



Comptroller of the Currency
Administrator of National Banks

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PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

September 6, 1996

**May National Bank of Arizona
Charter Number: 21920**

**1615 South 52nd Street
Tempe, Arizona**

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

GENERAL INFORMATION

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

This document is an evaluation of the CRA performance of the May National Bank of Arizona (MBA), prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of September 6, 1996. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institutions consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating: This institution is rated Satisfactory.

Given its limited purpose, May National Bank of Arizona (MBA) has a satisfactory record of meeting the credit needs of its assessment area. MBA has made a reasonable level of investments that are community development-oriented and which benefit the community. Additionally, the May Department Stores Company (May), its parent company, maintains deposit and credit relationships with several women and minority owned financial institutions which contribute positively to MBA's performance.

We found the bank in noncompliance with a substantive provision of the Equal Credit Opportunity Act (ECOA). We identified a pattern or practice of differential treatment of credit card applicants based on age. In certain instances, underwriters approved the applications of persons who lacked any credit history, and in other instances, underwriters denied applicants for that same reason. The determining factor was the applicant's age.

This practice was a result of senior management's desire to make credit more accessible to applicants who would not otherwise meet the bank's underwriting requirements. Management's goal was to increase the number of approvals by making allowances for some applicants who lacked sufficient credit history. While the practices resulted in a violation of ECOA, the end result was a greater number of applicants received credit. Encouraging financial institutions to use innovation and flexibility to make credit more available is one of the CRA's guiding principles. Given senior management's motivations, the resulting increased number of approvals, and MBA's qualified community development investments, the violation did not adversely impact the bank's overall satisfactory performance.

Description of The Institution:

May National Bank of Arizona received its National Bank Charter on April 1, 1991. MBA is a credit card bank as defined by the Competitive Equality Banking Act of 1987 (CEBA). Consequently, its activities are limited to performing services related to credit card underwriting and processing. MBA may not accept retail deposits, make commercial loans, or offer any non-credit card services to its customers. MBA's request to be designated a limited purpose bank was approved by the Office of the Comptroller of the Currency on January 22, 1996.

MBA is located in Tempe, Arizona and is a wholly-owned subsidiary of May Funding, Inc., which in turn is a wholly-owned subsidiary of The May Department Stores Company. May is one of the largest retailing companies in the nation and operated 346 department stores throughout the country as of fiscal year-end February 3, 1996. It owns and operates eight major department store chains including: Famous-Barr, Filene's, Foley's, Hecht's, Kaufmann's, Lord & Taylor, Meir & Frank, and Robinson's-May. MBA extends credit to customers of L.S. Ayers, a unit of Famous-Barr, Meier & Frank, and Robinson's-May. In addition, MBA processes credit card remittances for other May department stores.

As of June 30, 1996, the bank had total assets of \$4.3 million and year-to-date net income of \$1.2 million. Deposits totaled \$100,000. CEBA restricts deposits that MBA may accept to those of \$100,000 or greater.

Conclusions With Respect to Performance:

Through financial contributions to government and private sector agencies, MBA effectively participates in community development and redevelopment efforts. MBA has made financial contributions to non-profit organizations engaged in affordable housing, small business development and consumer credit counseling in the bank's assessment area. The bank's CRA performance is further strengthened by qualified investments originated by its parent firm, The May Department Stores Company and its charitable foundation.

Community Reinvestment Act related donations totaled \$65,000 during 1995 and \$91,500 year-to-date 1996. Specific groups supported include:

- **Local Initiative Support Corporation (LISC)**

LISC is the nation's largest community development intermediary providing financial and technical support to grassroots non-profit Community Development Corporations (CDC's). These CDC's develop affordable housing, spur commercial investments, create jobs and offer a range of social services that revitalize and reinvigorate communities. LISC provides a link between communities, corporations, foundations, and governments. MBA contributed \$25,000 to LISC in both 1995 and 1996.

