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Comptroller of the Currency  
Administrator of National Banks

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**LIMITED PURPOSE**

## **PUBLIC DISCLOSURE**

**January 02, 2003**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Credit First National Association  
Charter Number 22594**

**6275 Eastland Road  
Brook Park, Ohio 44142**

**Comptroller of the Currency  
Southeastern District Office  
Marquis One Tower, Suite 600  
245 Peachtree Center Avenue, NE  
Atlanta, Georgia 30303-1223**

**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:**

**This institution is rated "Outstanding".**

The conclusions for the three rating criteria are:

- The bank demonstrates a high level of qualified investments and community development services activity.
- The bank demonstrates no use of innovative or complex qualified investments or community development services.
- 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 Community Reinvestment Act (CRA), we reviewed community development (CD) activities from September 12, 1997 through January 2, 2003. We reviewed the level and nature of qualified investments and CD services. At the bank's request, we also considered qualified investments provided by its affiliate. At the prior examination dated September 11, 1997, we rated the bank Satisfactory.

If a bank has adequately addressed its assessment area needs, the OCC considers CD 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 were considered in evaluating its performance.

## **Description of Institution**

Credit First National Association (CFNA) was chartered on October 19, 1993, as a Competitive Equality Banking Act (CEBA) credit card bank. On January 31, 1996, CFNA received its designation as a limited purpose institution for CRA purposes. CEBA banks are restricted from participation in most activities common to full service banks and primarily engage in credit card operations. CEBA banks may only accept savings and time deposits in amounts of \$100,000 and greater. Additionally, they may not engage in the business of making or purchasing commercial, residential, or retail oriented loans, with the exception of credit card loans. This prohibition significantly limits CFNA's ability to help meet community credit needs within its assessment area. See page nine for a definition of a CEBA bank. CFNA may only engage in CRA CD activities relating to qualified investments and CD services due to legal restrictions. CFNA's ability to provide CD services is also affected due to the specialized financial expertise of bank employees. CFNA's affiliate, Bridgestone / Firestone Trust Fund (BFTF), has provided investment avenues for qualified investments outside the bank's assessment area.

CFNA is a \$9 million financial institution located in Brook Park, Ohio, a suburb of Cleveland, Ohio. It has no branch offices. CFNA is a wholly-owned subsidiary of BFS Retail and Commercial Operations, LLC. Bridgestone Corporation, which is headquartered in Japan, wholly owns BFS Retail and Commercial Operations, LLC. Bridgestone Corporation, which has subsidiaries in approximately thirty countries, has as its primary business focus the manufacturing and sale of tires.

Table 1 provides financial information relating to CFNA’s financial capacity to help meet the needs of its assessment area. See pages nine through eleven for definitions of terms. CFNA’s assets are primarily centered in a note receivable from Firestone Retail Credit Corporation relating to the daily sale of receivables. CFNA’s primary business focus is the origination of private label credit cards for Bridgestone Corporation and independently owned Firestone automotive shops and two non-affiliated automotive shops (i.e. Meineke Discount Muffler Shops, Inc. and Merchant’s Inc.). Receivables from these private label credit cards are sold to Firestone Master Trust, which in turn sells them to the Bank of Tokyo-Mitsubishi. CFNA’s primary source of income is derived from the merchant fee assessed on sales generated on the proprietary credit cards from the independent Firestone dealers and the two non-affiliated automotive shops. The average amount of pass through receivables (\$342 million), detailed below, represents the outstanding balance of all accounts originated, subsequently sold, and presently serviced by CFNA.

