

## **Public Disclosure**

July 12, 1999

# **Community Reinvestment Act Performance Evaluation**

**Transamerica Bank, N.A.  
Charter Number: 22696**

**100 West Commons Boulevard, Suite 400  
New Castle, Delaware 19720**

**Office of the Comptroller of the Currency  
250 E Street, SW  
Washington, DC 20019**

Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## **General Information**

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate- income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Transamerica Bank, N.A.**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 12, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

## 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 by 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)** - Must consist generally of one or more MSAs (using the MSA 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** - An activity benefits the assessment area if (i) the activity benefits areas within the assessment area, (ii) the activity benefits a broader statewide or regional area that includes the bank's assessment area, or (iii) the bank has received prior supervisory office approval that the activity may be considered as benefiting the assessment area.

*Note: With regard to subsection (iii), the supervisory office may grant approval if the following four criteria are present: (a) the bank has a more than negligible amount of CD activity that directly benefits the assessment area, or is to a program or organization that benefits a statewide or regional area that includes the assessment area, (b) there are relatively few unmet needs within the bank's assessment area that are within the capabilities of the bank (due to such factors as the income level and distribution among the assessment area population; the limited capacity of the assessment area to absorb additional CD activity by the bank; the legal restrictions on the bank's activities; and the activities of other institutions in the assessment area), (c) the investment responds to a clear need in the area that it would benefit, and (d) the area benefited by the investment is either within the same state as the bank's assessment area, or is within a region nearby or adjacent to the bank's assessment area].*

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

**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 ten 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 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. A limited-purpose institution continues to meet the narrow product line requirement if it only infrequently provides other types of loans.

**Median Family Income (MFI)** - The median income determined by the United States 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.

**Low-Income Family or Geography** - Income levels that are less than 50% of the median family income.

**Moderate-Income Family or Geography** - Income levels that are at least 50% and less than 80% of the MFI.

**Middle-Income Family or Geography** - Income levels that are at least 80% and less than 120% of the MFI.

**Upper-Income Family or Geography** - Income levels that are 120% or more of the MFI.

**Metropolitan Statistical Area (MSA)** - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Net Operating Income** - As defined by the Consolidated Report of Condition and Income, income before adjusting for extraordinary items.

**Pass Through Receivables** - Outstanding receivables tied to all accounts issued or owned by the bank.

**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.

**Total Assets** - Total bank assets as defined by the Consolidated Report of Condition and Income.

**Total Operating Income** - As defined by the Consolidated Report of Condition and Income, Interest income plus noninterest income.

## **Scope of the Examination**

This CRA Performance Evaluation covers the period July 1, 1996 to July 12, 1999 (“evaluation period”). Transamerica Bank, N.A. is designated a Limited Purpose Bank for CRA evaluation purposes. The Bank received this designation on March 12, 1996. As a Limited Purpose Bank, Transamerica Bank’s CRA performance is reviewed pursuant to the Community Development Test. This test evaluates the level and nature of investments, loans and services which have a purpose of community development as defined in the CRA regulation. The Bank presented qualified investments and community development services for evaluation. At the previous examination dated June 30, 1996, Transamerica Bank, formerly known as Whirlpool Financial National Bank, received a CRA rating of “Satisfactory.”

### **Institution’s CRA rating:**

**Transamerica Bank, N.A. is rated Satisfactory.**

The major characteristics that support this rating are:

- Transamerica has extended adequate levels of qualified investments and community development services to its assessment area.
- Transamerica has occasionally used innovative and complex qualified investments to meet the community development needs of its assessment area.
- Transamerica has demonstrated adequate responsiveness to credit and community development needs in its assessment area.

