

## **PUBLIC DISCLOSURE**

**June 23, 2003**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Citibank (Delaware)  
24029**

**One Penn's Way  
New Castle, Delaware 19720**

**Federal Deposit Insurance Corporation  
20 Exchange Place  
New York, New York 10005**

**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 Community Reinvestment Act (CRA) performance of **Citibank (Delaware)** prepared by **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **June 23, 2003**. 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 345.*

## INSTITUTION RATING

***INSTITUTION'S CRA RATING:*** This institution is rated Outstanding.

The institution has an outstanding record of helping to meet the credit needs of its assessment area, including low- and moderate-income geographies, consistent with its resources and capabilities. Since receiving a “wholesale bank” designation under the Community Reinvestment Act (“CRA”), management has explored many community development opportunities and found a variety of innovative ways to meet the community development needs of its assessment area and the broader statewide or regional area. The following highlights the institution’s outstanding performance:

- Citibank (Delaware) (“CBD”) has a high level of community development lending activity, which includes occasionally using innovative or complex community development loans to meet the credit needs of its assessment area. Through its extensive participation with local for profit and not for profit affordable housing lenders, CBD has funded 16 different community development loans totaling over \$2 million throughout the assessment area, and has committed to fund an additional \$4 million to the same and similar projects in the future. This performance is especially noteworthy when considering the bank did not have any community development loans at the previous evaluation.
- CBD has a high level of qualified community development investments and grants, which include investments in a wide variety of community development initiatives including affordable housing, small business loan funds, and a credit union that fulfills the credit needs of low- and moderate income individuals. The bank occasionally uses innovative or complex investments, such as equity investments, to meet the community development needs of its assessment area. As of March 31, 2003, CBD has invested in 76 “new” community development grants and investments totaling over \$10 million since the last evaluation while maintaining its long-term commitment toward community development by holding approximately \$17 million in prior qualified investments. This activity represented an increase of approximately 245% by number and 29% by dollar volume from the previous evaluation and further exemplifies the bank’s commitment toward community development initiatives. This level of performance represented 0.41 percent of average assets as of March 31, 2003 and 1.17 percent of total investments.
- CDB regularly takes the initiative in assuming a leadership role in providing a high level of community development services in its defined assessment area and throughout the broader statewide and regional area. During the assessment period, CBD continued to offer community development services to key community organizations, as well as, directly to low- and moderate-income (“LMI”) individuals and their families within New Castle County and the State of Delaware. These services have been in the form of technical assistance, volunteerism, training, intern assistance, and Board leadership.

- Overall CDB exhibits an excellent responsiveness to the community development credit, investment, and service needs of its assessment area. Despite not having to address all three areas of the community development test to perform well under the CRA, management has exhibited the initiative in assuming a leadership role in addressing all facets of community development.

#### **DESCRIPTION OF INSTITUTION:**

Citibank (Delaware) (“CBD”) is a wholly owned subsidiary of Citicorp, which in turn is a wholly owned subsidiary of Citigroup, Inc. Chartered by the State of Delaware, CBD began operations in October 1982 and is a major North American operating site for customer service, implementation, documentation, and cash management operations for the Global Transaction Services division of Citigroup’s Global Corporate and Investment Bank. CBD serves Fortune 500 firms, other financial institutions, and mid-range growth companies. In addition to its primary business of cash management services, CBD also engages in commercial equipment leasing and insurance. In January 2002, CBD established a Citicorp Credit Services, Inc. (“CCSI”) as a wholly-owned subsidiary of Citibank (Delaware). CCSI, with total assets of \$33 million, was established to consolidate operations from Citibank USA and Associated National Bank, which surrendered their state charters in 2000 and 2001. CCSI employs approximately 900 people and provides front office, call center, embossing, and other back office operations for Citigroup Inc.’s Bankcard business.

CBD has been designated a “wholesale institution” for CRA purposes. Additionally, CBD is chartered under the Financial Center Development Act (“FCDA”). FCDA mandates that banks chartered under it “operate in a manner and at a location that is not likely to attract customers from the general public in this State to the substantial detriment of existing banking institutions in this State.” As such, CBD is restricted to a single branch office and is prohibited from soliciting business in the State of Delaware.

