NCC's weighted average median housing value is \$110,104 and its weighted average monthly gross rent is \$524. For Wilmington, the weighted average median housing value is \$87,873 and the weighted average monthly gross rent is \$426.

A 1996 Statewide Housing Needs Assessment determined that approximately 2.5% of the housing stock in NCC is considered substandard. Wilmington was estimated to have 2,434 substandard units, or 8.4% of total city housing stock. In addition, 14% of Wilmington's rental units were estimated to be substandard.

Historically, the NCC and Delaware economies were dominated by a number of large chemical companies who were the major private employers in the State. These companies have been downsizing since the mid-1980's resulting in significant direct job losses and the loss of jobs with suppliers and service industries in the area. The growth of the financial services industry in Delaware has helped offset these job losses. The financial services industry is now the largest private sector in the State followed by the healthcare and education industries.

We held discussions with four community organizations to obtain their perspectives on community credit and development needs, related opportunities and the performance of financial institutions in helping to meet identified needs. We also reviewed records of contacts with local community groups in the past year. Based on these meetings and other sources, community development needs include the following: affordable housing for low- and moderate-income households, particularly the elderly and disabled on fixed incomes; affordable home purchase and home improvement loans for low- and moderate-income borrowers; counseling and education on homeownership, credit and personal finances; affordable loans and start-up capital for small businesses; and financing for redevelopment efforts in low- and moderate-income areas.

There are many community development investment, loan and service opportunities throughout Delaware including NCC. These include low-income housing tax credit programs; mortgage revenue bonds; mortgage-backed securities; venture capital funds; community development corporations; and programs administered by the Federal Home Loan Bank, Delaware State Housing Authority, Delaware Economic Development Office, and numerous non-profit and for-profit community development organizations. Due to the presence of almost 40 financial institutions in Delaware subject to CRA, including several large credit card banks, there is considerable competition for these community development vehicles.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area. Tables without data are not included in this PE (Tables 3, 5, 7, 9, 12, 13 and 15).

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As 12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table

also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm.

Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As 12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.



## Table 1. Lending Volume

LENDING VOLUME		Geography: DELAWARE						Evaluation Period: January 1, 2001 to December 31, 2002				
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
New Castle County	100	460	52,309	3,995	34,785	NA	NA	13	4,196	4,468	91,290	100

\* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is October 1, 2000 to December 31, 2002.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

## Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		Geography: DELAWARE						Evaluation Period: January 1, 2001 to December 31, 2002							
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
New Castle County	367	100	1.76	.30	14.19	14.40	55.36	63.80	28.69	21.50	2.01	.93	2.16	2.47	1.16

\* Based on 2001 Peer Mortgage Data: Northeast Region.

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

### Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: DELAWARE				Evaluation Period: January 1, 2001 to December 31, 2002					Market Share (%) by Geography*				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Over all	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
New Castle County	93	100	1.76	1.10	14.19	16.10	55.36	59.10	28.69	23.70	.31	.54	.40	.39	.14	

\* Based on 2001 Peer Mortgage Data: Northeast Region.

\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

## Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES			Geography: DELAWARE						Evaluation Period: January 1, 2001 to December 31, 2002						
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	% of Businesses	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
New Castle County	3,995	100	12.60	10.06	16.02	12.62	45.93	50.51	25.29	26.71	16.49	24.51	13.37	17.41	16.35

\* Based on 2001 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet 2002.

## Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: DELAWARE						Evaluation Period: January 1, 2001 to December 31, 2002							
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% BANK Loans****	% Families**	% BANK Loans****	% Families*	% BANK Loans****	% Families*	% BANK Loans****	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
New Castle County	367	100	16.57	17.4	18.39	39.0	26.46	11.2	38.58	2.7	2.01	3.39	4.83	1.40	.21

\* Based on 2001 Peer Mortgage Data: Northeast Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 29.7% of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

### Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE				Geography: DELAWARE				Evaluation Period: January 1, 2001 to December 31, 2002							
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share <sup>*</sup>				
	#	% of Total <sup>**</sup>	% Families <sup>**</sup>	% BANK Loans <sup>****</sup>	% Families <sup>**</sup>	% BANK Loans <sup>****</sup>	% Families <sup>**</sup>	% BANK Loans <sup>****</sup>	% Families <sup>**</sup>	% BANK Loans <sup>****</sup>	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
New Castle County	93	100	16.57	8.6	18.39	35.5	26.46	35.5	38.58	20.4	.31	.45	.58	.45	.18

<sup>\*</sup> Based on 2001 Peer Mortgage Data: Northeast Region.

<sup>\*\*</sup> As a percentage of loans with borrower income information available. No information was available for 0% of loans originated and purchased by Bank.

<sup>\*\*\*</sup> Percentage of Families is based on the 1990 Census information.

<sup>\*\*\*\*</sup> Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

## Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES					Geography: DELAWARE			Evaluation Period: January 1, 2001 to December 31, 2002	
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less %	>\$100,000 to \$250,000 %	>\$250,000 to \$1,000,000 %	All	Rev \$1 Million or Less %
<b>Full Review:</b>									
New Castle County	3,995	100	77.88	32.14	99.42	.55	.03	16.5	14.83

\* Based on 2001 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2002).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 53% of small loans to businesses originated and purchased by the Bank.

## Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: DELAWARE				Evaluation Period: October 1, 2000 to April 7, 2003			
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
New Castle County	2	799	31	1,751	33	2,551	100	4	4,304

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.