

Public Disclosure

October 12, 1999

**Community Reinvestment Act
Performance Evaluation**

**MCFC National Bank
Charter Number 22473**

**11300 Corporate Avenue
Lenexa, Kansas 66219**

**Office of the Comptroller of the Currency
District Office
2345 Grand Avenue, Suite 700
Kansas City, Missouri 64108**

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 **MCFC National Bank, Lenexa, Kansas**, prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **October 12, 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 C.F.R. Part 25.

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 by 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 which 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.

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 bank being considered a bank 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 \$100M (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 ten-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 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. A limited-purpose institution continues to meet the narrow product line requirement if it only infrequently provides other types of loans.

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 geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is 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 it and half below it.

Low-Income Family or Geography - An income level that is less than 50% of the MFI.

Moderate-Income Family or Geography - An income level that is at least 50% and less than 80% of the MFI.

Middle-Income Family or Geography - An income level that is at least 80% and less than 120% of the MFI.

Upper-Income Family or Geography - 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 defined by the Consolidated Report of Condition and Income, income before adjusting for extraordinary items.

Pass Through Receivables - Outstanding receivables tied to all accounts issued or owned by the bank, regardless of the balances of those receivables being carried on the bank's books or sold to another entity.

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 defined by the Consolidated Report of Condition and Income.

Total Income - From the Consolidated Report of Condition and Income -- Interest income plus noninterest income.

Scope of the Examination

We reviewed MCFC National Bank's (MCFCNB) Community Reinvestment Act (CRA) activities from December 24, 1996 through October 12, 1999. Since MCFCNB is a designated limited purpose bank, we evaluated its CRA performance under the community development test. MCFCNB provided qualified investment and community development service activities for consideration under the community development test of the CRA. We reviewed the level and nature of qualified investments and community development services. At the bank's option, we also considered community development grants which the bank's affiliate, Mobil Foundation, Inc., made during the evaluation period. The OCC assigned a rating of "Satisfactory" for the bank's CRA performance at the last CRA evaluation, December 23, 1996.

Institution's CRA rating:

This institution is rated "Outstanding."

The major characteristics that support this rating are:

- MCFCNB provided a high level of qualified investment activity within its defined assessment area, particularly grants that are not routinely provided by private investors. In addition, its affiliate, Mobil Foundation, Inc., supplemented the bank's CRA performance by providing a significant level of grants that benefit low- and moderate-income (LMI) individuals throughout the United States, primarily where Mobil facilities are located.
- The bank and its affiliate demonstrated occasional use of innovative qualified investments and community development services.
- MCFCNB demonstrated excellent responsiveness to community development needs in its assessment area.

Description of Institution

MCFCNB is a credit card bank chartered under the Competitive Equality Banking Act of 1987 (CEBA). As a CEBA-chartered bank, MCFCNB can maintain only one office and its banking operations are restricted to credit card activities. The bank can not accept savings or time deposits of less than \$100 thousand and can not engage in lending activities other than credit card lending. These restrictions prevent the bank from participating in traditional lending activities to assist in meeting the credit needs of its assessment area. No other legal or financial impediments preclude the bank from meeting its obligations under the CRA. The OCC approved the bank's request for a limited purpose designation for CRA effective January 18, 1996.

MCFCNB's sole office is located in Lenexa, Kansas. The bank is a wholly owned subsidiary of Mobil Credit Finance Corporation, also located in Lenexa. Mobil Credit Finance Corporation is a wholly

owned subsidiary of Mobil Oil Credit Corporation (MOCC), which is a wholly owned subsidiary of Mobil Oil Corporation (Mobil). Mobil is among the largest oil, gas and petrochemical companies in the world. It has facilities throughout the United States and the world that encompass exploration, production, supply, transportation, manufacturing and marketing. Mobil recently merged with Exxon Oil Company, creating one of the world's largest corporations.

MCFCNB issues proprietary Mobil Oil credit cards to customers throughout the U.S. The cards are used to purchase gasoline and other goods and services from Mobil Oil service stations and the Mobil Auto Club. The bank has 2.7 million active cardholders throughout the U.S., including the District of Columbia. Over 50 percent of the cardholders reside in the states of California, New York, Texas, Florida and New Jersey. There are no Mobil Oil gasoline stations in Kansas, so the number of active cardholders in Kansas is limited, at less than 3,000.

MCFCNB's seven employees, including the management team, and approximately 85 other Mobil employees, primarily point of sales representatives, work out of the Lenexa location. Most of the bank's data processing and operational support is outsourced to a large data service center. As of June 30, 1999, MCFCNB reported total assets of \$3.5 million. The bank's asset size is small relative to its credit card receivables that it sells on a daily basis to Mobil Credit Finance Corporation. Table 1 details the bank's pertinent financial information.