The institution’s total assets have increased approximately 25 percent over the past three years and can be attributed to an expanding investment portfolio. As of March 31, 2003, total assets exceed \$7.3 billion. The bank continues to remain extremely profitable, reporting net income of \$131 million as of December 31, 2002, representing a return on average assets of 2.3 percent. Tier 1 capital remains relatively stable from year to year at 17.5 percent. Interest bearing balances and cash continue to comprise the bulk of the bank’s average assets representing nearly 37.8 percent. Short term investments represent 35.7 percent, while commercial, real estate, other loans and fixed assets comprise the remainder.

The current evaluation period includes all of the CRA activities since the last evaluation on May 15, 2000. During the last evaluation, the bank received a “Satisfactory” CRA rating.

There are no legal impediments, which would impact the bank’s ability to help meet the needs of the assessment area.

**DESCRIPTION OF ASSESSMENT AREA:**

At the last CRA evaluation on May 15, 2000, the bank designated two separate assessment areas, i.e., New Castle County, and Kent County in their entireties. During that time, the bank operated a back-office insurance operation in Dover, Delaware, which is located in Kent County. In August 2001, this operation was relocated and the site closed. The Board of Directors of Citibank (Delaware) redefined the assessment area to include only New Castle County, Delaware in Metropolitan Statistical Area (“MSA”) #9160 where its headquarters is located. This evaluation will review the bank’s performance relative to the bank’s newly defined assessment area of New Castle County in its entirety.

Using 1990 U.S. Census data, New Castle County is made up of 120 census tracts in the Wilmington, Delaware MSA #9160. Of the 120 census tracts, 9 (7.5%) are low-income, 23 (19.2%) are moderate-income, 61 (50.8%) are middle-income, and 25 (20.8%) are upper-income. Two (1.7%) census tracts are unpopulated. All of the low-income and nearly half of the moderate-income census tracts are located in the City of Wilmington.

The U.S. Department of Housing and Urban Development (“HUD”) updates individual incomes annually. Borrower incomes are compared to HUD-adjusted median family income figures for the year in which the loan is granted. Borrowers are then categorized as low-, moderate-, middle-, or upper-income. The parameters for each income category are identical to those percentages used in categorizing census tracts. A low-income borrower earns less than 50 percent of the adjusted median family income of the MSA in which he/she resides; a moderate-income borrower earns at least 50 percent, but less than 80 percent; a middle-income borrower earns at least 80 percent, but less than 120 percent; and an upper-income borrower earns 120 percent or more of the adjusted median family income.

Table 1 contains the 1990 Median Family Income (“MFI”) and the 2001, 2002 and 2003 HUD-adjusted median family incomes for MSA #9160. It is important to note that the HUD adjusted median family income for MSA #9160 represents the highest of all MSAs in the State of Delaware.

<i>Table 1 - HUD Adjusted Income by MSA</i>					
MSA	Name	Income			
		1990*	2001	2002	2003
9160	Wilmington/ Newark	\$44,332	\$72,100	\$75,900	\$70,000

*\*Denotes the MSA median family income according to the 1990 U.S. census data.*

### **Economic Analysis**

Delaware's economy underwent significant changes during the 1990s. Prior to the 1990s, Dupont and chemical companies supported a large workforce. At the start of the 1990s financial services and other service organizations greatly increased their hiring while the traditional manufacturing organizations scaled down their workforces. Although the state's economy is still supported by the chemical and automotive industries, the largest employers also include financial services and medical services. According to Dun and Bradstreet, the top employers in New Castle County include MBNA Corporation, DuPont, Christiana Hospital, Saturn Corporation, Daimler Chrysler Corporation, and First USA Bank. According to the Bureau of Labor Statistics ("BLS"), as of December 2002, the unemployment rate for New Castle County and the City of Wilmington was 3.4 and 4.3 percent, respectively. For comparison, the State of Delaware and the national unemployment rates were 3.9 and 6.0 percent, respectively, for the same time period. According to economy.com, labor market conditions in New Castle County are not as healthy as the figures suggest. The manufacturing industry remains the biggest weak spot in the industrial base, but service and finance payrolls are also slumping.

