



Comptroller of the Currency
Administrator of National Banks

Limited Purpose

Public Disclosure

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Community Reinvestment Act Performance Evaluation

**MBNA America Bank, N.A.
Charter Number: 22381**

**100 King Street
Wilmington, Delaware 19884**

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

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.

Institution's CRA rating:

MBNA America Bank, NA is rated Outstanding.

The conclusions for the three rating criteria are:

- MBNA America Bank, N.A. ("MBNA") has a high level of qualified investments, community development loans and community development services.
- MBNA extensively uses innovative or complex qualified investments and community development services, and makes occasional use of innovative or complex community development loans.
- MBNA 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, 1999 through December 31, 2001. 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 made by MBNA Community Development Corporation and MBNA America (Delaware), N.A. ("MBNA Delaware). At the prior examination dated March 29, 1999, MBNA was rated Outstanding.

If a bank has adequately addressed its assessment area needs, the OCC considers community development activities the bank submits that benefit areas outside of its assessment area in the evaluation of its performance. The bank has adequately addressed the needs of its assessment area, and therefore, outside of assessment area qualified investments, community development loans and services were considered in evaluating its performance.

Description of Institution

MBNA headquartered in Wilmington, Delaware, is the principal subsidiary of MBNA Corporation. As of December 31, 2001, the bank had total assets of \$43.1 billion, comprising 94% of the Corporation's consolidated assets. MBNA managed loans totaled \$85.2 billion, of which 86% are credit card loans. The bank securitizes approximately 75% of its consumer loan receivables. MBNA is the second largest bankcard issuer in the U.S., and the largest independent credit card issuer in the world. The bank is a recognized industry leader in affinity marketing, with endorsements from over 4,500 membership organizations and financial institutions. MBNA also offers a limited range of deposit, consumer loan, insurance, and travel products. The bank operates two public branches in Wilmington, primarily for the use of employees and local customers of bank deposit products.

MBNA has two principal foreign subsidiary banks that issue credit cards in the United Kingdom, Ireland and Canada. Other bank subsidiaries include: MBNA Insurance Services, an insurance services company; MBNA Marketing Systems, a telephone sales and support company; and, MBNA Technology which provides information technology and support to MBNA affiliate companies. These subsidiaries do not have a significant impact on the bank's capacity for community reinvestment. MBNA affiliates include MBNA Community Development Corporation ("MBNA CDC") formed in June 1995 to support MBNA's community development program. MBNA CDC's investment activities were considered in evaluating MBNA's CRA performance. MBNA Delaware is a bank affiliate located in Wilmington, Delaware. The bank converted to a national bank effective October 1, 2000. MBNA Delaware's qualified investment and community development loan activities for the period January 1999 to the conversion date were considered in evaluating MBNA's CRA performance.

MBNA was designated a Limited Purpose Bank for CRA purposes effective January 5, 1996 based upon its overall business strategy, primary focus and specific product offerings. There are no known legal or financial factors that impede the bank's ability to help meet the credit and community development needs of its New Castle County assessment area.

Table 1: Financial Information (\$000s)

	Year-end 1999	Year-end 2000	Year-end 2001	Average for Evaluation Period
Tier 1 Capital	3,175,442	4,285,929	6,077,705	4,513,025
Total Income	6,397,362	7,956,093	9,863,779	8,072,411
Net Operating Income	1,683,542	2,247,488	2,611,667	2,180,899
Total Assets	29,000,906	36,657,574	43,066,324	36,241,601
Pass-Through Receivables	71,988,275	79,114,519	85,223,991	78,775,595

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

Description of Assessment Area

MBNA designates New Castle County, Delaware ("NCC") as its assessment area, which is in the Wilmington-Newark Metropolitan Statistical Area ("MSA"). 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, 23 moderate-income, 61 middle-income, and 25 upper-income census tracts in the assessment area. All low-income census tracts and nine of the 23 moderate-income census tracts are located in Wilmington. The 2001 HUD adjusted median family income for NCC is \$72,100. 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 \$119,531 and its weighted average monthly gross rent is \$426. For Wilmington, the weighted average median housing value is \$87,873 and the weighted average monthly gross rent is \$518.

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 industrial sector in the State followed by the healthcare and education industries. 2001 unemployment rates for Delaware and NCC were 3.5% and 3.2%, respectively, compared to 4.8% for the U.S. Demographic data for NCC is presented in the following table.