- **Self Employment Loan Fund (SELF)**

SELF is a non-profit organization that helps low-income individuals, especially women and minorities, start or expand micro-businesses as a way out of poverty. SELF offers training, technical assistance and loans through a "Borrowers' Circle" lending program. Micro-businesses are small and

usually home-based with low start-up and operating costs. Micro-businesses usually have one to five employees. MBA donated \$25,000 to SELF in both 1995 and 1996.

- **Consumer Credit Counseling Services Southwest (CCCS)**

The mission of CCCS Southwest is to provide a nonprofit community service dedicated to delivering professional consumer credit education, confidential counseling and debt repayment programs to all segments of the communities served. MBA has extended support to CCCS's Educational Division whose purpose is to provide consistent, comprehensive and quality educational programs that reach and address the needs of all segments of the community. These programs help identify a problem or series of problems in individual financial situations, and educate individuals regarding the various aspects of decision-making, budgeting, money management, and the appropriate use of credit. MDA gave \$7,500 to CCCS in 1996 and \$10,000 in 1995. An additional \$5,000 was provided to the National Consumer Credit Counseling Service in 1995.

- **Habitat for Humanity**

Habitat for Humanity is an ecumenical non-profit corporation created to provide affordable housing for working families of modest means. Their mission is to eliminate poverty housing by building affordable houses in areas of need. They are affiliated with Habitat for Humanity International which has built 50,000 houses through the work of 1,400 U.S. affiliates and affiliates in 46 countries around the world. Habitat for Humanity is the 17th largest home builder in the U.S. Habitat for Humanity received a \$25,000 contribution from MBA in 1996.

- **Regional Housing Alliance & St. Louis Equity Fund, Inc.**

Through The May Department Stores Company Foundation (Foundation), May supports the Regional Housing Alliance and the St. Louis Equity Fund, Inc. of St. Louis, Missouri. The goal of these organizations is to develop affordable housing for low- to moderate-income families within the greater St. Louis region. The Foundation and May are both headquartered in St. Louis. In 1995, the Foundation contributed \$197,000 to the Regional Housing Alliance and \$139,000 to the St. Louis Equity Fund. One half of these amounts; or \$98,500 and \$69,500, respectively; can be allocated to MBA's Community Reinvestment Act performance.

- **Minority Bank Deposit and Credit Program**

May implemented a Minority Bank Deposit and Credit program for women and minority owned financial institutions located throughout the United States. Through the Boston Bank of Commerce, an African-American owned bank located in Boston, Massachusetts, May maintains time deposits and business lines of credit with twenty women/minority owned financial institutions. Presently, May has a total \$697,500 in certificates of deposit and \$8,275,000 in lines of credit with these institutions on behalf of MBA.

ASSESSMENT AREA

Description of Assessment Area:

MBA has designated its assessment area as the Phoenix-Mesa, Arizona Metropolitan Statistical Area (MSA). MBA's office is located at 1615 South 52nd Street, Tempe, Arizona 85281. The bank's charter under CEBA limits its activities at this location to those associated with the processing of credit cards.

The Phoenix-Mesa MSA (MSA #6200) is characterized by middle-income as demonstrated by the following table:

Income Designation	# of Households	% of Households
Low	33,266	4%
Moderate	226,606	27%
Middle	347,946	41%
Upper	239,482	28%

The geographic makeup of the assessment area is consistent with the composition of the individual households. Of the 486 census tracts in the MSA, 184 (38%) are designated middle-income, 122 (25%) moderate income, and 149 (30%) upper income.

Local economic conditions are good. Unemployment rates have historically been low. The service and retail industries are the main providers of employment followed by government and manufacturing. The 1996 median family income for the MSA is \$45,000. There are in excess of 1,005,000 housing units in the MSA, with 84% currently occupied. Owner-occupied units total 540,000 (53%).

SCOPE OF EXAMINATION

We reviewed the bank's CRA performance from June 1, 1994 through September 6, 1996, using examination procedures developed for the Community Development Test. Specifically, we assessed the level of qualified community development loans, investments, and services originated during the evaluation period. In addition, we considered qualified community development investments of MBA's parent company and an affiliated charitable foundation which impact its assessment area, or a broader statewide or regional area.