



LIMITED PURPOSE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

Evaluation Period:
January 1, 2005 – December 31, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FIA Card Services, N.A.
Charter Number: 22381
1100 N. King Street
Wilmington, Delaware 19884

Office of the Comptroller of the Currency
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, 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.

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 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: A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity has the potential to benefit the assessment area and is located in the 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.

Census Tract (CT): Small, locally defined statistical areas within metropolitan statistical 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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved non-metropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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 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.

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 Division: As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

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.

Tier 1 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. [*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 Non-interest income. [*Schedule RI - Income Statement, Total Interest Income, line 1g and Total Non-interest 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 "Non-interest Income"*]

INSTITUTION'S CRA RATING:

This institution is rated Outstanding.

The conclusions that support this rating are:

- The bank demonstrates a high level of qualified investments, community development lending and community development services activity.
- The bank demonstrates extensive use of complex community development services, and occasional use of innovative or complex qualified investments and community development loans.
- The bank demonstrates excellent responsiveness to credit and 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 January 1, 2005 through December 31, 2006. We reviewed the level and nature of qualified investments, community development lending and community development services. At the bank's request, we also considered qualified investments and community development lending provided by its affiliates. At the prior examination dated April 4, 2005, we rated the bank Outstanding.

Because the bank adequately addressed its assessment area (AA) needs, the OCC also considered qualified investment, and community development loan and service activities the bank submitted that benefit areas outside of its AA.

Description of Institution

FIA Card Services, N.A. (FIA), Wilmington, Delaware, is a wholly-owned subsidiary of Bank of America Corporation (BAC) headquartered in Charlotte, North Carolina. On January 1, 2006, BAC and MBNA Corporations merged together, making it by year-end 2006 the second largest financial services company in the United States. BAC's credit card subsidiary, Bank of America N.A. USA (BANA USA) headquartered in Phoenix, Arizona was combined with MBNA America Bank, N.A. (MBNA) creating FIA, the largest credit card issuer in the United States. FIA offers credit cards principally, and other lending products to consumers and small businesses. FIA has two foreign subsidiary banks that primarily issue credit cards in Canada, United Kingdom, Ireland and Spain. These foreign subsidiaries do not have a significant impact on the bank's capacity for community reinvestment. As of December 31, 2006, FIA had total assets of \$147.8 billion, comprising approximately 10% of the parent corporation's consolidated assets. Managed loans totaled \$202.9 billion, of which 88% are credit cards. The bank securitizes over 50% of its loan receivables. FIA affiliates include Bank of America, N.A. (BANA). BANA investment and lending activities were considered in evaluating FIA's CRA performance.

FIA is designated a limited purpose bank for CRA purposes based upon its overall business strategy, primary focus and product offerings. This is consistent with legacy MBNA and BANA

USA, which were designated limited purpose banks for CRA purposes effective January 1996 and March 1998, respectively. There are no known legal or financial factors that impede FIA's ability to help meet the credit and community development needs of its AA. During our evaluation, we considered that the combined size of the merged MBNA and BANA USA coupled with the short evaluation period skew FIA's CRA performance ratios.

Table 1: Financial Information (\$000s)

| | Year-end 2005 | Year-end 2006 | Average for Evaluation Period |
|---------------------------------|------------------|------------------|----------------------------------|
| Tier 1 Capital | 13,586,031 | 19,562,420 | 16,574,225 |
| Total Income | 11,486,431 | 25,258,643 | 18,372,537 |
| Net Operating Income | 2,751,591 | 8,394,366 | 5,572,979 |
| Total Assets | 58,516,899 | 147,839,768 | 103,178,334 |
| Pass-Through Receivables | 147,047,151 | 249,715,837 | 198,381,494 |

Source: Consolidated Reports of Condition and Income.

Description of Assessment Area

FIA designates New Castle County, Delaware (NCC) as its AA. The designated geography is part of the Wilmington, DE-MD-NJ Metropolitan Division. The AA complies with CRA guidelines and does not arbitrarily exclude low- and moderate-income (LMI) areas. Based on 2000 U.S. Census Bureau Data, NCC is the most densely populated of three counties in Delaware containing 500,265 or 64% of the state's population. Wilmington represents the largest center of population within NCC.

The AA contains 127 census tracts, of which one is not populated. There are ten low-income, 23 moderate-income, 61 middle-income, and 32 upper-income census tracts in the AA area. All low-income census tracts and eight of the moderate-income census tracts are located in Wilmington. The 2006 HUD adjusted median family income for NCC is \$73,200. Thirty-five percent of NCC's households are LMI. There are a total of 199,521 housing units in NCC of which 95% are occupied and 5% are vacant. Seventy-nine percent are one-to-four family units and 19% are multi-family units. Sixty-six percent are owner-occupied and 28% are renter-occupied. The average age of housing stock is 38 years. NCC's weighted average median housing value is \$138,361 and its weighted average monthly gross rent is \$682.