### **Description of Institution**

Transamerica Bank, N.A. (“Transamerica” or “Bank”), based in Wilmington, Delaware, is a direct subsidiary of Transamerica Retail Financial Services Corporation (“TRFS”) which is a direct subsidiary of Transamerica Distribution Finance Corporation (“TDF”). The ultimate parent is Transamerica Corporation, a \$61 billion diversified financial services firm. The Bank has no operating subsidiaries. Transamerica, which was formerly known as Whirlpool Financial National Bank (“WFNB”), commenced operations on October 1, 1994. TDF acquired the retail finance business of Whirlpool Financial Corporation, including WFNB, effective January 1, 1998. Transamerica is chartered under the Competitive Equality Banking Act (CEBA) of 1987 which limits its operation as a full service banking institution, and restricts it lending to credit cards. The Bank is also subject to the Delaware Financial Center Development Act (FCDA) which prevents the Bank from having more than a single office open to the public for conducting banking business in the State. Transamerica offers customized private-label credit card programs to large and small regional retailers, and its own proprietary private

label credit card nationwide. Eighty percent (80%) of the Bank's credit card receivables are participated to TRFS. Transamerica has no branch offices and does not accept retail deposits. The Bank is funded entirely by TDF through TRFS. The funding is in the form of large certificates of deposit and a revolving line of credit.

The following table is intended to provide a perspective on Transamerica's capacity to help meet the needs of its assessment area. Other than the restrictions imposed by the CEBA and FCDA, there are no known legal or financial factors which have impeded the Bank's ability to help meet the credit needs of its assessment area.

**Table 1: Financial Information (\$000s)**

	<b>Year-end 1996</b>	<b>Year-end 1997</b>	<b>Year-end 1998</b>	<b>Most Recent Quarter-end 6/30/99</b>	<b>Average for Evaluation Period</b>
<b>Tier 1 Capital</b>	12,284	15,718	14,211**	15,422	14,409
<b>Total Income</b>	32,900	35,200	27,277	29,548***	31,231
<b>Net Operating Income</b>	3,853	3,434	1,566	1,716***	2,642
<b>Total Assets</b>	101,247	67,350*	94,165	82,480	86,310
<b>Pass Through Receivables</b>	485,844	381,153	390,379	348,826	451,201

Source: Consolidated Report of Condition and Income and Bank reported data.

\* Transamerica's predecessor, WFNB, sold approximately \$20 million in credit card loan assets in 1997.

\*\* Reflects a \$7 million common stock dividend paid in 1998.

\*\*\* Annualized

## **Description of Assessment Area**

Transamerica designates New Castle County, Delaware ("NCC") as its assessment area, which is in the Wilmington-Newark Metropolitan Statistical Area 9160 ("MSA 9160"). The assessment area 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 urban area in NCC.

The assessment area contains 120 census tracts, of which 118 are populated. There are nine low-income census tracts, 23 moderate-income census tracts, 61 middle-income census tracts, and 25 upper-income census tracts. All low-income census tracts, and nine of the 23 moderate-income census tracts are located in Wilmington. The 1998 HUD adjusted median family income for NCC is \$60,000.

A total of 115,305 families reside in NCC of which 17% are low-income, 18% are moderate-income, 26% are middle-income and 39% are upper-income. There are a total of 173,560 housing units in NCC of which 95% are occupied, and 5% are vacant. Seventy-seven percent are one-to-four family units, and 20% are multifamily units. Sixty-five percent are owner occupied and 30% are renter occupied. NCC's weighted average median housing value is \$119,531 and its weighted average monthly gross rent is \$518. 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 was 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.

The structure of Delaware's economy has undergone significant changes since 1990. Even though the economy is still led by large companies in the chemical and automotive industries, there has been a marked diversification since 1990. Several high technology and research and development firms have opened in the State, and together with the financial services industry are making significant impact on the economy. The largest industrial sector in Delaware is the financial services industry. At June 1998, the labor force in NCC was 253,858 persons and the unemployment rate was 4.1%, slightly below the U.S. unemployment rate of 4.5%. The table below presents demographic data on NCC.