### **Demographic Information**

Tables 2 and 3 display selected housing characteristics of the assessment area based on geographical income categories and certain demographic information, which can help in identifying community development needs within the assessment area. Of particular note, are the low percentage of owner-occupied units in low- and moderate-income geographies and the relatively high percentage of rental units in these same geographies. These demographics would support the notion that there is a need for multifamily rental housing in the assessment area or that there is an insufficient supply of affordable homes for purchase in low- and moderate-income geographies.

<b>Table 2 - Selected Housing Characteristics by Income Category of the Geography</b>									
<b>Geographic Income Category</b>	<b>Percentage</b>						<b>Median</b>		
	<b>Census Tracts</b>	<b>House- holds</b>	<b>Housing Units</b>	<b>Owner - Occupied</b>	<b>Rental Units</b>	<b>Vacant Units</b>	<b>Age*</b>	<b>Home Value*</b>	<b>Gross Rent **</b>
<b>Low</b>	7.5%	6.8%	3.8%	1.8%	7.0%	9.7%	38Yrs	\$54,580	\$331
<b>Moderate</b>	19.2%	25.2%	17.4%	14.2%	23.8%	19.8%	38Yrs	\$79,309	\$490
<b>Middle</b>	50.8%	55.0%	54.9%	55.4%	55.0%	49.1%	28Yrs	\$102,793	\$520
<b>Upper</b>	20.8%	13.0%	23.9%	28.6%	14.2%	21.4%	21Yrs	\$190,993	\$648
<b>Total or Median ***</b>	<b>100 (#)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	28Yrs	\$124,412	\$518

Source: 1990 U.S. Census, \* - Owner-Occupied Units, \*\* - Renter-Occupied Units, \*\*\* - Total Percentage may not add to 100 due to rounding. (#) Excludes 2 census tracts (1.7%) with no population.

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<b>Table 3 - Demographic &amp; Economic Characteristics of the Assessment Area</b>	
<i>Assessment Area Population</i>	441,946
<u>Population in Areas:</u>	
<i>CMSA:</i>	NA
<i>MSA:</i>	9160
<i>Non-MSA</i>	NA
<u>Statewide non-MSA Median Family Income:</u>	
<i>1990 Median Family Income</i>	NA
<i>1998 Estimated Median Family Income(*)</i>	NA
<i>1999 Estimated Median Family Income(*)</i>	NA
<u>MSA Median Family Income:</u>	
<i>1990 Median Family Income</i>	\$44,332
<i>2002 Estimated Median Family Income(*)</i>	\$75,900
<i>2003 Estimated Median Family Income(*)</i>	\$70,000
<u>% of Households by Income Level of Household:</u>	
<i>Low-Income</i>	20.5%
<i>Moderate-Income</i>	16.9%
<i>Middle-Income</i>	22.9%
<i>Upper-Income</i>	39.7%
<u>Number of Total Housing Units:</u>	
<i>1-4 Family Residential</i>	133,171
<i>Multi-Family</i>	34,155
<i>Mobile Homes or Trailer</i>	4,844
<i>Other</i>	1,390
<i>Owner-Occupied Housing Units</i>	112,040
<i>Rental Housing Units</i>	52,121
<i>Vacant Housing Units</i>	9,399
<u>% of Total Housing Units:</u>	
<i>1-4 Family Residential</i>	76.7%
<i>Multi-Family</i>	19.7%
<i>Mobile Homes or Trailer</i>	2.8%
<i>Other</i>	0.8%
<i>Owner-Occupied Housing Units</i>	64.6%
<i>Rental Housing Units</i>	30.0%
<i>Vacant Housing Units</i>	5.4%
<u>Median Housing Characteristics:</u>	
<i>Median Age in Years</i>	28Yrs
<i>Median Home Value</i>	\$124,412
<i>Median Gross Rent</i>	\$518

Source: 1990 U.S. Census

## **OPPORTUNITIES WITHIN THE ASSESSMENT AREA**

The bank is subject to intense competition for community development activities in its assessment area and statewide due to the presence of 38 banks in the state. Of the 38 banks, 25 are non-credit card banks in operation at least 3 years, 7 are new banks, and 6 are large credit card banks. As a result, each bank needs to be regularly and actively involved in the community and able to distinguish itself in some way to be able to identify appropriate community development lending and investment opportunities.

