



Public Disclosure

May 11, 1998

Community Reinvestment Act Performance Evaluation

**DSRM National Bank
Charter Number: 23097**

**5801 Osuna N.E., Suite A102
Albuquerque, NM 87109**

**Office of the Comptroller of the Currency
Western District Office
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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.

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 **DSRM National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **May 11, 1998**. 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.

INSTITUTION'S CRA RATING: This institution is rated **Needs to Improve Record of Meeting Community Credit Needs**. The rating is based on the following:

- DSRM National Bank (DSRM) has a low level of qualified community development investments/grants and has not provided any community development services.
- DSRM has exhibited poor responsiveness to the community development needs of its assessment area. The bank lacks an awareness of the needs and the possibilities for involvement in both community development investments and services in its assessment area.

Description of Institution

DSRM was chartered on October 1, 1996, as a Competitive Equality Banking Act (CEBA) credit card bank. At the same time, the bank received its designation as a limited-purpose institution for purposes of the Community Reinvestment Act (CRA). The CEBA status limits the bank's ability to accept deposits and extend loans outside the scope of credit cards. As such, the bank's CRA evaluation focuses primarily on community development investments and services.

DSRM operates as a wholly-owned subsidiary of Diamond Shamrock Refining and Marketing Company (DSRMC), which is located in San Antonio, Texas. The bank's only office is located in Albuquerque, New Mexico. The operations center, Diamond Shamrock Credit Card Center, provides customer service and support functions for DSRM. It is located in Amarillo, Texas. DSRM has six employees.

The bank reported a net income of \$94,000 as of December 31, 1997. At year end 1997, the bank had assets of \$2.8 million and equity capital of just over \$2 million. DSRM's assets reflect the bank's practice of selling on a daily, non-recourse basis, all of its receivables generated by credit card accounts to its parent company, DSRMC. Daily receivable sales average \$988,000.

The general banking environment in Albuquerque is competitive. There are several state and national banking organizations. Many of them offer credit cards.

Description of Assessment Area

DSRM has designated its assessment area as the Albuquerque Metropolitan Statistical Area (MSA). There are three counties in the assessment area - Bernalillo, Sandoval, and Valencia. The assessment area consists of 138 census tracts. Based on 1990 U.S. Census data, 4% are low-income, 26% are moderate-income, 40% are middle-income, and 28% are upper-income. About 2% have no income designation. The table below shows the demographics of the assessment area.

DSRM National Bank Assessment Area (Albuquerque MSA)						
Demographic Characteristics	#	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#)	589,131		21%	17%	22%	40%
Median Income - 1998 HUD est. (\$)		\$44,700				
Census Tracts	138*		4%	26%	40%	28%
Unemployment Rate -Dec. 31, 1997	4.3%					
Owner Occupied Housing (#)	142,641		2%	21%	44%	33%
Average Home Sales Price (\$) - as of May 1998		\$141,000				

Source: Demographic Data - 1990 U.S. Census with the exception of those areas noted above.

* Three of the census tracts, representing 2% of the total, do not have an income designation.

The economy in the Albuquerque MSA is good. As of December 31, 1997, the unemployment rate was at 4.3%. The majority of the population is employed in either services, government, and retail trade. The city's economic base has been fueled for decades by federal government defense-related spending for military installations and nuclear weapons research. In addition to Sandia National Laboratories (a nuclear weapons research facility), the metropolitan area has several major defense contractors. Although Albuquerque's economy has historically been based on government employment and services, this has begun to change. Manufacturing employment in Albuquerque has increased dramatically, particularly in the high tech sector. A major driving force of this change has been massive expansion of Intel Corporation's computer chip fabrication plant and related manufacturing spawned by Intel's investments in Albuquerque.

The population in Albuquerque has continued to increase since 1990, which in turn has increased the demand for both owner-occupied and rental housing. Construction of single family homes and apartment complexes has increased in response to the demand. However, most of the housing units are priced at the higher end of the market range. Rental units of four or more bedrooms are scarce, and those that do exist are, again, generally available only at the high end of the market range. To make matters worse, land costs are higher than those of most other U.S. cities. The

most recent *Consolidated Plan Executive Summary* which is produced by the U.S. Department of Housing and Urban Development (HUD) states that because of land prices in Albuquerque, it is unlikely that affordable homes will be developed without public participation. Fewer than 20% of the available resale units in the Albuquerque Multiple Listing Services were for sale at a price that was affordable to buyers in the 65% - 80% of median family income range. The high demand for rental housing has led to a rapid increase in rents. Deterioration of existing owner-occupied homes in lower income areas, especially those with older housing stock, remains a significant problem.

