



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# WHOLESALE BANK

## PUBLIC DISCLOSURE

December 31, 2011

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of America, Rhode Island, N.A.  
Charter Number: 24592

111 Westminster Street  
Providence, RI 02903

Office of the Comptroller of the Currency

Large Bank Supervision  
Constitution Center  
400 7<sup>th</sup> 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.

## INSTITUTION'S CRA RATING:

**This institution is rated Satisfactory.**

The conclusions for the three rating criteria are:

- The bank demonstrates an adequate level of community development (CD) activity including an adequate level of community development lending and qualified investment activity, and a high level of community development services.
- The bank demonstrates extensive use of innovative or complex qualified investments and community development loans and community development services.
- The bank demonstrates excellent responsiveness to credit and community development needs in its assessment area.

## Scope of the Examination

As of October 27, 2009, Bank of America Rhode Island, N.A. (BARI), Providence, Rhode Island was designated as a wholesale institution for Community Reinvestment Act (CRA) examination purposes. In evaluating the bank's performance under the CRA, we performed a review of community development activities during the evaluation period from October 27, 2009, through December 31, 2011. A review of the level and nature of qualified investments, community development lending, and community development services was performed.

This evaluation rates the CRA performance of BARI based upon its performance within the defined Assessment Area (AA) of Providence County, Rhode Island. The county is part of the Providence-New Bedford-Fall River, RI-MA Metropolitan Statistical Area (MSA). During the evaluation period, the bank's CD activities were performed only within its AA and therefore no CD activity outside the AA was considered when evaluating performance.

## Description of Institution

BARI is a bank subsidiary of NB Holdings Corporation (NBH), a wholly owned subsidiary of Bank of America Corporation (BAC) headquartered in Charlotte, North Carolina. BARI is an outgrowth of the acquisition of Merrill Lynch Corporation by Bank of America Corporation in January 2009. Two former Merrill Lynch banking institutions – Merrill Lynch Bank, USA and Merrill Lynch Bank & Trust – were later merged into the newly established BARI charter in November 2009. BARI is a wholesale bank created primarily to provide overnight deposit sweep capability for Merrill Lynch brokerage accounts. As of December 31, 2011, BARI had total assets of \$17.8 billion, comprising 1 percent of the parent corporation's consolidated assets.

BARI has only one office, which is designated as its main office in Providence, Rhode Island. It has no branches and the bank does not engage in retail deposit operations. There are no known legal or financial factors that impede BARI's ability to help meet the credit and community development needs in its AA. This is the bank's first CRA evaluation.

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

	Year-end 2009	Year-end 2010	Year-end 2011	Average for Evaluation Period
<b>Tier 1 Capital</b>	\$1,689,439	\$1,846,189	\$2,068,920	\$1,868,183
<b>Total Income</b>	\$1,365,160	\$982,113	\$698,699	\$1,015,324
<b>Net Operating Income</b>	\$999,981	\$597,915	\$324,541	\$640,812
<b>Total Assets</b>	\$23,612,804	\$20,156,900	\$17,769,956	\$20,513,220
<b>Pass-Through Receivables</b>	\$21,229,306	\$17,471,010	\$13,121,320	\$17,273,879

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

## Description of Assessment Area

BARI designated Providence County, Rhode Island as its AA. The county is part of the Providence-New Bedford-Fall River, RI-MA MSA. The AA is comprised of 138 census tracts; 25 low-income, 33 moderate-income, 55 middle-income and 25 upper-income. The AA meets the legal requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. BARI has only one office, which is designated, as its main office in Providence, Rhode Island and there are no branches.

The Bureau of Labor Statistics reports the 2011 annual average unemployment rate for the Providence-New Bedford-Fall River, RI-MA Metropolitan Statistical Area (MSA) was 11.2 percent, down from 11.7 percent in 2010. The MSA's unemployment rate is above the national annual average unemployment rate of 8.9 percent (2011) and 9.6 percent (2010). Providence County unemployment levels have ranked in the top 10 nationally since 2007. Major industries in the area include state and local government, general medical and surgical hospitals, full-service restaurants, and nursing care facilities. Top employers in the area are Lifespan, Sensata Technologies, Care New England Health System, and Roman Catholic Diocese of Providence.

According to the Department of Housing and Urban Development (HUD), median family income in the AA has increased during the evaluation period to \$74,500. The National Association of Home Builders reports the median sales price of a single-family home in the Providence metro area was \$172 thousand as of 4Q11 and 82 percent of all homes sold were affordable to households earning the area's median family income. The 2010 Census data show there are 253,214 housing units in the county, of which 5 percent are vacant. Approximately 81 percent of the housing units are one-to-four family units and 19 percent are multi-family units. Forty-nine percent are owner-occupied properties and 44 percent are renter-occupied. The average age of housing stock is 41 years.