The leading industries in Delaware are pharmaceuticals/health products, commercial and credit card banks, finance/credit companies, real estate, chemical and related manufacturing, and healthcare. The 2006 unemployment rate for NCC is 4.3% compared to 4.6% for the U.S. Demographic data for NCC is presented in the table below.

Table 2: Assessment Area Description

| | Number | Low % | Moderate % | Middle % | Upper % |
|-------------------|---------|---------|------------|----------|---------|
| Tract | 127 | 7.87 | 18.11 | 48.03 | 25.20 |
| Families | 127,997 | 18.53* | 17.33* | 23.55* | 40.59* |
| Businesses | 34,316 | 15.61** | 14.78** | 42.90** | 26.60** |

Source: Demographic Data – 2000 U.S. Census, 2006 Dun & Bradstreet Data.

*Represents families by income level

**Represents income level of the census tract

Concurrent with this evaluation, we held discussions with 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 completed during the past two years. Based on the results of these meetings and other sources, community development needs include the following: affordable housing and mortgage financing for LMI individuals and families; special needs housing for LMI elderly, disabled and homeless populations; homeownership and rental assistance programs for LMI individuals and families; low interest rate financing for affordable housing development and community revitalization projects; small business financing programs; mortgage default and foreclosure counseling; and homeownership and financial literacy education.

There are multiple community development investment, loan and service opportunities in NCC and throughout Delaware. A number of vehicles exist to support community development activities including federal low-income housing and new market tax credits, mortgage loan pools, community development corporations, community development financial institutions, state and municipal bonds, and venture capital funds. There are also a variety of public and private programs in place to address the needs of LMI individuals and families. Due to the presence of more than 30 financial institutions in Delaware subject to CRA, including three of the top six national credit card issuers, there is considerable competition for these community development vehicles, particularly in NCC.

Conclusions about Performance

Summary

FIA provides a high level of qualified investments, community development loans and community development services in relation to its capacity and opportunities in the AA. During the two-year evaluation period, \$145.5 million in qualified investments and community development loans were provided to the AA, and \$26.8 million in long-term funding commitments were in place. Moreover, FIA employees provided their financial services to 16 community development organizations in the AA. An additional \$2.1 billion in community development loans and qualified investments, and \$20.6 million in funding commitments were provided outside the AA.

FIA demonstrates excellent responsiveness to the credit and community development needs of the AA. The bank is among the largest participants in qualified investment and community development loan funds for affordable housing development in Delaware. Through these funds, as well as direct qualified investments and community development loans, the bank provided \$20.3 million to 24 projects creating over 1,200 units of affordable housing for LMI individuals and families primarily in the AA. The bank is also highly responsive to home purchase financing needs through qualified investments which provided funding for 710 mortgage loans to LMI borrowers primarily in the AA. As the only bank investor in Delaware state bonds funding elementary schools in LMI areas, FIA is a leader in responding to the educational needs of LMI children in the AA. FIA's financial contributions totaling \$6.2 million to over 30 community development organizations in the AA, many of which provide affordable housing as well as variety of social services to LMI populations, also demonstrates the bank's responsiveness to AA needs.

FIA demonstrates extensive use of complex community development services through the leadership positions held by its officers and employees in community development organizations as well as the comprehensive financial expertise provided to these organizations.

Qualified Investments

Qualified investments totaled \$135.1 million in the AA during the evaluation period. In addition, \$17.0 million in long-term investment commitments remained in place, including a new \$4.9 million commitment to a community revitalization project in the AA. Because the bank adequately addressed the needs of its AA, we considered an additional \$171.1 million in qualified investments made outside the AA. The following tables show qualified investment activity as well as total qualified investments as a percentage of the bank’s average capital, total income and pass-through receivables. During our evaluation we considered that the combined size of the merged MBNA and BANA USA coupled with the short evaluation period skew FIA’s CRA performance ratios.