Table 2: Assessment Area Description

	Number	Low %	Moderate %	Middle %	Upper %
Tract	120	7.51	19.17	50.83	20.83
Families	115,305	16.57*	18.39*	26.46*	38.58*
Businesses	18,134	11.52**	16.67**	46.93**	24.76**

Source: Demographic Data - 1990 U.S. Census, 2000 Dun & Bradstreet Data.

*Represents families by income level

**Represents income level of the census tract

Concurrent with this review, we held discussions with three 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 two years. 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.

Conclusions about Performance

Summary

- MBNA has a high level of qualified investments, community development loans, and community development services. Qualified investment and community development loan levels are commensurate with the bank's financial capacity and investment and lending opportunities in the assessment area. Qualified investment and community development loans, which total \$730.8 million, are high in relation to the bank's average capital and income and have grown annually at a rate that exceeds the bank's managed asset growth rate.

MBNA substantially meets the mortgage lending and affordable housing needs of low- and moderate-income individuals in NCC and Delaware. The bank purchased mortgage-backed securities representing 2,425 mortgage loans to low- and moderate-income individuals, and provided financing for over 85 affordable housing and community revitalization projects during the evaluation period. MBNA also provided financial support to small businesses by making investments in numerous small business investment companies including 17 that are focused on companies in a geographic area that includes NCC. Qualified grants totaling \$16.5 million were given to more than 100 community development organizations and programs. Contributions totaling \$46.3 million were also made to nonprofit Consumer Credit Counseling Service (CCCS) agencies which helped fund consumer education and credit counseling services for low- and moderate-income borrowers throughout the U.S.

Officers and employees provided a high level of community development services through their involvement with over 50 community organizations and programs, including financial counseling to more than 600 individuals referred by various community organizations. Together with a mortgage company, MBNA also actively conducts homebuyer counseling seminars offered to low- and moderate-income borrowers.

- MBNA extensively uses innovative or complex qualified investments and makes occasional use of innovative or complex community development loans. The bank made three complex low-income housing tax credit investments using its own expertise and resources. Initial investments were made in numerous small business investment companies (SBIC's) that in most cases required the bank to perform extensive due diligence. MBNA participated in the creation of an innovative loan pool structure over an 18-month period to finance a complex affordable housing project that had environmental and other development issues. MBNA also extensively uses innovative or complex community development services. The CRA Officer assisted in the creation of an innovative SBIC fund by sharing his expertise on bank investments in SBIC's with the principals of the fund. The bank initiated the development of an alternative financing structure through a multi-bank community development corporation (CDC) for a revitalization project in Wilmington after initial financing was not successful. Bank management worked with the CDC to provide a second mortgage to the project and

purchase historic and low-income housing tax credits, and to obtain the approvals of local and federal government agencies, as well as other lenders participating in the project.

- MBNA demonstrates excellent responsiveness to credit and community development needs in its assessment area. Forty-five percent of total dollars invested and 30% of loan funding were to community development projects and programs in NCC. An additional 21% of qualified investments and 20% of loan funding were to community development projects and programs that focus on Delaware or the surrounding regional area. MBNA is among the largest financial institution investors in equity and low-income housing tax credit funds through a multi-bank CDC, and was the first to make a significant commitment in the case of two new large equity funds. Also through the CDC, the bank is the largest participant in two new loan funds targeting revitalization projects in Delaware, and a significant participant in two new loan funds that provide mortgage financing for low-income housing tax credit properties in Delaware. MBNA invested in mortgage-backed securities representing 13% and 14% of the total number of mortgage loans originated to low- and moderate-income homebuyers in NCC in 1999 and 2000, respectively. The bank provided loan financing that was critical to the completion of many affordable housing and community revitalization projects (e.g., construction of a 78-unit affordable apartment complex in Wilmington, expansion of a medical center that primarily serves low- and moderate-income individuals in Wilmington's Southbridge section, renovation of 60 affordable homes in west center city Wilmington, and redevelopment of a low-income area in downtown Wilmington).

Bank employees have been highly responsive to credit and community development needs through their board and committee memberships in community organizations. Their services have supported programs to make homes affordable to low- and moderate-income families, advance affordable housing development, assist small businesses, revitalize distressed communities, counsel low- and moderate-income individuals on housing, employment and financial matters and provide social services to the poor.