Table 1: Financial Information (000s)

	Year-end 1997	Year-end 1998	Most Recent Quarter-end June 30, 1999	Average for Evaluation Period
Tier 1 Capital	\$1,944	\$2,488	\$2,849	\$2,427
Total Income	\$39,796	\$36,819	*\$33,808	\$36,808
Net Operating Income	\$1,238	\$1,158	*\$1,284	\$1,227
Total Assets	\$2,592	\$3,199	\$3,457	\$3,083
Pass Through Receivables	\$411,110	\$335,357	\$323,188	\$356,552

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

* Annualized data reported.

Description of Assessment Area

MCFCNB designated all of Johnson County, Kansas as its assessment area (AA). The CRA requires the bank to define an AA that includes its branch facility. The AA surrounds the bank's sole banking facility and complies with the regulatory requirements of the CRA. Johnson County is the most affluent county within the Kansas City, MO-KS Metropolitan Statistical Area (MSA). There are no low- or moderate-income census tracts in Johnson County which limits the level of eligible community development activities. The AA consists of 75 census tracts that are all designated as middle- or upper-

income. Per the 1990 U. S. Census, only 21 percent of the families in Johnson County were considered low- or moderate-income and only 3 percent of all families live below poverty. The 1999 updated HUD Median Family Income for the Kansas City MSA is \$54,200. Refer to Table 2 for other demographic data.

Table 2: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
CTs	75	0%	0%	39%	61%
Families	98,746	8%	13%	22%	57%
Small Businesses*	12,068	0%	0%	35%	65%

Source: Demographic Data - 1990 U.S. Census, June 1999 Dun & Bradstreet Data

*Includes businesses with annual revenues of \$1 million or less.

Johnson County is one of the fastest growing counties in Kansas. Between 1985 and 1995, Johnson County accounted for 54 percent of the population growth in the Kansas City MSA and 71 percent of the growth in the state of Kansas. Johnson County's economy remains strong and unemployment is low at 2.1 percent as of June 30, 1999. This was below the Kansas City MSA unemployment rate of 3.1 percent and the Kansas state unemployment rate of 3.4 percent for the same time period. The diverse employment base of the Kansas City MSA provides many job opportunities for residents of Johnson County. The areas largest industries include agribusiness, telecommunications, banking, engineering, transportation and manufacturing. Several major corporations are based in Kansas City, including Sprint Corporation, Hallmark Cards and Farmland Industries.

Competition for banking services is strong in Johnson County. Approximately 50 financial institutions have banking facilities in Johnson County and compete directly with other institutions that have offices in the greater Kansas City MSA area. All of these financial institutions provide strong competition for community development activities.

Community development opportunities are limited in the Johnson County AA due primarily to the affluence of its residents. Based on contacts with community organizations, research on the Internet and discussion with the OCC's Community Reinvestment Development Specialists, there were no tangible qualified equity investment opportunities in Johnson County. Five recent community contacts indicated that there are some basic credit needs, but financial institutions that can make loans were meeting these needs. There are some opportunities for providing financial support to community development organizations that provide services for the LMI residents of Johnson County, but these, too, are limited. There are many community development organizations that serve the greater Kansas City MSA. But, they primarily serve the LMI residents who are concentrated in the LMI areas of the MSA, outside of Johnson County.

Conclusions About Performance

Summary

- MCFCNB's level of community development activities overall is high based on the limited community development opportunities in its AA. We also considered the bank's CEBA status and its resource constraints in the AA in reaching this conclusion. Several of the organizations that MCFCNB annually supports do not routinely receive funds from the private sector. MCFCNB significantly increased the level of grants it provided in the AA since the last evaluation period. Its level of grants was eight times that of the prior evaluation period. The bank's level of grants compares very favorably and far exceeds that of other institutions that operate only in Johnson County, based on publicly available information from CRA Performance Evaluations. There are few investment opportunities in the immediate AA and, though there are more opportunities in the greater metropolitan Kansas City area, competition for these opportunities from much larger institutions is very strong. MCFCNB's ability to provide community development services in its AA is impacted by its limited number of employees and the specialized nature of the bank's financial expertise.
- MCFCNB and its affiliate occasionally made grants or provided services that were innovative or demonstrated leadership. MCFCNB was the only private sector donor to fill a funding gap for a local community organization when its federal funding source ended. MCFCNB employees were the first to volunteer to serve as the procurement committee for a local community development organization in its first fund raising effort. MCFCNB's affiliate, Mobil Foundation, Inc., provided a significant level of grants to further community development initiatives in other parts of the U.S. Two of these initiatives show leadership and innovation in providing funding for mentoring and educational programs to disadvantaged youths in areas where Mobil facilities are located.
- MCFCNB showed excellent responsiveness to funding needs of community development organizations in Johnson County that do not routinely obtain funds from the private sector. The bank identified funding shortfalls and through its grants fulfilled these needs.