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

	<b>Year-end 1997</b>	<b>Year-end 1998</b>	<b>Year-end 1999</b>	<b>Year-end 2000</b>	<b>Year-end 2001</b>	<b>Year-end 2002</b>	<b>Average for Evaluation Period</b>
<b>Tier 1 Capital</b>	\$2,144	\$2,144	\$2,330	\$2,316	\$2,159	\$2,625	\$2,286
<b>Total Income</b>	\$14,687	\$4,728	\$4,334	\$3,775	\$4,700	\$5,851	\$6,346
<b>Net Operating Income</b>	\$1,834	\$1,554	\$1,693	\$1,759	\$2,725	\$3,136	\$2,117
<b>Total Assets</b>	\$9,676	\$8,332	\$8,711	\$8,057	\$7,725	\$8,673	\$8,529
<b>Pass-Through Receivables</b>	\$374,173	\$352,330	\$333,852	\$318,640	\$327,768	\$343,451	\$341,702

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

## **Description of Assessment Area**

CFNA’s assessment area consists of a portion of Cuyahoga County which is one of the six counties that comprise the Cleveland-Lorain-Elyria metropolitan statistical area (MSA). It includes the cities of Brook Park, Berea, Cleveland, Fairview Park, Lakewood, Middleburg Heights, North Olmstead, Parma, Parma Heights, Rocky River, Strongsville, and Westlake. It doesn’t include Ashtabula, Geauga, Lake, Lorain, and Medina Counties. CFNA’s assessment

area complies with CRA regulatory requirements and does not arbitrarily exclude low- and moderate-income areas. CFNA’s assessment area is comprised of urban and suburban areas. Cuyahoga County, Ohio is located in northeast Ohio. Cuyahoga County borders Lake Erie and has many lakefront recreation and resort areas. The Port of Cleveland provides access to Great Lakes shipping and to world ports through the St. Lawrence Seaway. Local business starts have declined 17 percent from 1995 through 2000, with an average of approximately 3,100 per year. Active businesses in Cuyahoga County totaled 28,976 as of 2000. Employment within Cuyahoga County is distributed among the services (33 percent), trade (24 percent), manufacturing (16 percent), government (11 percent), finance (9 percent), and other (7 percent) sectors. In 2000, the average weekly earnings for all industrial groups was \$695. Major employers include American Greetings Corporation, Case Western Reserve University, Cleveland Clinic Health System, Ford Motor Credit, and KeyCorp.

According to 1990 census information, 103 (31 percent) of the geographies in CFNA’s assessment area are low-income, 75 (23 percent) are moderate-income, 100 (30 percent) are middle-income, 38 (12 percent) are upper-income, and 13 (4 percent) lack sufficient population to be assigned an income level. As a whole, the assessment area consists of 11 percent of total Ohio geographies (2,862) and 8 percent of the state’s population (10,847,115).

As of 1990, the assessment area had approximately 224,741 families. Twenty-eight percent of the families were low-income, 18 percent were moderate-income, 23 percent were middle-income, and 31 percent were upper-income. As of 2002, the MSA median family income was \$60,000. Eighteen percent of households live below the poverty level, a higher percentage than the State of Ohio’s poverty level of 13 percent. The unemployment rate for Cuyahoga County was 5.8 percent as of November 2002, which is higher than the statewide unemployment rate of 5.2 percent.

In 2001, 38 percent of renters in Cuyahoga County paid more than 30 percent of their income for housing costs. As of 2001, the fair market rent for a two-bedroom-housing unit was \$726. An individual would either need to earn 271 percent of the federal minimum wage (based on a 40-hour workweek) or work a 108-hour workweek to afford the fair market rent of \$726.

Table 2 provides additional demographic data for CFNA’s assessment area.

**Table 2: Assessment Area Description**

	<b>Number</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
<b>Tracts</b>	329***	31%	23%	30%	12%
<b>Families</b>	224,741	28%*	18%*	23%*	31%*
<b>Businesses</b>	37,816****	19%**	14%**	36%**	22%**

Source: Demographic Data - 1990 U.S. Census, Dun & Bradstreet Data. \*Represents families by income level. \*\*Represents businesses by income level of census tract. \*\*\* Thirteen (4 percent) census tracts have not been assigned an income classification. \*\*\*\*Nine percent of businesses are located in census tracts in which an income classification has not been assigned.