As part of the evaluation, information was obtained from two community contacts to gain a perspective on the community development opportunities and performances of financial institutions in helping meet the assessment area's credit and community development needs. Both contacts were with local nonprofit organizations focused on community development. According to the two community contacts and discussions with bank management, the primary community development needs in the assessment area are affordable housing for low- and moderate-income households, construction financing for housing development projects, increased flexible underwriting standards, and housing subsidies to bridge the gap for low- and moderate-income households.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE:

A “wholesale bank” is evaluated based on its record of helping to meet the credit needs of its assessment area(s) under the community development test through its community development lending, qualified investments, and community development services. A wholesale institution may perform well under the community development test by engaging in one or more of these activities. However as indicated earlier, CBD is restricted to a single branch office and prohibited from soliciting business in the State of Delaware. Therefore, this evaluation focused on the bank’s community development loans, investments, grants, affiliate grants, and community development services. The following performance criteria are considered:

- The number and amount of qualified community development loans, investments and community development services.
- The use of innovative or complex qualified investments, community development loans, and community development services, and the extent to which the investments and loans are not provided by private investors.
- The institution’s responsiveness to community development needs.

Community development is defined in Part 345.12 (h) of the FDIC’s Rules and Regulations as:

- 1) Affordable housing for low- or moderate-income individuals,
- 2) Community services targeted to low- or moderate-income individuals,
- 3) Activities that promote economic development by financing businesses or farms, or
- 4) Activities that revitalize or stabilize low- or moderate-income geographies.

It is also important to note the following as stated in FIL-64-2001 dated August 2, 2001 entitled, “Revised and New Questions and Answers Regarding Community Reinvestment” under § .25 (f)-1:

*A wholesale bank is evaluated based on its record of helping to meet the credit needs of its assessment area(s) under the community development test through its community development lending, qualified investments and community development services. A wholesale institution may perform well under the community development test by engaging in **one or more** of these activities.*

**COMMUNITY DEVELOPMENT LENDING ACTIVITIES**

CDB has a high level of community development lending activities. Through its extensive participation with local for profit and not for profit affordable housing lenders, CBD has funded 16 different community development loans throughout the bank’s assessment area, and has committed to fund an additional \$4 million to the same and similar projects in the future. It should be noted that the bank did not engage in any community development lending activities at the previous evaluation.

<b>Table 5 - Qualified Community Development Lending Activity</b>		
<b>LOAN DESCRIPTION</b>	<b>NUMBER OF LOANS</b>	<b>DOLLAR VOLUME OF LOANS (000s)</b>
Affordable Housing Lending	12	\$1,278
Loans to Nonprofit Organizations	2	\$423
Small Business Loan Fund	1	\$100
All Other Loans	1	\$248
<b>Grand Total</b>	16	\$2,049

Source: Bank records

Below are examples of some of the larger community development loans granted by the institution.

CBD has granted several loans to a local community development organization, which focuses on obtaining tax credits to fund affordable housing projects in the state of Delaware. The organization has several loan funds and CBD has made a substantial commitment to all of the community development loan funds. One fund focuses on low-income multifamily housing, while another provides long term financing for community projects such as community centers, child care facilities and community health centers that contribute to the revitalization of targeted and distressed communities throughout Delaware.

In January 2002, CBD provided funds to a local revolving loan pool, which provides funds for small business owners that wish to grow their business, but cannot get mainstream financial institution funding. The clients are over 50% minority and/or women, and need some additional technical assistance in the borrowing process. The goal of the loan fund is to have the loan repaid and the business owner move to mainstream financial institutions for their next business growth loan. Funds from this loan pool may also be used for affordable housing development (e.g., acquisition and pre-development costs) by non-profit housing developers.

