



Comptroller of the Currency
Administrator of National Banks

LARGE BANK/LIMITED PURPOSE

Washington, DC 20219

Public Disclosure

February 22, 1999

**Community Reinvestment Act
Performance Evaluation**

**Universal Bank, N. A.
Charter No. 22791
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Columbus, Georgia 31904**

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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.

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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 **Universal Bank, N.A., Columbus, Georgia**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 22, 1999**. 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 the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout the Performance Evaluation. The definitions are intended to give the reader a general understanding of the terms, not a strict legal definition.

Community Development Lending - In order to qualify as community development under the revised CRA regulation, the primary purpose of the loan must be for one of the following:

- C affordable housing targeted to low- or moderate-income individuals;
- C community services targeted to low- or moderate-income individuals;
- C activities that promote economic development by financing small businesses or farms; or,
- C the revitalization or stabilization of low- or moderate-income geographies.

Income Levels - These relate to individuals, families, households, or the census tracts in an MSA.

Low - An income level that is less than 50% of the median income.

Moderate - An income level that is at least 50% and less than 80% of the median income.

Middle - An income level that is at least 80% and less than 120% of the median income.

Upper - An income level that is 120% or more of the median income.

Low- and moderate- income (LMI) - geographies (e.g., census tracts and block numbering areas) which have, and individuals who have, low- or moderate-incomes.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above and below it.

Metropolitan Statistical Area (MSA) - Area defined by the United States Office of Management and Budget (OMB). MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

CRA Rating

Institution's CRA Rating: This institution is rated: **“Satisfactory record of meeting the community credit needs.”**

Primary factors supporting the bank's overall rating include:

- < Universal has made a reasonable level of community development investments and contributions.
- < Within the legal limitations of its charter, which restricts the scope of operations, the bank provides leadership for community development.

PERFORMANCE CONTEXT

Universal Bank, N.A. (Universal) is one of several banking subsidiaries of Citigroup, Inc. The other banking subsidiaries are Citibank, N.A.; Citibank (South Dakota), N.A., Citibank (Nevada), N.A.; Citibank (New York State); Citibank, FSB; Citicorp Trust, N.A. (Florida); and Citicorp Trust, N.A. As a result of a recent merger with the Travelers Group, the corporation provides a broad array of financial services throughout the United States and the world. Citigroup is the largest financial services company in the world, and in addition to its banking services, it offers insurance, securities brokerage, and investment banking products.

Citibank, N.A. purchased Universal from AT&T April 2, 1998. As a result of the change in ownership, the bank stopped selling credit card receivables daily, and repurchased all the receivables. As of December 31, 1998, the bank had \$6.8 billion in assets and \$2.8 billion in capital. At the time of the last CRA evaluation the bank had assets of \$37 million.

Universal was chartered as a Competitive Equality Banking Act (CEBA) credit card bank. CEBA banks are restricted from participation in most activities common to full service banks, and primarily engage in credit card operations. Universal 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 Universal's ability to participate in community development activities for CRA purposes; it is limited to community development investments and services. In addition, Georgia law restricts the bank to credit card loans, and deposits can be obtained only from affiliates located outside the state in amounts more than \$100 thousand. Universal's ability to provide community development services, such as financial expertise to organizations, is also affected due to the limited number of individuals (nine) employed by the bank and the specialized nature of the bank's financial expertise. The parent holding company provides some investment expertise and avenues for CRA qualified investments.

On January 5, 1996, the OCC approved Universal's application for limited purpose designation. Therefore, its CRA performance was evaluated under the Community Development Test. The bank is headquartered in Columbus, Georgia, where it operates from a single office. Several thousand employees work at the operations center in Jacksonville, Florida, which does the processing for the bank's 25 million credit card customers.

The bank's assessment area is Muscogee County, Georgia, which is part of the Columbus - Alabama MSA. The city of Columbus and the county have a combined government, and this makes Columbus the second largest city in the state. Demographic information about the assessment area is contained in the table in the Appendix of this document. The population has decreased slightly since 1994 as people have moved to less densely populated Harris County to the north. The county's ability to attract new industry is restricted by the lack of available land, and population is shifting to adjacent counties. The economy is significantly impacted by the military population of Fort Benning, and several large companies are headquartered in Columbus, or have substantial operations in the area.