The credit and non-credit related needs in CFNA’s assessment area included the following.

- Affordable Housing

- Rental Assisted Housing: As of July 2002, all U. S. Department of Housing and Urban Development (HUD) Section 8 housing complexes were fully occupied. The waiting list for this type of housing was 8,500 households or approximately a year. As of August 2002, the waiting list for public housing was 6,771 households.
- Affordable non-Assisted Rental Housing: As of 2001, 38 percent of renters in Cuyahoga County were paying more than 30 percent of their income for housing (rent and utilities). In the City of Cleveland, 73 percent of renters earning less than 30 percent of the area median income paid more than 30 percent of their income for housing.
- Affordable Single-Family Owner Occupied Housing
- Rehabilitation of Rental (single and multifamily) and Owner Occupied Housing Units
- Transitional Housing for the Homeless
- Social Services for Low- and Moderate-Income Families
  - Day Care for Children, Seniors, and the Disabled
  - Job Training and Placement Services
  - Food Donation
  - Health and Dental Care Services
  - Substance Abuse Services

These community needs were determined by obtaining information from the Cuyahoga Metropolitan Housing Authority. We also reviewed the HUD Consolidated Strategy and Plan for Cuyahoga County and the City of Cleveland which are comprehensive planning documents that identify community needs.

Opportunities for qualified investments and CD services do exist within CFNA's assessment area. These opportunities include low-income housing tax credits, CD and low-income financial institutions, affordable housing revenue bonds issued by the State of Ohio, non-profit housing organizations, credit counseling agencies, community housing development organizations, community action agencies, and non-profit organizations that provide social services to low- and moderate-income individuals. CFNA's opportunities for qualified investments are abundant for providing donations and grants. However, CFNA's opportunities for qualified investments other than donations and grants do exist, but are somewhat limited due to the nature of its operations, as noted above, and tremendous competition from large full service banks.

## **Conclusions About Performance**

## Summary

- CFNA has a high level of qualified investments and CD services, including those from its affiliate BFTF, given available opportunities, competition from full service banks, legal restrictions, its financial condition, and the unique nature of its banking operations. CFNA and its affiliate have made \$198,000 in qualified investments that have directly benefited its assessment area or a statewide or regional area that includes its assessment area. See Table 3 for details. CFNA didn't present any CD services for us to consider.
- CFNA's qualified investments were not innovative or complex.
- CFNA has exhibited excellent responsiveness to credit and CD needs within its assessment area. CFNA has donated money for health care, affordable and temporary housing, credit counseling, food donation, and various other social services primarily for low- and moderate-income individuals. These donations have been in direct response to identified community needs. CFNA has been able to meet identified community needs through the work of the Internal Corporate Steering Committee of the BFTF that reviews requests for donations submitted by Bridgestone Corporation and its many affiliates.

## Qualified Investments

CFNA's amount of qualified investments within and outside its assessment area totaled \$198,000 and \$3,013,000, respectively. See Table 3. This level of qualified investments is high given the nature of CFNA's operations, its financial condition, competition from full service banks, and available opportunities. Table 4 details CFNA's amount of qualified investments as a percentage of Average Tier 1 Capital, Average Total Income, and Average Pass-Through Receivables. Furthermore, CFNA has exhibited excellent responsiveness to community needs by donating money to approximately 40 different organizations. The number and the wide variety of organizations the bank has contributed to is viewed in a very positive manner. Table 5 depicts the type of donations that were made within and outside its assessment area.