CBD also provided a local non-profit organization with a low-cost loan to fund pre-development, acquisition and construction costs for homes being renovated specifically in a moderate-income area within the bank's assessment area.

### **COMMUNITY DEVELOPMENT INVESTMENT ACTIVITIES**

CBD has a high level of qualified community development investments and grants. The bank has invested in a wide variety of community development initiatives, including affordable housing, small business loan funds, and a credit union that fulfills the credit needs of low- and moderate income individuals. As of March 31, 2003, CBD has invested over \$27 million in community development grants and investments representing 0.41 percent of average assets and 1.17 percent of total investments. This performance included 76 "new" investments and grants totaling over \$10 million since the previous evaluation. Since the last evaluation, the bank has increased its community development investments and grants by approximately 245% by number and 29% by dollar volume. In addition, the bank continues to hold \$17 million in long-term community development investments from prior years, which demonstrates management's ongoing and continuing commitment toward community development initiatives.

The table below displays the excellent level of qualified investments in terms of numbers and dollars and helps to show the bank's commitment to allocating CRA dollars to different types of community development needs through a variety of community development investment vehicles.

<b>Table 6 - Qualified Investments and Grants</b>		
<b>DESCRIPTION</b>	<b>NUMBER</b>	<b>DOLLARS (000s)</b>
Financial Intermediaries	1	\$4,000
Low-Income Housing Tax Credit Funds	1	\$2,000
Venture Capital Fund (CDFI)	1	\$3,000
Facilities that promote community development in LMI areas for LMI people	1	\$100
<b>Total Debt or Equity Investments</b>	4	\$9,100
Other Qualified Grants and Donations	72	\$969
<b>Total Qualified Grants and Donations</b>	72	\$969
<b>Qualified Investments from Prior Years (Carryover)</b>		\$17,000
<b>Grand Total</b>	76	\$27,069

*Source: Bank Records*

Below are some specific examples of the some of the more innovative and complex qualified investments, as well as, those that have had a significant impact on meeting the community development needs of the bank's assessment area and the broader regional area.

### **Financial Intermediaries**

The bank invested \$4 million in Delaware Equity Fund for Housing V (Delaware Equity Fund) a program run by the Delaware Community Investment Corporation (DCIC). DCIC was formed in 1994 as a community development corporation by a group of financial institutions. As an independent non-profit corporation, DCIC has collaborated with private banks, public and private developers and public agencies to create more than 2,500 units of affordable housing. DCIC also provides long-term financing for commercial real estate projects located in areas targeted for revitalization, and short-term financing for acquisition and site control for planned revitalization projects throughout the State. To date, the fund has invested \$8.4 million in two Delaware projects, which provided affordable housing for low- and moderate-income residents of the city of Wilmington.

### **Low-Income Housing Tax Credit Funds (LIHTC)**

In December 2002, Citibank invested \$25 million in Lend Lease Housing Tax Credit Fund XXIV. Of the total investment, \$2 million was allocated to Delaware for the Village of Eastlake, a 70-unit public housing apartment complex in Wilmington, Delaware. Upon completion, the Eastlake Neighborhood Revitalization Project will include 70 redeveloped public housing rental units, 90 affordable homeownership units, a new community center, a maintenance building, and a recreational area.

### **Venture Capital Funds (CDFI)**

In September 2001, Citibank made a \$3 million equity investment in Urban Growth Partners; a new community development venture capital fund managed by The Reinvestment Fund, a prominent Mid-Atlantic community development financial institution (“CDFI”) headquartered in Philadelphia, Pennsylvania. The Fund was formed to make \$2-5 million in equity and equity-related investments in small businesses in the Pennsylvania, New Jersey, Delaware, and the Baltimore-Washington areas, which are located in or provide employment to urban neighborhoods. The Fund has identified four industry clusters: technology manufacturing, outsourcing services, information technology, and life sciences/healthcare. The goals combine financial and social return, notably job creation.

### **Facilities that Promote Community Development in LMI areas for LMI people**

In December 2002, CBD renewed its \$100,000 deposit in United Communities Federal Credit Union. The credit union, located in Delaware, makes loans for medical needs, automobiles, debt consolidation, and other purposes to members in LMI and underserved areas. The goal of the credit union is to see every member on a continuum from poverty to self-sufficiency.