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

| | Benefits AA | Outside AA | Totals |
|---|-------------|------------|---------|
| Originated Investments | 120,806 | 92,902 | 213,708 |
| Originated Grants | 6,223 | 73,596 | 79,819 |
| Prior-Period Investments that Remain Outstanding | 8,064 | 4,576 | 12,640 |
| Total Qualified Investments | 135,093 | 171,074 | 306,167 |
| Unfunded Commitments* | 16,997 | 20,602 | 37,599 |

* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

Table 4a: Qualified Investment Percentages

| | Benefits AA (%) | Outside AA (%) | Total (%) |
|---|-----------------|----------------|-----------|
| Total Investments/Average Tier 1 Capital | .82 | 1.03 | 1.85 |
| Total Investments/Average Total Income | .74 | .93 | 1.67 |
| Total Investments/Average Pass-Through Receivables | .07 | .09 | .16 |

Described below are the most significant qualified investments:

- Investments totaling \$128.7 million were made in mortgage-backed securities issued by two financial institutions providing funding for 710 mortgage loans to LMI borrowers in Delaware. Over 70% of mortgages funded were to borrowers in the AA. Borrowers are required to complete a homebuyer's counseling program, which FIA offered jointly with one of the financial institutions during the evaluation period.
- A total of \$7.5 million was advanced under long-term investment commitments to a multi-bank Community Development Corporation (CDC). The CDC provides funding for affordable housing development in Delaware through six equity investment funds totaling

\$150.7 million. These funds invest in housing projects that qualify for federal low-income housing tax credits. FIA is among the largest participants in the CDC's equity funds with \$30.3 million in cumulative investment commitments.

- A \$5.0 million investment was made in a tax-exempt mortgage revenue bond fund used to finance affordable multi-family rental housing. FIA was allocated a portion of the revenue bond secured by a multi-family affordable housing complex located in the AA. The complex consists of 220 rental units of which 124 or 56% are restricted to tenants earning less than 60% of the median income.
- A \$4.9 million commitment was made to a historic tax credit and new markets tax credit equity investment for the rehabilitation of eleven buildings located in a low-income census tract in Wilmington. The buildings are being rehabilitated in two phases and will provide 39 rental units and retail space. The project is part of the Wilmington Renaissance Plan to increase the economic vitality of the downtown area. In addition to bringing additional critical residential mass to a blighted urban neighborhood, the retail space is expected to create 85 or more new jobs. During the evaluation period, the bank funded \$193,000 of its \$4.9 million investment commitment.
- An investment of \$2.0 million was made in a low-income housing tax credit fund for rehabilitating a multifamily affordable housing project in southern Delaware. The project created 72 units of affordable housing for LMI households.
- Investments totaling \$1.4 million were made in Qualified Zone Academy Bonds (QZABs) allocated to Delaware. The QZAB is a federal program to strengthen schools serving large concentrations of low-income families. Bond proceeds are for renovations to four schools in southern Delaware. As the only Delaware bank to purchase QZABs since 2001, FIA demonstrates a continuing commitment to the education needs of disadvantaged students.
- Investments totaling \$20.0 million were made in Small Business Investment Companies (SBICs), primarily those which target businesses in a large regional area that includes the AA. The SBICs provide equity capital, long-term loans, debt-equity investments, and management assistance to small businesses.
- Financial contributions totaling \$6.4 million were made to more than 40 community development organizations and programs. Over 95% of the dollars contributed were to organizations and programs targeting the AA. Included are organizations providing shelter, transitional and permanent housing to the homeless; affordable housing development and assistance; food and clothing distribution; affordable childcare, school tuition scholarships, tutoring and mentoring to LMI children; job training and placement for the unemployed; tax preparation and legal services; and community and medical care facilities in LMI neighborhoods. Bank of America's Neighborhood Excellence Program was expanded to include Delaware in 2006. This program recognizes and rewards outstanding leadership among community-based organizations and individuals. The bank honored two community development organizations as Neighborhood Builders and awarded contributions to each of \$100,000.

Community Development Lending

Community development loans totaled \$10.4 million in the AA during the evaluation period. In addition, \$9.8 million in long-term lending commitments to affordable housing and community revitalization funds remained in place including a \$4.0 million commitment made during the evaluation period. Because the bank adequately addressed the needs of the AA, we considered an additional \$1.9 billion in community development loans made outside the AA that created over 2,000 affordable housing units across 15 states. The following table shows total community development loans as a percentage of the bank's average capital, total income and pass-through receivables. During our evaluation we considered that the combined size of the merged MBNA and BANA USA coupled with the short evaluation period skew FIA's CRA performance ratios.