**Table 3: Qualified Investment Activity (000s)**

	Benefits AA	Outside AA	Totals
<b>Originated Investments</b>	\$0	\$0	\$0
<b>Originated Grants</b>	198	3,013	3,211
<b>Prior-Period Investments that Remain Outstanding</b>	0	0	0
<b>Total Qualified Investments</b>	\$198	\$3,013	\$3,211

**Table 4: Qualified Investment Percentages**

	Benefits AA (%)	Outside AA (%)	Total (%)

<b>Total Investments/Average Tier 1 Capital</b>	8.66%	131.80%	140.46%
<b>Total Investments/Average Total Income</b>	3.12%	47.48%	50.60%
<b>Total Investments/Average Pass-Through Receivables</b>	.06%	.88%	.94%

**Table 5: Donations by Type (000s)**

<b>TYPE OF DONATION</b>	<b>WITHIN ASSESSMENT AREA (\$000's)</b>	<b>OUTSIDE ASSESSMENT AREA (\$000's)</b>	<b>TOTAL (\$000's)</b>
<b>Affordable Housing</b>	\$91	\$116	\$207
<b>Consumer Credit Counseling</b>	58	2,710	2,768
<b>Food Donation</b>	3	62	65
<b>Health Care</b>	14	6	20
<b>Other Social Services</b>	32	83	115
<b>Social Services for the Homeless</b>	0	36	36
<b>Total</b>	\$198	\$3,013	\$3,211

A discussion of CFNA's qualified investments is detailed below.

*Affordable Housing - \$207,000*

- CFNA donated \$38,000 to a non-profit organization that constructs and provides new single-family housing to low- and moderate-income families. This organization offers a below market first mortgage interest rate through a local lender, a deferred secured mortgage through the City of Cleveland, and grant money from the Ohio Housing Trust Fund to be used for down payment assistance. This organization also provides funds to rehabilitate existing housing stock and for the weatherization of houses. Additionally, they operate a family services program that assists individuals in getting off the welfare rolls by providing day care, transportation, housing assistance, and job training services. This organization serves approximately 1,000 families annually who reside in Cuyahoga County.
- CFNA donated \$36,000 to a non-profit organization that constructs and provides new single-family housing to low- and moderate-income families residing in Cuyahoga County. This organization provides interest free financing and constructs and sells approximately 15 – 20 houses per year.
- CFNA donated \$13,000 to an organization that provides temporary housing and social services to neglected, orphaned, and abused children residing in Cuyahoga County. The children primarily come from homes of low- and moderate-income families.
- CFNA donated \$4,000 to a non-profit organization that assists low- and moderate-income families who reside in Cuyahoga County in paying utility bills and rent. The organization

assists approximately 200 families per month.

- BFTF donated \$112,000 to five non-profit organizations that construct and provide new single family housing to low- and moderate-income families residing in McLean County, Illinois; Indianapolis, Indiana; Akron, Ohio; Nashville, Tennessee; and Spartanburg, South Carolina.
- BFTF donated \$4,000 to two non-profit organizations that rehabilitate houses of low- and moderate-income homeowners residing in Akron, Ohio and Oklahoma City, Oklahoma.

*Consumer Credit Counseling - \$2,768,000*

- CFNA donated \$2,768,000 to an organization that provides free consumer credit counseling services primarily to low- and moderate-income individuals who reside within the United States. A portion of this amount (\$58,000) was used for individuals residing within Cuyahoga County.

*Food Donation - \$65,000*

- CFNA donated \$3,000 to a non-profit organization that provides food to low- and moderate-income families residing in the greater Cleveland, Ohio area.
- BFTF donated \$62,000 to six non-profit organizations that provide food to low- and moderate-income families residing in Akron, Ohio; Canton, Ohio; Nashville, Tennessee; and Big Island, Virginia.

*Health Care - \$20,000*

- CFNA donated \$15,000 to an organization that provides breast cancer education, screening, and treatment primarily to low- and moderate-income women across the United States. A portion of this amount (\$11,000) was used for women residing within Cuyahoga County.
- CFNA donated \$3,000 to a new non-profit organization that operates a visiting nurse program primarily to low- and moderate-income individuals residing in Cuyahoga County. This program allows individuals to receive medical services inside their residences.
- BFTF donated \$1,000 to an organization that provides medical care and educational programs to low- and moderate-income children and families residing in the State of Arkansas.
- BFTF donated \$1,000 to an organization that provides acute coronary and kidney care for indigent children residing in Gardena, California.