### **PEER ANALYSIS**

It can be difficult to gauge the bank’s CRA performance relative to similarly situated institutions. However, bank management, in conjunction with the examination team, identified what are believed to be the bank’s peers. With the exception of Deutsche Bank Trust Company, most of the institutions operating within the bank’s assessment area are limited purpose credit card banks. Deutsche Bank Trust Company (“DBTC”) is a wholesale institution closely resembling the operations of CBD. However, DBTC is considerably smaller than CBD, which skews the comparison to total assets. For example, DBTC had 0.35% of its total assets in qualified investments, which totaled only approximately \$3.9 million. However, CBD had 0.41% of its total assets in qualified investments, which totaled over \$27 million.

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The table below shows the asset size, qualified investments as a percentage of total assets, qualified investments plus community development loans as a percentage of total assets, and the corresponding CRA ratings of CBD’s peers. CBD’s qualified investments as a percentage of total assets and combined qualified investments and community development loans as a percentage of total assets exceed that of its Delaware peers. Only Deutsche Bank, which is considerably smaller than CBD, had a greater percentage of qualified investments and loans relative to its asset size. However, in terms of dollars, CBD invested over \$33 million in community development loans and investments while DBTC invested only \$13 million. Not only has CBD demonstrated a commitment to investing significant dollars in qualified investments, management has also sought different and innovative types of investments, which helps distinguishes CBD as a leader in the community. Also taken into account is the intense level of competition for community development activities within the State of Delaware, which makes accumulating high concentrations of community development loans and investments difficult.

<b>Table –7 Delaware Peers</b>				
<b>Bank</b>	<b>Total Assets (\$MM)</b>	<b>Qualified Investments as a % of Total Assets</b>	<b>Qualified Investments and Loans as a % of Total Assets</b>	<b>Overall CRA Rating</b>
Bank One, Delaware, N.A.	\$85,738	.34%	.34%	Outstanding
MBNA America Bank, N.A.	\$76,697	.32%	.32%	Outstanding
<i>Citibank Delaware</i>	<i>\$6,573*</i>	<i>.41%</i>	<i>.50%</i>	<i>Outstanding</i>
Deutsche Bank Trust Company	\$1,100	.35%	1.17%	Outstanding

\* Average assets as of 03-31-03

## **COMMUNITY DEVELOPMENT SERVICES**

CBD regularly assumes a leadership role in providing a high level of community development services in its defined assessment area and throughout the broader statewide and regional area. During the assessment period, CBD continued to offer community development services to key community organizations, as well as, directly to LMI individuals and their families within New Castle County and the State of Delaware. These services have been in the form of technical assistance, volunteerism, training, intern assistance, and Board leadership. CBD’s Chairman and CEO is an active leader in the community on issues that include education, financial literacy, and community revitalization. She serves on a number of Boards of community-based organizations and has been recruited by government officials and other local leaders to assist with policy discussions and problem-solving groups.

Below are a few examples of CBD's commitment to providing and facilitating the exchange of community development services.

### **Capacity Building and Economic Development**

CBD has taken a leadership role in sponsoring, planning, and executing various conferences and training sessions aimed at raising the capacity of organizations that are developing affordable housing and doing economic development work. These sessions were designed to build capacity and leadership within the non-profit community development sector.

- Governor's Task Force for Financial Independence – In 2001, CBD's CEO was approached by the State Treasurer to fund and help plan a Task Force to study how to help LMI Delaware residents obtain, build, and protect assets. CBD's CEO acted on the Task Force's planning and oversight council. She also recruited the head of the local Smith Barney consulting group to participate so that he could provide his expertise with wealth building. The Task Force worked through the spring of 2002 and the Governor issued the final report in September 2002. The recommendations are in the process of being implemented through the work of a statewide implementation team led by the State Treasurer with which CBD is working closely. As of a March 2003 report to the Governor, 12 recommendations were delivered or are in process.
- Citibank Community Development Institute - The Citibank Community Development Institute seeks to improve the managerial, program management and financial skills of practitioners engaged in neighborhood revitalization through the sponsorship of technical assistance and training services. CBD sponsored the National Development Council ("NDC") to provide a community development training program in Delaware.