Qualified Investments

From 1999 to 2001, MBNA made qualified investment commitments totaling \$509.7 million and advanced \$431.1 million under these and prior years' commitments. \$191.9 million or 45% of total dollars invested were to community development projects and programs in NCC. An additional \$91.1 million or 21% of qualified investments were to community development projects and programs that focus on Delaware or the broader surrounding region. Because the bank adequately addressed the needs of NCC, credit is given for qualified investments to community development projects and programs that benefit areas outside of the broader assessment area totaling \$148.1 million. MBNA also provided \$16.5 million qualified grants to more than 100 community development organizations and programs. An additional \$46.3 million in contributions were made to non-profit Consumer Credit Counseling Service agencies located throughout the U.S. The following tables exhibit total dollars of qualified investment and corresponding percentages.

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

	Benefits AA	Outside AA	Totals
Originated Investments	283,003	148,116	431,119
Originated Grants	9,104	53,712	62,816
Prior-Period Investments that Remain Outstanding	148,555	68,850	217,405
Total Qualified Investments	440,662	270,678	711,340
Unfunded Commitments*	49,212	65,822	115,034

* "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	9.76	6.00	15.76
Total Investments/Average Total Income	5.46	3.35	8.81
Total Investments/Average Pass-Through Receivables	.56	.34	.90

Described below are the most significant qualified investments and grants made during the evaluation period based on dollars committed and advanced, responsiveness to community development needs, or features that are innovative and complex.

Affordable Housing

MBNA purchased mortgage backed securities from two financial institutions representing a significant number of mortgage loans to low- and moderate-income first time homebuyers in Delaware. Borrowers are required to complete a homebuyer's counseling program offered by MBNA jointly with the financial institutions or a HUD recognized counseling provider. From 1999 to 2001, MBNA purchased GNMA securities totaling \$248.2 million representing 2,425 mortgage loans. For 1999 and 2000, respectively, MBNA's investment in these securities represented 13% and 14% of the total number of mortgage loans originated to low- and moderate-income homebuyers in NCC. If a mortgage lender, MBNA would be ranked first in NCC for 1999 and 2000. In Kent and Sussex counties combined, these mortgage investment purchases represent a first place ranking in 2000 and second in 1999 for the number of home purchase loans originated to low- and moderate-income borrowers. 2001 aggregate home mortgage lending data is not yet available for peer comparison.

MBNA advanced \$3.8 million under its investment commitments totaling \$18.0 million to a multi-bank CDC. The CDC finances affordable rental housing developments in Delaware through equity funds and low-income housing tax credit funds. The funds are being used to finance 29 separate projects including eight projects located in NCC. From 1999 to 2001, MBNA made investment commitments totaling \$15.4 million to three new housing development funds. The bank is among the largest financial institution investors in the funds, and was the first to make a significant commitment in the case of two large equity funds. In addition, MBNA

invested \$1.2 million in low-income housing tax credits for the development of affordable rental housing for seniors. The project, located one mile north of Delaware in Pennsylvania, contains 65 rental units and is expected to draw residents from Delaware County, Pennsylvania and NCC. Fifteen units will be rented to households with incomes not to exceed 40% of area median, 24 units to households earning up to 50% of median, and 25 units to households earning 60% or less of median. The bank also committed to a 39.5% participation in a \$900,000 first mortgage loan to the project.

MBNA and MBNA CDC made direct tax credit investments to three housing projects totaling \$5.7 million. Due to the complex nature of direct tax credit investments, the bank expended significant resources to make the investments. These investments are described below.

- \$1.3 million tax credit investment in a \$5.0 million multi-family housing construction project. The project is located in a low-income census tract in Wilmington and consists of 44 affordable rental units. In addition to MBNA's investment, the project was funded by loans from a multi-bank CDC, the City of Wilmington and the Federal Home Loan Bank of Pittsburgh.
- \$2.9 million tax credit investment in a \$17.0 million multi-family housing rehabilitation project. The project is located in NCC and will involve the renovation of 286 rental units in 26 three-story brick buildings. The apartment complex will provide affordable rental housing to low- and moderate-income persons. In addition to MBNA's investment, the project was financed by tax-exempt bonds issued by NCC.
- \$1.4 million tax credit investment in a \$7.0 million multi-family housing construction project for low- and moderate-income seniors. The project, which consists of 70 units of affordable rental units, is located in Elkton, Maryland and is expected to draw residents from Cecil County, Maryland and NCC.