Data indicates there are four targeted areas within the bank's assessment area which are in need of redevelopment/revitalization. Within these areas, there are numerous community development needs. The primary needs are as follows:

- To enhance economic vitality in lower-income neighborhoods through activities that will enable residents to gain the skills they need to qualify for existing employment opportunities.
- To assist local entrepreneurs who will create new employment with good wages, benefits, and decent working conditions for low- and moderate-income individuals.
- To provide access to capital to facilitate business growth in low- and moderate-income neighborhoods.
- To expand the availability of affordable multi-family rental housing.
- To provide home ownership opportunities that enable low- and moderate-income families to purchase homes at an affordable price and that contribute to the stabilization and revitalization of lower-income neighborhoods.
- To preserve existing housing stock by providing funds for home repairs to low-income homeowners who, because of weather, vandalism, or deterioration, face immediate threats to life or health because of the condition of the home.
- To provide emergency shelter and supportive housing for homeless individuals.
- To improve access to affordable child care and health services for low- and moderate-income individuals.

There are numerous non-profit community development organizations located in Albuquerque whose main purpose is to respond to the above needs. However, investments, grants, loans, and services are needed in order for these organizations to continue to serve the needs of low- and moderate-income areas and individuals. We identified at least 15 organizations whose main focus is community development and which serve either the Albuquerque MSA or a greater statewide area which includes the MSA. These present ample opportunities for the bank to become involved in its assessment area by providing not only community development investments but also services. Banks can offer such services as credit education, management and credit expertise, and fund raising.

Conclusions with Respect to Performance

During the review period, DSRM provided donations totaling \$16,561 to organizations which primarily provide services to low- and moderate-income persons. In addition, the Diamond Shamrock Refining and Marketing Company, DSRM's parent, holds a community development loan for \$20,000 which benefits the bank's assessment area. DSRMC also contributed \$4,708 to an agency which provides consumer credit counseling primarily in the bank's assessment area. Although the bank's grants and donations are responsive to the community development needs of the assessment area, the dollar volume is low in relation to the bank's resource; in comparison to similarly situated banks; and in comparison to the opportunities for involvement in community development activities which are available in the bank's assessment area. Further, the bank's lack of any services which qualify as community development services demonstrates the need for a stronger commitment on the part of the bank to assess the community development needs of its assessment area and determine how it can best help meet those needs.

Community Development Investments

DSRM donated \$10,000 to an educational foundation which was used to establish an endowment fund at a local technical vocational school. Interest on the endowment fund will be used to fund scholarships for students enrolled in the Environmental Technology Program. Recipients of the scholarship awards will be selected based on a demonstrated financial need. In addition, the bank donated \$500 which provided one semester of tuition and books for a student who needed financial assistance.

The bank donated \$1,353 to assist an organization which collects funds for homeless individuals. The organization solicits the help of businesses to purchase special containers and place them in their stores where customers can donate spare change. The bank's donation was used to purchase these containers which were placed in Diamond Shamrock Corner Stores. The money which was collected went to local agencies that provide a variety of services to the homeless.

During the review period, DSRMC contributed a total of \$4,708 to an agency which provides consumer credit counseling. The donation primarily benefitted the bank's assessment area.

Community Development Loan

DSRM's parent company holds a promissory note for \$20,000 to a local community development organization. The purpose of the organization is to promote economic development, develop affordable housing for low- and moderate-income persons, and provide basic human services for lower-income individuals. The loan is complex because it is outside the normal business scope and expertise of the bank and its parent. It is flexible, as it offers below market rates.

Community Development Services

During the review period, DSRM did not provide any qualified community development services.

Compliance with Anti-Discrimination Laws and Regulations

We reviewed the bank's compliance with fair lending laws and regulations during a concurrent fair lending examination. We identified no violations of the substantive provisions of the anti-discrimination laws and regulations.

Scope of the Examination

In evaluating the DSRM's performance under the CRA, we reviewed community development activities since the bank's inception, October 1, 1996, through May 11, 1998. We reviewed the level and nature of community development related qualified investments and services. At the bank's option, we also considered a community development loan and donations provided by its parent, DSRMC.