In September 2000, NDC delivered a three-day training session on affordable housing financing that was attended by 22 individuals representing local community-based organizations. In 2002, CBD sponsored an NDC technical assistance housing finance professional. This person worked directly with the Latin American Community Center Development Corporation to assist with its HUD 202 Senior Housing project, and also with the rehabilitation, development, and preparation of seven City of Wilmington properties for homeownership.

- Faith-Based Community Development Symposium - CBD has taken a unique and innovative approach to community development initiatives in the assessment area by partnering with the University of Delaware, HUD, the Methodist Action Program, and the Delaware Association for Community-Based Development organizations to sponsor a symposium for faith-based organizations seeking to perform community development activities in the assessment area. Attending organizations were taught how to plan programs, raise money, lead their congregations, reach out to the community, and other important skills. The November 2000 conference was attended by 125 people, and the

November 2001 conference was attended by 95 people. The next symposium will be held in August 2003 and is currently in the planning stages.

- Manufactured Housing Collaborative - CBD initiated a statewide meeting to look into manufactured housing as an affordable housing option for rural areas. National representatives from the Corporation for Enterprise Development along with the New Hampshire Community Loan Fund (a “CDFI”) were invited by CBD to hold a one-day conference in June 2003 to discuss the state of manufactured housing in Delaware and what unmet needs could be addressed through a collaborative effort. Twenty-five stakeholders for affordable housing attended. CBD contracted with the University of Delaware to conduct research on the manufactured housing market and market conditions in the State. Additionally, CBD is studying the possibility of raising capital for land purchases by cooperatives of tenants in order to stabilize their housing situation. CBD is also leading an initiative to provide a grant pool that would provide seed funding for affordable housing non-profits interested in undertaking projects that utilize manufactured housing.

### **Affordable Housing**

CBD continues to assume a leadership role in promoting homeownership opportunities through partners that provide housing development, emergency housing/utility programs, and housing counseling.

- West End Neighborhood House - West End Neighborhood House is a multi-function community center that provides community services to LMI individuals, families, and children on the west side of Wilmington. A CBD VP sits on the Board of West End and provides technical expertise on budgeting and finances.

West End offers a Statewide Security Deposit Loan Fund, which provides low-interest loans to LMI individuals to meet rent or security deposit obligations to prevent individuals from losing an apartment and being forced into homelessness. A CBD VP and another CBD employee are loan review committee members for West End’s Statewide Security Deposit Loan Fund. They review applications for emergency housing loans.

- Cornerstone West - Cornerstone West is a non-profit community development corporation formed through a consortium of organizations, including St. Francis Hospital, West End Neighborhood House, State and local government, small businesses, civic associations, the YWCA Centers for Homeownership, and the financial community. Cornerstone West’s main focus is increasing homeownership through the rehabilitation of 50 vacant and rental properties located in Wilmington’s west side. Over the past three years, all 50 homes were sold to LMI first time homebuyers. A CBD VP serves on the Board of Cornerstone West and is currently President of this housing development organization.

- YWCA of New Castle County - The YWCA provides economic services to LMI women, men and families throughout New Castle County. These services include financial education, the Money Works! IDA program, housing counseling programs, employment services, and small business/micro-enterprise services. In 1999, CBD was the first and has been a continuing sponsor of the Money Works! IDA Program, the matched savings program that allows a participant to save for a home, small business or post-secondary education. CBD employees also periodically teach credit and money management skills classes. The CEO of CBD sits on the Board of this organization and has worked for the past six months on the strategic plan for the organization for the next five years and on its outreach and fundraising efforts by hosting advisory committee meetings of key corporate and community leaders.

### **Education for LMI individuals**

During the past three years, CBD has been leading the charge for financial literacy training for LMI individuals, both adults and children. CBD supports and partners with organizations that are working on school reform, educational programs, and parent involvement in their children's education.