*Other Social Services - \$115,000*

- CFNA donated \$19,000 to a non-profit organization that provides parenting skills primarily to low- and moderate-income mothers residing in Cuyahoga County. Approximately 300 families are served annually.
- CFNA donated \$10,000 to a local hospital with proceeds used to fund a program that assists low- and moderate-income at risk seniors in receiving needed social services. Once the at risk senior is identified, a social worker and a registered nurse visit the individual in their home and identify what services are needed to allow the individual to live a safe and independent life. The individual then is provided assistance in obtaining the needed services. This program has assisted approximately 450 individuals residing in Cuyahoga County in the past four years.
- CFNA donated \$3,000 to a non-profit organization that assists elementary age school children residing in Cuyahoga County to become better readers. The children primarily come from low- and moderate-income families. In 2001, approximately 130 children participated in this program.
- BFTF donated \$49,000 to a non-profit organization that provides an array of social services primarily to low- and moderate-income individuals residing across the United States. The social services that are provided include temporary housing, medical care, meals, youth recreational activities, counseling services, disaster relief, and job training. BFTF's contribution was used to benefit individuals residing in Nashville, Tennessee; Akron, Ohio; Bloomington, Illinois; Russellville, Arkansas; Orange County, Texas; Wilson, North Carolina; and Beaumont, Texas.
- BFTF donated \$21,000 to an organization that provides an array of social services to abused children who primarily are from low- and moderate-income families residing in Nashville, Tennessee and Orange County, Texas.
- BFTF donated \$13,000 to five organizations that provide various social services to low- and moderate-income individuals residing in Summit County, Ohio; Akron, Ohio; and Nashville, Tennessee. These social services include services for abused and neglected children, legal aid, Christmas gifts to the needy, and educational services.

*Social Services for the Homeless - \$36,000*

- BFTF donated \$36,000 to six non-profit organizations that provide social services primarily to homeless individuals residing in Nashville, Tennessee; the State of Illinois; Akron, Ohio; the State of Maryland; Evanston, Illinois; New Castle, Pennsylvania; and South Bend, Indiana. These social services include homeless shelters, food banks, health care, and job training.

**Community Development Services**

CFNA didn't present any CD services for us to consider as part of this evaluation.

## **Fair Lending Review**

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

## **Definitions and Common Abbreviations**

The following terms and abbreviations are used throughout this performance evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate** – Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Assessment Area (AA)** – A geographic area that consists generally of one or more MAs (using the MA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

**Benefit to Assessment Area** – A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity benefits a broader statewide or regional area that includes the bank’s assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

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

**CEBA** – Competitive Equality Banking Act of 1987, which permitted corporations to form limited-purpose credit card banks, whose operations are restricted to credit card activities, without the corporation becoming subject to the limitations of a “bank holding company” under the Bank Holding Company Act. A CEBA credit card bank engages only in credit card operations, does not accept demand deposits or savings or time deposits of less than \$100,000 (other than to secure extensions of credit), maintains only one office and does not engage in the business of making commercial loans.

**Census Tract (CT)** – Small, locally defined statistical areas within Metropolitan Areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

**Community Development (CD)** – Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

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

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

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

**Median Family Income (MFI)** – The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income** – An income level that is less than 50% of the MFI.
- **Moderate-Income** – An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income** – An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income** – An income level that is 120% or more of the MFI.

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

**Net Operating Income** – As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments.

**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.

**Qualified Investment** - A qualified investment is defined as any lawful investment, deposit,

membership share, or grant that has as its primary purpose community development.

**Tier 1 Capital** – The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Total Assets** – Total bank assets as listed in the Consolidated Report of Condition and Income.

**Total Income** – From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income.