Identified needs by local community organizations within the AA include affordable housing for LMI families, foreclosure prevention, neighborhood stabilization, participation as a member of the Board of Directors of active community groups, financial education and workforce development, consumer credit counseling, and small business economic development initiatives. The small size of the county, the limited availability of projects, the overlap of the county with a Bank of America, N.A. assessment area, and the presence of 20 other financial

institutions subject to CRA creates significant competition for and challenges in capturing a share of existing CD opportunities within Providence County.

**Table 2: Assessment Area Description**

	<b>Number</b>	<b>Low %</b>	<b>Moderate %</b>	<b>Middle %</b>	<b>Upper %</b>
<b>Tracts</b>	138	18.12	23.91	39.86	18.12
<b>Families</b>	153,637	26.86*	18.54*	21.15*	33.45*
<b>Businesses</b>	54,224	12.64**	24.13**	39.65**	23.58**

Source: Demographic Data - 2000 U.S. Census \*Represents families by income level \*\*Represents businesses by income level of census tract.

## Conclusions about Performance

### Summary

BARI provides an adequate level of qualified investments and community development loans, and a high level of community development services in relation to its capacity and opportunities in the AA. During the evaluation period, BARI provided \$35 million in qualified investments and community development loans to the AA. In addition, employees provided services to 13 community development organizations within the AA.

BARI demonstrates extensive use of complex community development loans and investments. Examples include the bank's participation in two projects; one in downtown Providence, the other in the rural community of Burrillville, aimed to rehabilitate two buildings and provide job creation and affordable apartment units. Both projects required complex funding and the provision of complex, comprehensive financial expertise such as guidance on tax credit transactions to community development organizations.

BARI demonstrates excellent responsiveness to credit and community development needs of the AA. The bank was able to accomplish a high level of responsiveness by focusing on the most pressing needs within the AA. In doing so, the bank participated in 37 community development transactions with over 85 percent of the bank's transactions targeted to affordable housing, community stabilization, and financial education initiatives. In addition, the bank provided both program and operating support for organizations dedicated to affordable housing and financial education initiatives.

Finally, BARI's community development services were responsive to the identified needs within the AA. In addition to being responsive, a few of the services were innovative and senior executives provided leadership to the organization. For example, senior executives participated on the Bank on Providence Task Force in support of connecting the unbanked with affordable and appropriate mainstream financial services. Bank executives developed financial strategy proposals focused on bringing national resources to the initiative.

### Qualified Investments

BARI originated a total of \$3.7 million in qualifying investments during the evaluation period. In addition, BARI had grants totaling \$145 thousand that were made to community development

organizations within the AA. All investments were focused inside the AA and no investments outside the AA were considered.

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.

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

	<b>Benefits AA</b>
<b>Originated Investments</b>	3,650
<b>Originated Grants</b>	145
<b>Prior-Period Investments that Remain Outstanding</b>	0
<b>Total Qualified Investments</b>	3,795
<b>Unfunded Commitments*</b>	0

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

**Table 4b: Qualified Investment Percentages**

	<b>Benefit AA (%)</b>
<b>Total Investments/Average Tier 1 Capital</b>	0.20
<b>Total Investments/Average Total Income</b>	0.37
<b>Total Investments/Average Pass-Through Receivables</b>	0.02

The most significant qualified investments include the following:

- Historic and new market tax credits for \$3.6MM for the development of the Mercantile building in downtown Providence. The project is the second major project in the area supported by Bank of America; the first being the Dreyfuss Hotel restoration. The 4-story 50,000 square foot building is expected to provide living and working space for artists and artist related businesses as well as to house the Rhode Island Council on the Humanities and College Visions, a college access program. The project will create 50 permanent jobs in a market with a 9.3 percent rate of unemployment as of September 2011 and the opening of the building should serve as an economic catalyst within the neighborhood. The bank provided half of the total development costs and collaborated with the developer to procure additional tax credits from the National Trust of Historic Preservation and Massachusetts Housing Investment Corporation.
- Investments totaling \$20 thousand to the Corporation for Supportive Housing (CSH) – Rhode Island, which focuses on increasing the availability of affordable supportive housing and ending homelessness. The bank and the Housing Network of Rhode Island were the first institutions to become members of the Rhode Island advisory committee for CSH.
- Investments totaling \$15 thousand to ACCION – Rhode Island. ACCION is a private, non-profit CDFI focused on providing microloans and other financial services to LMI small business owners. The bank, in conjunction with other community partners, identified a market need for an effective CDFI because there was a lack of active small business CDFIs in Rhode Island. The bank was the first financial institution to become a member of

the ACCION Rhode Island Advisory Committee with a senior executive being instrumental in the establishment of a program office in Rhode Island.