<b>Assessment Area Description</b>					
	<b>Total Number</b>	<b>Low Income</b>	<b>Moderate Income</b>	<b>Middle Income</b>	<b>Upper Income</b>
<b>Census Tracts</b>	120	8%	19%	51%	21%
<b>Families</b>	115,305	17%	18%	26%	39%
<b>Small Businesses &amp; Farms*</b>	11,049	9%	18%	48%	25%

Source: 1990 U.S. Census

\* Businesses and farms reporting annual sales of \$1 million or less located in low, moderate, middle and upper income census tracts.

Meetings were held with ten community organizations in order to gain their perspectives on community development opportunities, and the performance of financial institutions in helping to meet Delaware's credit and community development needs. Based on these meetings and other sources, there are many qualified community development loan, investment and service opportunities throughout Delaware including NCC. These include low-income housing tax credit programs; mortgage revenue bonds; mortgage-backed securities; venture capital funds; loan consortia; 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.

The 1995 consolidated plan for NCC identifies affordable housing as a primary need of low- and moderate-income households, especially those residing in Wilmington. Community organizations have also identified affordable home purchase and rehabilitation financing as pressing needs, as well as



financing for small and minority owned businesses in distressed areas of the State.

## Conclusions About Performance

### Summary

Transamerica has made adequate levels of qualified investments, grants and services in its NCC assessment area. During the evaluation period, Transamerica made qualified investments and grants totaling \$461.2 thousand which primarily benefit its NCC assessment area, or have a broader benefit to the State of Delaware including NCC. In addition, as of June 30, 1999, Transamerica held a \$108.8 thousand qualified investment made prior to this CRA evaluation period. Since the previous CRA examination in 1996, Transamerica almost doubled its level of qualified investments and grants, while its credit card loan receivables declined. Also, as a percentage of the Bank's capital, total investments and grants have increased approximately 60% since 1996.

The following table provides a breakdown of Transamerica's qualified investments and grants.

#### Community Development Activities - Assessment Area\*

Activity	Prior Period**	Current Period***	Total
Investments	\$108,811	\$225,000	\$333,811
Grants	N/A	\$236,198	\$236,198
Total	\$108,811	\$461,198	\$570,009

\* Includes NCC and the broader surrounding areas within the State of Delaware.

\*\* These are balances as of 6/30/99 for prior period investments which remain outstanding.

\*\*\* Current period activities are recorded at the original amount of the investment.

Additionally, Bank senior officers have provided their financial expertise to community development organizations through their memberships and active participation in eight organizations serving Delaware and/or NCC. These organizations promote affordable housing and related services for low- and moderate-income borrowers, and financial and technical assistance to small businesses.

The Bank has demonstrated adequate responsiveness to credit and community development needs in its assessment area. Since Transamerica's CEBA charter restricts its lending to credit cards, it cannot directly originate community development loans. The Bank, however, provides funding and technical support to community development lending programs through its qualified investments and community development services. The Bank's investment in First State Community Loan Fund enhanced this organization's community development lending capacity, and provided needed support for federal matching funds. Through its targeted deposit investments, the Bank has provided low cost funds for affordable housing development and rehabilitation in distressed areas of its assessment area.

Transamerica provides consistent grant support to numerous community development organizations to

fund their operations and programs. Many of the organizations the Bank supports address the homeownership needs of low- and moderate-income individuals, and the financial and technical assistance needs of small businesses in the assessment area.

Transamerica has occasionally used innovative or complex qualified investments. The CRA Officer helped further the community development lending initiatives of First State Community Loan Fund through his extensive involvement in implementing an innovative and complex investment program, in which Transamerica was the first investor. The CRA Officer also actively lent his services to facilitate the initiatives of Heritage Capital Investment Corporation to create the State's first minority-owned bank in Wilmington.

## **Qualified Investments and Grants**

Transamerica made \$225 thousand in qualified investments, and extended \$236.2 thousand in qualified grants during the evaluation period. These qualified investments and grants directly benefit the Bank's NCC assessment area, or the state of Delaware including NCC. In addition, Transamerica maintains a \$100 thousand qualified investment made prior to this evaluation period. Described below are the most significant qualified investments.