Consideration of Activities that Benefit Areas Outside of the Bank's Assessment Area

MCFCNB adequately addressed the needs of its assessment area. Therefore, we considered CRA activities benefiting areas outside the bank's AA. This is permissible when regulators evaluate the CRA performance of limited purpose institutions.

Qualified Investments

Despite the limited opportunities in the Johnson County AA, MCFCNB sought and found several opportunities to provide financial support to organizations that primarily serve the needs of LMI individuals of Johnson County. The bank chose to focus its CRA efforts on providing financial support to organizations that provide needed services, first to the LMI individuals of Johnson County and

second to organizations that serve the broader metropolitan area of Kansas City, including Johnson County. The bank’s CRA investment efforts consist entirely of providing grants to community development organizations that do not routinely receive private sector funding, including funds from other financial institutions, other than through United Way. Bank management thoroughly researched the opportunities in Johnson County and chose to support the efforts of six Johnson County organizations and four organizations that serve the greater Kansas City MSA area, that includes Johnson County.

During the evaluation period, the bank provided qualified community development grants of \$210 thousand that benefited its immediate AA and the greater Kansas City MSA, including Johnson County. In addition, the bank’s affiliate, Mobil Foundation, Inc., provided over \$4.6 million in grants to further community development initiatives, primarily in areas where Mobil facilities are located. Table 3 shows the amount of the bank’s qualified investment activities that benefited its AA and other investments via the bank and its affiliate that benefited areas outside the AA. Table 4 shows the financial contributions in relation to MCFCNB’s financial information.

Table 3: Qualified Investment Activity (000s)

	Benefits AA	Outside AA	Totals
Originated Investments	\$0	\$0	\$0
Originated Grants	\$210	\$4,645	\$4,855
Prior Period Investments	\$0	\$0	\$0
Totals	\$210	\$4,645	\$4,855

Table 4: Qualified Investment Percentages (000s)

	Benefits AA (%)	Outside AA (%)	Total (%)
Total Investments/Average Tier 1 Capital	8.65%	191.39%	200.04%
Total Investments/Average Total Income	.57%	12.62%	13.19%
Total Investments/Average Receivables	.06%	1.30%	1.36%

The following examples illustrate the most significant grants MCFCNB provided to organizations that provide services for primarily LMI individuals in Johnson County and the broader Kansas City MSA.

- \$28 thousand to the Family Investment Resource Center (FIRC), a joint partnership between a local housing authority, community college, community service organization and school district. The Center provides job counseling, educational opportunities, child-care assistance and life skills

training for low-income individuals. Recent statistics show 529 individuals, adults and children, benefited from the Center's services over the past year. MCFCNB provided annual contributions to this organization to supplement funding for FIRC's vocational program. For the past five years, a HUD grant has funded this program. The HUD grant will expire in the first quarter of 2000, leaving a funding gap for the program. MCFCNB is the only private sector contributor that has provided funds to alleviate this funding gap and to help ensure the program continues.

- \$55 thousand to support the efforts of Habitat for Humanity organizations in the greater Kansas City area to provide affordable housing for LMI individuals. This includes a \$50 thousand grant to construct a home in Wyandotte County, Kansas, which is a predominantly LMI area in the greater Kansas City area with over 40 percent LMI residents.
- \$37 thousand to SAFEHOME, a transitional shelter for individuals who are victims of domestic violence. Recent statistics show that over 80 percent of SAFEHOME's clientele are LMI. The bank's recent contributions have supported the Children's Outreach Therapist program that provides counseling services to the children affected by domestic violence. SAFEHOME recently recognized MCFCNB as the largest private contributor to its organization.
- \$30 thousand to Temporary Lodging for Children (TLC), an organization that provides shelter and social services to children and youths who are victims of abuse, neglect or family disruption. TLC serves Johnson County and the greater metropolitan Kansas City area. More than 50 percent of the individuals served are considered LMI.
- \$30 thousand to Johnson County Developmental Supports, an organization that provides employment opportunities through a sheltered workshop environment for individuals with mental and physical disabilities who would otherwise be unemployed. MCFCNB's annual grants provided financial support to sponsor 15-20 individuals, who were long-term participants in the sheltered workshop program, working toward independent community employment through training, support and vocational programs.
- \$9 thousand to Child Care For Low Income Advocacy and Support Program (CLASP), an organization that provides subsidized child care for low-income families in Johnson County. MCFCNB provided annual contributions to this organization and was the only private sector contributor.