Local data indicates that 19 percent of the homeowners and 39 percent of renters pay more than 30 percent of their income for housing costs. U.S. Department of Housing and Urban Development (HUD) studies indicate that there is little or no need for affordable housing in Muscogee County, and therefore, the county is unlikely to be awarded any significant number of points for low income housing tax credit projects. However, discussions with local community and civic organizations revealed that areas of the assessment area need affordable one to four family and multifamily housing.

Uptown Columbus, Inc. is the only designated Community Development Corporation in the area. The purpose of this organization is to redevelop the old commercial area of Columbus, and to facilitate loans for small businesses in the area. To encourage further economic development in the central business district, Uptown Columbus recently announced the establishment and administration of a building facade loan program. This program is funded by Universal. The corporation also manages a Small Business Loan program which is funded through a consortium consisting of the city and seven area banks, including Universal. The program requires that to be eligible the project must serve to eliminate slum and blight, or benefit LMI people.

Several full service financial companies are responsive to local credit and financial services needs. These include local offices of large regional banks, such as First Union, Sun Trust and South Trust. The largest local bank, Columbus Bank & Trust, has \$2 billion in assets and is the dominant bank in the area.

The period of evaluation for this examination was from the date of the last public evaluation, August 7, 1996, to February 22, 1999.

Community Contacts

During the examination, we reviewed community contact forms that representatives of the OCC, Federal Reserve Banks, Federal Deposit Insurance Corporation, and Office of Thrift Supervision had recently prepared. We met with two housing and economic development groups in the Columbus marketplace. Contrary to the HUD report mentioned above, one group identified affordable housing as a local credit need and that some local projects had applied for Low Income Housing Tax Credits.

CONCLUSIONS WITH RESPECT TO PERFORMANCE

COMMUNITY DEVELOPMENT INVESTMENTS

Universal made more than \$30 million in qualified CRA investments and contributions during this evaluation period. This represents a significant increase since the last evaluation, as the bank has responded to the growth in its balance sheet. A substantial portion of the investments and contributions was made outside the bank's assessment area. Universal can take credit for these community development activities due to its limited purpose designation and the satisfactory performance within its assessment area. No affiliate received credit for these investments and contributions. None of the investments are considered particularly innovative or complex.

Qualified Investments

Universal has substantially increased the level of CRA-qualified investments since the last evaluation, and has a reasonable level of investments. The bank and its affiliates have invested almost \$22 million during 1998, when its balance sheet composition changed as a result of the purchase of the bank by Citibank, N.A. The vast majority of the bank's efforts have benefited the residents of Columbus and a broader or national region that includes Muscogee County and Georgia.

The bank has provided funding for facade improvement in the central business district of Columbus. Universal is the sole funding source for the program and has provided \$200 thousand. This fund provides low-rate loans in amounts up to \$15 thousand for eight years. The bank also assists the redevelopment efforts of Uptown Columbus by participating with six other banks to make small loans to small businesses in the central business district. Universal has partially funded 13 loans, with current outstanding loan balances of \$28,352. These businesses employ 71 people, including 52 who have low and moderate incomes.

Because Universal cannot legally make loans itself, it has placed low-rate certificates of deposit (CDS), amounting to \$1.9 million, with three local banks. Subject to the terms of written agreements, these banks then lend the CD funds to CRA-qualified projects in Universal's assessment area. The loans

generated by these funds are not considered part of the lending banks' CRA performance. To date the funds have been used to develop LMI apartment complexes, provide home purchase mortgages for LMI individuals, and to provide computers for a low-income health services facility.

Because of its limited lending expertise (credit cards), and the relative lack of investment opportunities in its assessment area, Universal's affiliates have made investments on the bank's behalf which benefit community development in the region and on a national basis. The bank authorized Citicorp North America, Inc. to purchase up to \$5 million in mortgage backed securities which are collateralized by a pool of residential mortgages in Georgia, including mortgages in Muscogee County. The income levels of the borrowers are LMI. The investment was made for \$4.9 million. Similarly, Citicorp North America, Inc. has invested in a security backed by a nonprofit developer's loans for LMI projects. Universal was allocated \$430 thousand for three projects in Georgia.