### ***First State Community Loan Fund (FSCLF)***

Transamerica made a \$100,000 equity equivalent investment in FSCLF to support its community development lending programs. FSCLF is a non-profit Community Development Financial Institution (CDFI) that provides capital and education for small businesses, and engages in affordable housing and other community development initiatives primarily for low- and moderate-income individuals and areas throughout Delaware, including NCC. The organization maintains several loan funds to meet Delaware's affordable housing and small business lending needs. Transamerica's investment is complex as it represents long-term subordinated debt which makes it function as equity that leverages FSCLF's borrowing capabilities. The Bank's investment is patterned after an equity equivalent investment developed for another CDFI, National Community Capital Association. The Bank was the first financial institution in the State of Delaware to pursue an equity equivalent investment in a non-profit CDFI, demonstrating both its leadership and innovation. During 1999 (through March 31), FSCLF extended 14 community development loans totaling \$172,000.

### ***Community Housing, Inc. (CHI)***

Transamerica placed a \$100,000, five-year certificate of deposit (CD) with Artisans Savings Bank to support the community development activities of CHI, a non-profit affordable housing development and services corporation serving NCC. The Bank's CD carries a below market interest rate of 3%, which will be paid at maturity. The CD is targeted as security for a low interest, revolving line of credit which CHI uses to fund its affordable housing development initiatives.

### ***Brandywine Gateway Neighbors (formerly Interneighborhood Foundation)***

Transamerica has maintained a \$100,000, five-year certificate of deposit (CD) with Artisans Savings Bank to support community development lending in the city of Wilmington. The CD carries a below market interest rate of 3%, which will be paid at maturity. The CD is targeted as security for a low interest, revolving line of credit to Brandywine Gateway Neighbors, a Community Development Corporation engaged in housing rehabilitation and related services in targeted low- and moderate-income neighborhoods. The organization uses the credit line to acquire and renovate distressed residential properties. Since the CD was placed with Artisans in 1996, the organization has been able to rehabilitate six homes.

During the evaluation period, Transamerica extended grants totaling \$209.8 thousand, and provided in-kind donations valued at \$26.4 thousand to approximately 30 community development organizations to support their programs and operations. The organizations that received grant and in-kind support assist the local community through several initiatives including: affordable housing and related services for low- and moderate-income families; transitional housing and services for the homeless; housing acquisition and rehabilitation; housing counseling services for low- and moderate-income individuals; and financial and technical assistance for small businesses.

### **Community Development Services**

Transamerica's community development services consist of memberships on committees in organizations that promote affordable housing, and small business development. Through its membership activities, senior officers actively provide financial expertise and guidance to these organizations. These organizations benefit the Bank's assessment area, and in two cases, a broader area which includes the Bank's assessment area. In two instances described below, the Bank is providing services to innovative projects by the Heritage Capital Investment Corporation and First State Community Loan Fund. The following are descriptions of the Bank's community development services.

#### ***Heritage Capital Investment Corporation***

Heritage Capital Investment Corporation is a community development enterprise which is applying for Community Development Financial Institution certification. The Corporation intends to establish a minority-owned bank known as Heritage Capital Bank. The proposed financial institution will open its office in a low-income area of Wilmington once sufficient capital is raised and regulatory requirements are met. The bank, expected to be a full service institution, is anticipated to open for business sometime in 2000.

The CRA Officer is a member of the Advisory Committee, which functions as a steering committee for the planned bank. Comprised of local bank, education, and business representatives, these individuals provide their expertise to the Heritage Capital Investment Corporation. Transamerica's initiatives on behalf of Heritage Capital Bank are considered innovative, because once established, the financial

institution will be the only minority-owned bank in the state of Delaware.

### ***First State Community Loan Fund***

First State Community Loan Fund (FSCLF) is a non-profit community development financial institution, providing capital and education for small business enterprises, affordable housing and other community development initiatives particularly for under-served populations throughout the state of Delaware.