MBNA also supports affordable housing development on a national basis. From 1999 to 2001, MBNA CDC made investment commitments totaling \$162.4 million in 21 affordable housing limited partnerships ("Section 42" Low-income Housing Tax Credit Limited Partnerships.) The bank invested \$146.8 million under these and prior years' commitments during the time period. In making these investments MBNA has targeted several projects in areas where it has operations, such as California and Texas.

Economic Development

MBNA and MBNA CDC provide venture capital to small businesses through equity investments in SBIC's targeting businesses in the Mid-Atlantic States, or throughout the United States. From 1999 to 2001, investment commitments totaling \$49.1 million were made to 17 SBIC's. These investments are complex due to the extensive due diligence required for initial investments in SBIC's. Actual investments totaled \$20.8 million on these and prior years' commitments to SBIC's.

MBNA CDC purchased \$649,000 Qualified Zone Academy Bonds (QZAB's) issued by the State of Delaware. Bond proceeds are used to finance facilities and programs in specific Delaware public schools that primarily serve children from low- and moderate-income families. MBNA was the only bank in the State able to evaluate the program, make an offer, and close prior to the expiration of the bonds at year end 2001.

Grants

During the evaluation period, MBNA extended qualified grants totaling \$16.5 million to more than 100 organizations and programs. \$14.3 million in contributions supported economic and community development such as educational grants to assist low- and moderate-income disadvantaged students; operating support to schools located in low- and moderate-income areas and primarily serving students of low- and moderate-income families; aid to numerous organizations providing support services to low- and moderate-income individuals, families, children, the elderly or disabled; assistance to neighborhood stabilization initiatives and support to recovery efforts in communities affected by the September 11 terrorist attacks. \$2.2 million supported affordable housing and related programs that benefit low- and moderate-income individuals and families including housing rehabilitation and neighborhood redevelopment programs, group homes, housing shelters and counseling services.

MBNA also provides substantial financial support to nonprofit consumer credit counseling service agencies located throughout the U.S. The dollars contributed to CCCS agencies help to fund consumer education and credit counseling services. During this evaluation period, MBNA made fair share contributions to nonprofit CCCS agencies totaling \$66.1 million. Based on statistical data, 70% of counseled individuals' incomes are low or moderate which equates to \$46.3 million of the bank's contributions providing benefits to low- and moderate-income borrowers.

Community Development Lending

MBNA committed to lend \$25.5 million to community development projects and funded \$19.5 million in the evaluation period under these and prior years' loan commitments. \$5.7 million or 30% of loan funding supported community development projects in NCC. An additional \$3.9 million or 20% of loan funding went to community development projects in Delaware or the broader regional area that surrounds NCC. Because the bank adequately addressed the needs of NCC, it received credit for loans to community development projects located outside the broader assessment area totaling \$9.9 million. The following table exhibits percentages for total dollars of community development loans.

Table 5a: Community Development Lending Percentages

	Benefits AA (%)	Outside AA (%)	Total (%)
Total CD Lending/Average Tier 1 Capital	.21	.22	.43
Total CD Lending/Average Total Income	.12	.12	.24
Total CD Lending/ Average Pass-Through Receivables	.01	.01	.02

The following describes the most significant community development loans extended during the evaluation period based on dollars committed and advanced, responsiveness to community development needs or features that are innovative and complex.

MBNA provided a \$3.7 million no interest loan to complete construction of a 78-unit apartment complex for the elderly, located in Wilmington. The project will provide needed affordable rental housing to elderly people with low- and moderate-incomes. MBNA's financing was responsive in that it provided below market rate funds needed to allow construction to proceed prior to receipt of permanent funding. The loan also was complex due to stringent HUD requirements. In addition, MBNA committed \$2.4 million in below market rate financing to complete the construction of a community center adjacent to the apartment complex. The center will serve both residents of the apartment complex and residents of West Center City Wilmington, a predominantly low-income community.

MBNA advanced \$3.3 million under its lending commitments totaling \$10.8 million to a multi-bank CDC. The CDC provides financing for community development in Delaware through loan pools for affordable housing and commercial development. Several of the projects funded are described below.