## Community Development Lending

During the evaluation period, BARI originated four community development loans totaling \$31 million. The community development loans made a positive impact within the community through revitalization and stabilization efforts. In addition, the community development loans provided affordable housing to LMI families by creating 51 affordable housing units. All lending was focused inside the AA and no loans outside the AA were considered.

The following table shows total community development loans as a percentage of the bank's average capital, total income, and pass-through receivables.

**Table 5b: Community Development Lending Percentages**

	Benefits AA (%)
<b>Total CD Lending/Average Tier 1 Capital</b>	1.65
<b>Total CD Lending/Average Total Income</b>	3.03
<b>Total CD Lending/ Average Pass-Through Receivables</b>	0.18

The most significant qualified loans include the following:

- Acquisition financing of \$4.8MM for the Clocktower Mill project located in a Brownfields site in the rural community of Burrillville, RI within Providence County. The 5-story structure will contain 47 family-style apartments, including a mixture of one, two, and three bedroom flats will be affordable to families earning from 40 to 80 percent of the area median income. The bank provided financial expertise to the developer, Neighborworks of Blackstone Valley, for submission of a Federal Home Loan Bank Affordable Housing Program (AHP) grant application. The project received \$400 thousand in AHP grant dollars and generated a master plan for the surrounding neighborhood, which now includes a new library and community center. Residents will benefit from a variety of community development activities held in the new community center.
- Construction and bridge loan financing totaling \$3.7MM for the development of the Mercantile Building in downtown Providence (see Qualified Investments for more detail on the Mercantile project.)
- Purchase of \$22.3 million in Qualified School Construction Bonds (QSCBs) to finance various improvements to public schools within the City of Providence. According to the Rhode Island Department of Education, 82 percent of the students in Providence School Districts are eligible for the free or reduced lunch program. The improvements will also include "green initiatives" such as roof repairs, HVAC system upgrades, and other energy-related improvements.

## Community Development Services

Employees actively provided their financial expertise to 13 community development organizations and programs that benefit LMI individuals, families, and communities in the AA. Through their involvement on boards and committees of affordable housing and community service organizations, delivery of technical assistance, and the provision of other financial services, bank employee activities are highly responsive to community development needs.

The following are examples of significant community development services:

- A Senior Vice President and CRA Senior Manager utilized his years in community development to serve on the ACCION Rhode Island Advisory Committee. He was instrumental in the establishment of an ACCION program office in Rhode Island. His responsibilities included strategic planning, assessing national underwriting guidelines, budgeting, fundraising, and identifying sources of capital.
- Two associates - a Senior Vice President and CRA Senior Manager and a Vice President serve on the Bank on Providence Task Force. Both use their financial expertise to assist in developing sustainable plans to address the issues of the unbanked population in Providence. Bank associates use their familiarity with local community development programs to develop financial strategy proposals for the committee to consider and then to recommend to other partners. The bank was the first to sign onto the Bank on Providence initiative leveraging previous successes in the Seattle and San Francisco markets. There are now more than 30 bank/credit union branches participating in the program.
- A Senior Vice President and Senior Client Manager served as Chair of the Local Initiatives Support Corporation (LISC) Credit Committee and utilized her banking and finance expertise – particularly her community development lending knowledge – to assess transactions, forge partnerships, and influence strategic planning.
- Two associates, both Senior Vice Presidents utilized their experience in community development gained through work experience, numerous application submissions, and conference participation with the Federal Home Loan Bank of Boston to become subject matter experts in advising non-profits in preparing competitive affordable housing program applications. Through their board service on the Blackstone Valley CDC (The Woonsocket Neighborhood Development Corporation), bank associates leveraged their financial expertise to assist in the preparation and submission of an affordable housing program grant application, which was subsequently awarded from the Federal Home Loan Bank of Boston. (See Community Development Loans for additional Clocktower Mill project details.)

## Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

Further, section 1025 of the Dodd–Frank Wall Street Reform and Consumer Protection Act (Pub. L. 111-203) assigns to the Consumer Financial Protection Bureau (CFPB) exclusive examination authority, and primary enforcement authority, to ensure compliance by banks and FSAs with Federal consumer financial laws, if the bank or FSA has more than \$10 billion in assets. The CFPB has not provided the OCC with any information about, or other evidence of, discriminatory or other illegal credit practices relative to this institution with respect to the Federal consumer financial laws.

## 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 nonmetropolitan 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.

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

**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 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.

**Wholesale Institution:** An institution that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers and for which a designation as a wholesale bank is in effect.