The Bank's CRA Officer had extensive involvement in developing FSCLF's Equity Equivalent Investments Program which is used to enhance the organization's lending capacity. This included developing model documents, and providing accounting support to the organization. In addition, the Chief Credit Officer of Transamerica is a member of the Loan Review Committee. The Committee, consisting of experienced housing, business, and consumer lenders from the local banking community, is responsible for reviewing and approving loan requests and reviewing the organization's loan portfolio for delinquencies and potential problems.

### ***PSA Federal Credit Union***

This credit union is a minority startup financial institution and is the only one of its kind in the State of Delaware. Situated in a low-income area of Wilmington, the credit union offers only closed-end consumer loans. With the exception of automobile loans, all other lending functions consist of unsecured loans. Members of the loan review committee are from area banks and review and approve loan requests. The Bank's CRA Officer is a member of the loan review committee, which meets weekly, and has a long-standing relationship with the organization.

### ***YWCA Savings Group Program***

The YWCA established a peer savings group program designed to entice disadvantaged families and individuals to save together to achieve specific goals. The program helps low- and moderate-income families and individuals save for homeownership, small business development, and college education purposes. Certain financial institutions, including Transamerica, provide matching contributions for every dollar saved by an individual for business development. Transamerica's CRA Officer is a member of the Advisory Committee which consists of local bankers.

### ***Small Business Development Center***

The Small Business Development Center's ("SBDC") purpose is to assist entrepreneurs in Delaware to grow, expand, and manage their businesses more effectively. The SBDC also provides small businesses and potential small businesses with management assistance and small business education. The oversight committee, of which the Bank's CRA Officer is a member, consists of representatives from the banking and business community in the state of Delaware. This committee helps to develop business plans, provide direction for funding, and offers consulting services.

### ***West End Neighborhood House***

West End Neighborhood House (“West End”) is a non-profit community organization. Its programs focus on promoting self-sufficiency for low-income individuals primarily in New Castle County. The services and programs provided by West End fall within the following categories: employment preparation and training; child care; housing assistance; health care; social outreach and guidance; tutoring and drop-out prevention; and community development.

One of West End’s services includes a statewide rental housing assistance program. Transamerica’s CRA Officer is a member of the loan review committee for this program. The committee approves or declines loan requests from individuals requiring rental housing security deposit funds, and whose incomes are 50% - 80% of HUD’s Section 8 median income.

### ***Delaware Community Investment Corporation Investment Committee (DCIC)***

DCIC is a multibank community development corporation that funds low- and moderate-income housing developments. It is the only bank-supported consortium in the nation to provide both a permanent financing pool for affordable rental housing and equity fund designed to attract investments in affordable housing through tax credits. The CRA Officer is a member of the investment committee which determines where to deposit DCIC funds for earnings purposes.

### ***Housing Capacity Building Program***

The Housing Capacity Building Program’s purpose is to foster the development of a stronger housing delivery system which places and sustains more individuals in homes. The program achieves this goal by assisting nonprofit, public, and private agencies in increasing their capacity to serve the housing needs of Delaware’s low- and moderate-income citizens. The housing capacity activities provided include housing information and awareness, training, technical assistance, and financial assistance. The organization is comprised of banking and housing development individuals who review, approve, or decline grant requests from local non-profit organizations. The CRA Officer is a member of the Advisory Committee.

## **Compliance with Anti-Discrimination Laws and Regulations**

No violations of the substantive provisions of anti-discrimination laws and regulations were identified as a result of a concurrent fair lending examination. This review included a comparative review of approved and declined credit card loan applicants. Transamerica maintains sound policies, training programs and control systems to prevent illegal lending discrimination in the conduct of its credit card lending.

## 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 nonmetropolitan 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>	July 1, 1996 - July 12, 1999	
<b>Financial Institution</b>		<b>Products Reviewed</b>
Transamerica Bank, N.A. New Castle, Delaware		Qualified Investments and Grants, and Community Development Services
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None.		
<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 (Within Wilmington-Newark MSA 9160)	Full Scope	MSA 9160 is comprised of two counties: New Castle County, Delaware, and Cecil County, Maryland.