Through another affiliate, Salomon Smith Barney, Universal is credited with \$14.5 million of various investments in the general partner of ten national tax credit funds, and 43 local or regional funds. The bank has been allocated \$4.5 million in a housing initiative, which includes a \$1.9 million equity investment in a new housing development in downtown Atlanta for working homeless and/or poor individuals. Another \$5 million investment was allocated to the bank, and includes a \$2.6 million equity investment in new apartments for low-income senior citizens in nearby Alabama. Also, a \$5 million portion of an investment was allocated to the bank, which includes a \$1.2 million equity investment in new apartments for low-income families in Georgia.

Qualified Grants and Contributions

Universal and its affiliate, Citigroup Foundation, made CRA-qualifying grants, donations, and in-kind contributions in 1997 and 1998 totaling more than \$8 million. This is a significant increase over the previous evaluation period.

Most of the programs receiving contributions were for community redevelopment in the central business district of Columbus, neighborhood redevelopment for affordable housing, grants to assist at-risk individuals in the community obtain employment, the portion of United Way contributions that serve LMI individuals, in-kind donations of computer equipment, and working capital for a community development credit union in organization.

The following examples represent activities with a national focus that receive positive consideration under the CRA. The most substantial qualified investment is the financial support Citigroup Foundation provides to nonprofit Consumer Credit Counseling Service (CCCS) agencies as part of a nationwide agreement. This activity benefits the residents of Columbus, a broader region including Georgia, and LMI individuals throughout the country. The dollars Universal contributes to CCCS agencies fund consumer education and credit counseling services in communities across the United States, and during this evaluation period amounted to \$7.9 million. The local office received \$6 thousand and CCCS

offices in Georgia received \$32 thousand. In addition, Universal contributed \$12,500 for credit education classes at the Columbus office.

COMMUNITY DEVELOPMENT SERVICES

Through the participation of its officers in community and civic activities, Universal is a leader in responding to community economic development needs. Officers of the bank are active participants on boards or by providing advisory services to the few community development organizations in the area. Management has been especially helpful to local organizations by informing them of the availability of government grant programs, and helping the boards file applications for grants. Throughout the assessment area, Universal employees serve on boards and committees of community organizations that help provide community development services. To the extent they are available, the bank serves on loan review committees that provide loans for community development activity.

FAIR LENDING

We conducted a concurrent fair lending examination of credit card loans. The credit card accounts were selected by a random sample of customers' requests for an increase in their lines of credit. The sample comprised applicants over the age of 62 who were denied increases in their credit line, and those under the age of 62 who were approved for increased credit. The results of the examination did not indicate any acts of illegal discrimination. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. Fair lending policies, procedures, training programs and internal assessment efforts are satisfactory.

Appendix

SCOPE OF EXAMINATION

Time Period Reviewed	August 7, 1996 to February 22, 1999	
Financial Institution		Products Reviewed
Universal Bank, N, A, Columbus, Georgia		Community development investments, grants, and services.
Affiliate(s)	Affiliate Relationship	Products Reviewed
Citicorp North America, Inc.	Holding company affiliate	Investments
Citigroup Foundation	Holding company affiliate	Grants and contributions
Salomon Smith Barney	Holding company affiliate	Investments

DEMOGRAPHIC TABLES

Demographic Information for Full-Scope Assessment Area: Columbus, GA portion of MSA# 1800*						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	53	17	25	28	28	2
Population by Geography	179,278	12	22	31	34	1
Owner-Occupied Housing by Geography	65,858	5	13	34	48	0
Businesses by Geography	5,501	15	25	24	36	nil
Farms by Geography	89	11	14	10	63	2
Family Distribution by Income Level	47,676	22	17	19	42	0
Median Family Income	=\$30,091	Median Housing Value				=\$56,991
HUD Adjusted Median Family Income for 1998	=\$36,800	Unemployment Rate (Dec-31, 1997)				= 4.9%
Households Below the Poverty Level	= 18%					

Source: 1990 U.S. Census and 1998 HUD updated MFI.
* Muscogee County, GA only.