Mobil Foundation, Inc., the charitable arm of Mobil Oil Corporation, provides significant financial support to community organizations throughout the U.S. Many of these organizations work with disadvantaged youths and families to provide needed services and improve the quality of their lives. MCFCNB provided examples of 134 organizations in 22 states that receive monetary support for community development initiatives from Mobil Foundation, Inc. Over 80 percent of the grants supported organizations in Texas, New York, the District of Columbia, Virginia and California where Mobil has sizeable facilities. These states also encompass over 40 percent of Mobil's cardholders.

The following examples illustrate the substantial role of the parent company, Mobil Oil Corporation and its charitable arm, Mobil Foundation, Inc., in initiating and supporting community development efforts.

- \$1.7 million to support Mobil Green Team Programs in six cities. Mobil Green Team Programs provide summer employment and academic training for high school students from economically disadvantaged families. Mobil partners with local schools and city government organizations to provide meaningful work experiences, an opportunity to earn money, basic education in math, reading, language arts and life skills. Participants in the employment program learn work skills through assisting with community projects, including construction of low-income housing, rehabilitation of housing in targeted neighborhoods and beautification, clean-up and refurbishing of sites, including local, city and national parks, designated by the cities.

In Dallas, Texas, since the Green Team inception seventeen years ago, this program has employed and educated more than 2,400 students who built more than 20 homes for low-income families, repaired many homes to meet city codes and maintained city parks. In addition to Dallas, Mobil Green Team Programs operate in Beaumont, Texas; Paulsboro, New Jersey; Chalmette, Louisiana; Arlington, Virginia; and Torrence, California.

- \$356 thousand to support Habitat for Humanity International and its affiliates. The majority of these dollars, \$336 thousand, supported Habitat's efforts to build affordable housing for low-income families in New York City, New Jersey, Philadelphia, Los Angeles, Miami, Dallas and Detroit. The remainder of the grants supported efforts of Habitat's affiliates to construct affordable housing in Rochester, New York; New Orleans, Louisiana; Chester County, Pennsylvania; and Shawnee, Oklahoma.
- \$340 thousand in annual contributions to fund the Dallas Mobil Outreach Program, a partnership with the Dallas Independent School District. The program provides academic and social education for 5,000 students and 500 staff members in two high schools and five elementary schools within the District. Over 85 percent of the students in these seven schools qualify for the free-lunch program. Over 100 local Mobil employees volunteer time to tutor and mentor these disadvantaged students. The Mobil Outreach Program has been in existence for twelve years and has been a vehicle for integrating academic and social education, developing self-esteem, increasing awareness of career opportunities and encouraging parental involvement and school support for disadvantaged youths.
- \$245 thousand to support Teach for America (TFA), an initiative to provide a national corps of teachers who are willing to fulfill a two-year commitment to teach in under-resourced inner-city and rural schools. This initiative was an effort to attract individuals to the teaching profession and to improve the quality of education students receive in institutions that lack economic resources. Mobil provided the seed grant for TFA in 1988 and has continued to support the national effort annually. It has also provided support for the District of Columbia's local TFA program since 1993. TFA has attracted 20 thousand applicants since 1989 and has placed 4,000 teachers in 13 states in both urban and rural locations.

Community Development Services

MCFCNB employees showed initiative and leadership in assisting the Metropolitan Lutheran Ministry (MLM) in its fund raising efforts. MLM provides services for low-income and homeless individuals in the greater metropolitan Kansas City area, including Johnson County. MCFCNB volunteered to serve as the procurement committee when the fund raising event began three years ago. Employees have continued to annually serve in this capacity, soliciting and gathering items for the silent auction. Their efforts helped MLM raise approximately \$24 thousand over the past two years, which represented almost 25 percent of MLM's income from this fund raising effort. In addition, MCFCNB donated \$50 directly to MLM for each silent auction contributor. These dollars are included in the total grants reflected in Table 3.

Compliance with Anti-Discrimination Laws and Regulations

We identified no violations of the substantive provisions of the anti-discrimination laws and regulations. We performed a fair lending file comparison for recent re-evaluated applicants for Mobil credit cards. Re-evaluated applications are those applications where the customer requests the bank reconsider its initial decision to deny credit based on the applicant not meeting the bank's credit scoring criteria. We used the gender of the applicant as the basis on which to determine whether differential treatment occurred during the re-evaluation process. We determined whether re-evaluation practices were consistent regardless of gender by comparing the treatment given denied female applicants to that given approved male applicants. We found no evidence or pattern of discriminatory practices or disparate treatment.