Table 5a: Community Development Lending Percentages

| | Benefits AA (%) | Outside AA (%) | Total (%) |
|---|----------------------------|---------------------------|----------------------|
| Total CD Lending/Average Tier 1 Capital | .06 | 11.56 | 11.62 |
| Total CD Lending/Average Total Income | .06 | 10.42 | 10.48 |
| Total CD Lending/ Average Pass-Through Receivables | .01 | .97 | .98 |

Described below are the most significant community development loans:

- A \$4.2 million construction loan was extended to a limited partnership to rehabilitate 56 scattered townhouse units in downtown Wilmington. The units are available to LMI individuals and families. All units will receive Section 8 vouchers. The project is considered complex due to the multiple funding sources including federal low-income housing tax credits, Delaware State Housing Authority, and a Community Development Trust formed by a Local Initiatives Support Corporation. The bank's loan is responsive to the affordable housing needs of LMI households.
- A total of \$3.1 million was advanced under long-term lending commitments to a multi-bank CDC. The CDC provides financing for community development in Delaware through loan pools for affordable housing and commercial development. FIA is frequently the largest participant in the CDC's loan pools with \$25.2 million in cumulative funding commitments. During the evaluation period, the bank made a \$4.0 million commitment to a new \$20.7 million loan fund to finance multi-family rental complexes developed under a federal low-income housing tax credit program.
- A \$2.0 million construction loan was extended to a limited liability company under a \$6.0 million participation agreement with a local financial institution. The loan is for the purpose of constructing a 455 space parking garage located in a low-income census tract in downtown Wilmington. The parking garage is a major part of a rehabilitation project involving affordable rental units and retail space that supports the Wilmington Renaissance Plan to increase the economic vitality of the downtown area.
- Two one-year renewals of a \$600,000 line of credit at below market rate were extended to a Wilmington-based nonprofit organization. The funds were used to acquire and

rehabilitate four single-family homes in a moderate-income census tract in Wilmington in need of affordable housing. The homes are available to LMI families in transition from the organization's homeless shelter to permanent housing. The bank's loan is responsive to the needs of non-profit developers seeking low interest rate financing for affordable housing development.

- Tax credit bridge loans totaling \$1.8 billion were extended to low-income housing tax credit syndicators nationwide. These loans bridge tax credit funds when a developer is under a time constraint to purchase a property and tax credits are not yet available. Tax credit bridge loans are responsive to the needs of housing developers relying on federal low-income housing tax credits to raise equity for affordable housing projects.

Community Development Services

FIA employees actively provided their services to 16 community development organizations and programs that benefit LMI individuals, families and communities in the AA. Through their involvement on the boards and committees of affordable housing and community service organizations, delivery of financial literacy seminars and credit counseling, and provision of other financial services, bank employees are highly responsive to community development needs providing their services on over 500 occasions during the evaluation period. The following are examples of significant community development services:

- A senior vice president served on several committees for a multi-bank CDC. The CDC provides financing for community development in Delaware through loan and investment funds which total \$302.2 million since its formation in 1994. The bank officer provided a significant level of financial services to the CDC, including expertise in tax credit transactions which the CDC has been an active participant. He served on the CDC's equity investment, finance, and new markets tax credit loan committees during the evaluation period. He was previously a member of the board of directors, including board chairman for three consecutive years.
- A senior vice president served as chairman of the board of directors of a nonprofit organization based in Wilmington. The organization develops affordable housing for LMI individuals and families, with the majority of properties located in low-income census tracts in the City of Wilmington. The organization also provides homeownership counseling, foreclosure counseling and other housing related assistance. The bank officer's expertise in tax credit transactions was beneficial to the financing of several of the organizations affordable housing projects using low-income housing tax credits. As board chairman since 2001, he has provided constant leadership to the organization.
- A senior vice president served on the board of directors and loan fund committee for a Dover based nonprofit housing corporation certified as a Community Development Financial Institution (CDFI). The organization offers housing development technical assistance and funding to local nonprofits, and homeownership counseling and financial literacy education to LMI households in Delaware. Emphasis for this housing corporation is on rural areas.
- A senior vice president served on the board of directors of a Newark-based nonprofit that addresses homelessness by providing shelter, emergency food, transitional housing, and

case management and other social services to low-income families in Delaware and the broader Mid-Atlantic Region. The board is actively involved in program development, financial accountability and fundraising.

- A senior vice president served on the board of directors of a Wilmington-based nonprofit organization that provides services for children including: daycare center, pre-teen program, drop-out prevention program, and teen life skills program. The majority of residents in the vicinity of the organization's children's center live at or below the poverty level.
- A vice president on the legal staff served on the loan review committee of a nonprofit CDFI that specializes in supporting small business, micro-enterprise and affordable housing development in Delaware. Her services included providing financial and legal guidance and reviewing loan applications for the organization's loan funds.
- Several employees with financial expertise provided income tax assistance on behalf of a Wilmington-based CDC to LMI individuals qualified for the Volunteer Income Tax Assistance (VITA) program. The VITA program is a cooperative effort by the Internal Revenue Service and the State of Delaware to provide free tax preparation services to LMI individuals. During the evaluation period, bank employees rendered these services a total of 140 times.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.