- The bank is the largest participant in two loan funds that target revitalization projects in Delaware's distressed urban areas. Commitments to lend under the loan funds total \$5.0 million and each represents approximately 30% of the fund's size. The bank made advances of \$1.45 million during the evaluation period. The bank's advances helped fund nine revitalization projects, including six projects in NCC.
- The bank is a significant participant in two loan funds that provide mortgage financing for low-income housing tax credit properties in Delaware. Commitments to lend under these loan funds total \$4.6 million of which the bank advanced \$693,606 during the evaluation period. The bank's advances helped fund 35 multi-family housing developments, including 16 developments in NCC.
- The bank is a significant participant in a commercial real estate loan fund for revitalizing distressed areas in Delaware. Loans made under the program are structured to fill funding gaps not met by other financing sources. The bank has a \$1.25 million commitment to lend

under this loan fund with advances totaling \$798,369 during the evaluation period all towards four projects in NCC.

MBNA advanced \$444,250 under a below market rate line of credit for the expansion of a full-service medical center located in Southbridge, a low-income neighborhood on Wilmington's East Side. The Center provides affordable and quality healthcare to mainly low- and moderate-income residents of Wilmington and throughout Delaware. The expansion will allow the Center to house a full service dental operation and on-site pharmacy. MBNA's financing was very responsive in that it provided the funds needed to complete the construction pending receipt of capital campaign funds.

MBNA also advanced \$281,578 under its \$400,000 commitment to a loan pool to finance a neighborhood organization's acquisition and rehabilitation of nine abandoned town homes and construction of 18 additional homes in Southbridge. The three participating banks created an innovative loan pool structure over an 18-month period with the expectation that the transaction structure could be used for future community development loans. Environmental and other issues caused lengthy delays in completing the project. The town homes are affordably priced for low- and moderate-income first time homebuyers. Homebuyers are required to attend housing counseling, and are eligible for the City of Wilmington's settlement and down payment subsidy program.

MBNA committed \$500,000 towards a \$1.0 million revolving loan fund for the acquisition and rehabilitation of properties in west center city Wilmington, a low- and moderate-income area. The project's goals are to increase owner-occupied housing and stabilize the community through the renovation and sale of approximately 60 homes affordable to low- and moderate-income families. The bank increased its commitment after several other banks withdrew their planned participation in the loan pool. MBNA also provided extensive consulting support to the project. Advances during the evaluation period totaled \$246,602.

MBNA advanced \$500,000 under a \$3.0 million below market rate loan to a non-profit venture capital fund. The fund provides financing and technical assistance to pre-seed and early stage businesses in Delaware, and encourages these businesses to locate their operations in low- and moderate-income communities. The bank extended a total of \$1.0 million since the loan's inception in 1998 and is the largest private sector investor in the fund.

MBNA committed \$500,000 to participate in a \$1.2 million letter of credit in connection with a non-profit organization's redevelopment of a low-income area in downtown Wilmington. MBNA is the largest participant among four other banks in the letter of credit facility. The letter of credit secures a portion of funding for potential property purchases in the redevelopment area. Without the full funding, the non-profit risks losing control of the properties due to the expiration of purchase options.

MBNA extended three separate loans totaling \$9.9 million to fund a private school's expansion projects in Newark, New Jersey. The bank also provided a \$67,485 letter of credit to support expansion plans. The school is located in a low-income neighborhood, and serves students

primarily from low- and moderate-income households. The bank's financing has increased the school's capacity to provide needed services to children of low- and moderate-income families as well as promote stabilization and improvement of the surrounding low-income community.

Community Development Services

MBNA officers and employees provided their services to over 50 community development organizations and programs during the evaluation period. In addition, the bank has maintained an arrangement with a mortgage company to conduct ongoing homebuyers counseling seminars, and provided career counseling to low- and moderate-income individuals through an in-house program. By their consistent involvement on the boards and committees of community organizations, bank employees have been very responsive to credit and community development needs. Their services have supported programs to make homes affordable to low- and moderate-income families, advance affordable housing development, assist small businesses, revitalize distressed communities, counsel low- and moderate-income individuals on housing, employment and financial matters, and provide social services to the poor.

The following describes the most significant community development services provided during the evaluation period based on the number of low- and moderate-income individuals impacted, responsiveness to community development needs, or innovative and complex features.

During 1999 and 2000, the CRA Officer assisted in the creation of the CRA Fund of SBIC's by sharing his expertise on bank investments in SBIC's with the principals of the Fund. This innovative fund was conceived as a "fund of funds" to invest in SBIC's, and to provide banks with the opportunity to diversify their SBIC investments without having to make multiple direct investments. The fund also provides a vehicle for banks that prefer to delegate the SBIC due diligence and investment process. The fund held its first closing in 2000, and has secured investments from seven banks, including MBNA.