- Academy of Finance at Howard High School of Technology - Through Citibank's relationship with the National Academy Foundation (NAF) and its Academy of Finance program, CBD has established a partnership with Howard High School of Technology. This school is the only public high school remaining within the city limits and is located in an LMI neighborhood. A CBD VP, who serves as Vice Chairman, and CBD's CEO provide leadership on this program's advisory committee.

The Academy of Finance curriculum helps students who are interested in pursuing careers and post-secondary education in the financial services field. The curriculum includes courses in Accounting, Economics and Business Computer Applications and emphasizes practical skills for the workplace such as Human Relations, Communication, and Job Readiness. CBD provides opportunities for job shadowing, internships, and mentoring. In 2002, six juniors completed paid internships by working in CBD's ASI and Operations Accounting Units. Additionally, CBD instituted an annual scholarship program through the Delaware Community Foundation for two qualified students that wish to pursue college opportunities after completing High School. The scholarship fund started in 2002 at which time two scholarships were awarded to students that were at or below 80 percent of median income.

- Delaware Financial Literacy Institute - CBD's CEO is a charter Board member for the Delaware Financial Literacy Institute, (Institute), which started in 2002. This organization provides financial education to adults and children throughout the state. Its mission is to equip individuals throughout Delaware, especially LMI individuals, with the tools needed to be self-sufficient and to enjoy financial well-being over time.

CBD partnered with the Institute and its Money Smart Conference both in 2001 and 2002. Approximately 250 children in grades 1-7 attended the conferences with their parents, and learned about money management. Ten volunteers from CBD facilitated the parent session at each event. Additionally, CBD introduced the parent component of the program at the 2003 Annual Statewide Parent Teacher Association (PTA) conference as a packet that each PTA use itself as a learning opportunity for parents. CBD also worked with the Institute to package the conference so that it can be delivered in smaller venues. This was tested at the Fraim Boys and Girls Club in April 2003 (see below).

Boys and Girls Club of Delaware's Clarence Fraim Center - At the Fraim Center, over 70 percent of the children served are low-income and come from the surrounding city communities. CBD has focused on the Fraim Boys and Girls Club to pilot financial education programs for LMI children. In April 2003, the Money Smart Conference curriculum (noted above) was presented to over 100 individuals (75 children and their parents). These individuals received three hours of financial education training using the Money Smart Conference format. CBD employees have also participated in delivering entrepreneurship classes, as well as, planning and implementing the "Club Bucks" program and a Teach Kids to Save Event at the Fraim Boys and Girls Club.

## **COMPLIANCE WITH ANTIDISCRIMINATION LAWS**

No substantive violations involving illegal discrimination or discouragement were discovered during this examination.

**APPENDIX A**

**SCOPE OF EXAMINATION:**

<b>Citibank (Delaware)</b>
<b>SCOPE OF EXAMINATION:</b> Citibank (Delaware) was examined for compliance with the Community Reinvestment Act using wholesale bank procedures.
<b>TIME PERIOD REVIEWED:</b> 05/15/00 through 03/31/03
<b>PRODUCTS REVIEWED:</b> Community Development Loans, Qualified Investments and Community Development Services

<b>LIST OF AFFILIATES AND PRODUCTS REVIEWED</b>		
<b>AFFILIATE(S):</b>	<b>AFFILIATE RELATIONSHIP:</b>	<b>PRODUCTS REVIEWED:</b>
Citicorp	Parent	Community Deveopment Loans and Qualified Investments

<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA:</b>	<b>TYPE OF EXAMINATION:</b>	<b>BRANCHES VISITED:</b>	<b>OTHER INFORMATION:</b>
MSA #9160	Wholesale Full Scope	Main Office	None

## **APPENDIX B - GENERAL DEFINITIONS**

### **GEOGRAPHY TERMS**

**Block:** Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

**Block Group:** Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

**Block Numbering Areas (BNAs):** Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

**Rural Area:** Territories, populations and housing units that are not classified as urban.

### **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

### **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans

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## Wholesale and Limited Purpose Performance Evaluation

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have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## APPENDIX C - INVESTMENT DEFINITIONS

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Low Income Housing Tax Credits:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

**Qualified Investments:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.