MBNA took the initiative to develop an alternative financing structure for the Market Street Mews project in Wilmington after the initial multi-bank financing structure did not succeed. The bank worked with Delaware Community Investment Corporation (DCIC) to provide a second mortgage to the project through the DCIC Urban Renewal Loan Fund, and to purchase historic and low-income housing tax credits associated with the project through the DCIC Equity Fund. The structure required the approval of HUD, the agreement of the City of Wilmington to be the pass through lender for the second mortgage, and the approval of the loan and executive committees of DCIC. In addition, the approval of participating banks that make up a 67% interest in the Urban Renewal Loan Fund was required since the second mortgage involved material exceptions to the loan fund criteria. This project is critical to the revitalization of the Market Street corridor, and the financing structure developed by DCIC and MBNA significantly increased the probability that it would go forward.

The CRA Officer is actively involved in DCIC through his service on the Board and on board committees. DCIC is a multi-bank CDC that provides equity to low-income housing tax-credit properties, and loans for other community development purposes. The CRA Officer is currently

vice chairman of the board, and has been nominated to become chairman in 2002. In addition, as chairman of the DCIC equity investment committee, he shares his extensive experience in low-income housing tax credit transactions.

The CRA Officer serves on the Board of Community Housing, Inc. (CHI) and chaired the search committee for a new executive director. CHI is a Wilmington based non-profit dedicated to providing decent affordable housing to low-income individuals and families in NCC. The CRA Officer was elected chairman of CHI in 2001, and serves on the executive, property development and fund raising committees. He has worked closely with CHI staff to improve their knowledge of housing finance matters. The bank designed the advertisement soliciting applications for the executive director position and paid to place the ad in the local newspaper. The ad resulted in numerous applications and the successful hiring of a new executive director for CHI.

Three bank employees serve on the Board of West End Neighborhood House (WENH), an employee is a member of the loan committee and several employees provide technical support to the organization's Renaissance West Project. WENH makes loans to low-income individuals and families to cover security deposits required for apartment rentals as well as utility deposits and moving expenses. The Renaissance West Project involves stabilizing and revitalizing a west center city Wilmington neighborhood through the acquisition, rehabilitation, and sale of homes to low- and moderate-income homebuyers.

Employees from the bank's Financial Advisory Services department provide counseling on financial matters to clients of many community development organizations that primarily serve low- and moderate-income individuals, including Child Inc., Gateway House, Habitat for Humanity, Hilltop Lutheran Neighborhood Center, Latin American Community Center, Claymont Community Center, Ministry of Caring, Salvation Army, and Mary Mother of Hope - Houses I, II, III. Since 1999, the department has counseled 643 people through various community organizations.

MBNA together with a mortgage company conducts free homebuyer's counseling seminars. The seminars are geared to low- and moderate-income first time homebuyers. During the period 1999 to 2001, over 450 individuals participated in these seminars.

The Center for Career excellence is a program developed by MBNA. Through this program, low- and moderate-income individuals can receive career counseling and possibly take advantage of financial service employment opportunities at MBNA or other employers in the City of Wilmington and NCC. Community groups refer participants to MBNA for this program. From 1999 to 2001, 52 low- and moderate-income residents of Wilmington participated in the program.

Fair Lending Review

We reviewed the bank's compliance with fair lending laws and regulations during our November 2001 examination. No violations of anti-discrimination laws and regulations were identified. The examination targeted retail credit card operations and included comparative analysis of credit application decisions. The bank maintains comprehensive programs to comply with anti-discrimination laws and regulations.

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 benefits a broader statewide or regional area that includes the bank's assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

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

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.

Community Reinvestment Act (CRA) – The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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

Limited Purpose Institution – An institution that offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market and for which a designation as limited purpose bank is in effect.

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

Pass-Through Receivables – Outstanding receivables tied to all accounts issued or owned by the bank. Pass-through receivables include receivables attributable and receivables retained on balance sheet as those terms are used in 12 CFR 8. [*If not already reported to the OCC, the bank provides this information.*]

Tier 1 Capital – The total of common shareholders’ equity, perpetual preferred shareholders’ equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries. [*Schedule RC-R - Regulatory Capital, line 3a(1) or UBPR, page 11A, “Net Tier One”*]

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

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