

PUBLIC DISCLOSURE

May 3, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Cross Country Bank
34193**

**800 Delaware Avenue
Wilmington, Delaware 19801**

**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 **Cross Country Bank** prepared by **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **May 3, 2005**. 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'S CRA RATING: This institution is rated Satisfactory.

Cross Country Bank (CCB) has exhibited a satisfactory record of helping to meet the community development needs of its assessment area in a manner consistent with its resources and capabilities. All CRA-related activities performed since the date of the prior evaluation (February 10, 2003) were considered during this evaluation. The CRA performance of a limited purpose institution is evaluated pursuant to a Community Development Test which includes the following criteria:

The number and amount of community development loans, qualified investments, or community development services.

CCB has an adequate level of qualified investments and community development services given its size, resources, and financial condition. In the two years since the prior evaluation, the bank made qualified investments totaling \$4,842,620. The new activity consisted of a \$500,000 equity investment in a limited partnership that provides affordable housing in Delaware; \$2,588,120 for two qualifying mortgage-backed securities; and \$1,754,500 in charitable grants and donations. Community development loans made prior to the current CRA evaluation, but which remain outstanding, were also given consideration. While the amount of CRA-qualified investments represents a decline in the average level of activity noted at the previous CRA evaluation (\$15.8 million over a three-year period), certain legal impediments existed, particularly in 2003, which precluded the bank from becoming more actively involved in CRA-qualified investments during the evaluation period.

CCB directors, managers and staff employees participate in numerous community development services within the bank's assessment area.

No community development loans were made by the bank since the previous evaluation, although two loans made through a third party intermediary, remain outstanding. CCB is not a traditional lender, and therefore, lacks the staff and expertise to originate such loans.

The use of innovative or complex qualified investments, community development loans, or community development services and the extent to which the investments are not routinely provided by private investors.

CCB's community development loans and investments are neither innovative nor complex. The institution operates in a highly competitive market for CRA-qualified loans and investments and many community development needs within the bank's assessment are being met.

The bank's responsiveness to credit and community development needs.

Through its qualified investments and community development services, CCB exhibited an adequate responsiveness to community development needs within its assessment area.

DESCRIPTION OF INSTITUTION

Cross Country Bank (CCB) is a state-chartered, independent financial institution located at 800 Delaware Avenue in Wilmington, Delaware, the bank's only location. CCB, which began operations in 1996, is engaged primarily in subprime, unsecured credit card lending. CCB has been designated as a "limited purpose" bank for CRA. As such, the bank is subject to a Community Development Test when determining its CRA performance.

CCB is not a conventional bank. Although the bank offers certificates of deposits and money market demand deposit accounts, there are no tellers accepting deposits, nor are there any branch offices or ATM locations. The bank does not offer residential or commercial mortgage loan products, nor does it engage in other types of consumer lending such as automobile or personal unsecured loans. The bank's primary business is subprime consumer credit card lending targeted to individuals who have little or no credit history, or those who have experienced credit problems due to illness, job loss or bankruptcy.

The bank is wholly-owned by one individual. The bank has numerous non-bank affiliates including Applied Card Systems (ACS). ACS, which is also headquartered in Wilmington, provides credit card servicing and asset management services to CCB. ACS also has operations in Glen Mills, Pennsylvania; Boca Raton, Florida; and Huntington, West Virginia.

As of March 31, 2005, the bank reported total assets of \$1.03 billion, total loans of \$746 million, and total deposits of \$327 million. CCB was rated "Satisfactory" at its last FDIC CRA evaluation dated February 10, 2003.

Regulatory Enforcement Action

Since 2002, Cross Country Bank has been operating under a Cease & Desist Order, a regulatory enforcement action which has impacted its CRA activities. The Order placed certain restrictions on the institution which resulted in a decline in total assets, total deposits, net loans, and ultimately, net income. Since the imposition of the Order, total assets declined 29% from \$1.4 billion in 2002 to the current level of \$1.03 billion as of March 31, 2005. Significant declines were also noted in total loans (34%), total deposits (64%) and net income, which went from \$170 million in 2002 to \$33 million in 2003, a decline of 81%. The loss of income impacted the bank's ability to engage in new community development activity, particularly during the period of time covered by this evaluation. However, the Order, which was originally imposed in 2002, was modified in 2004, and at that time, various restrictions were lifted. The institution has returned to high profitability and by year-end 2004, realized a net income of \$180 million. Net income as of March 31, 2005 is \$53 million, or over \$200 million when annualized.

DESCRIPTION OF ASSESSMENT AREA

CCB's assessment area consists of New Castle County, Delaware in its entirety. New Castle County is wholly contained within Wilmington, Delaware Metropolitan Statistical Area (MSA #48864). The bank's assessment area contains 127 census tracts; 10 are low-income, 23 are moderate-income, 61 are middle-income and 32 are upper-income (the income for one tract is unknown). New Castle County is bordered on the west by Maryland, on the north by Pennsylvania, on the east by the Delaware River and New Jersey, and on the south by Kent County, Delaware. There are three counties within the state of Delaware: New Castle, Kent and Sussex. New Castle County is the smallest county in Delaware in terms of square miles, yet the most populated.

Competition within the bank's assessment area is intense as several large financial corporations are located in the state, and more specifically, within the city of Wilmington, the largest municipality in Delaware. A short list of institutions operating within the bank's assessment area include: MBNA, Discover Bank, Wilmington Trust Company, Citizens Bank, JPMorgan Chase Bank, Citibank Delaware, Bank of New York Delaware, Bank of America, HSBC Bank, Mellon Bank, Wachovia Bank of Delaware, ING Direct, and PNC Bank, Delaware. Because of its location, CCB is subject to heavy competition for CRA-related investments as all of the institutions listed above, including many others, are vying for the same community development loan and investment opportunities within Delaware.

A review of the FDIC's "community contact" database was conducted in an effort to better understand specific community credit needs within the bank's assessment area. A local community development corporation (CDC) was recently contacted, and according to the CDC, there is an on-going need for funding to support the renovation and revitalization of the downtown Wilmington area. Around 1993, the downtown area of Wilmington began experiencing significant economic distress, with fewer residents, a greatly diminished retail sector, a shabby appearance and increasing crime. The City of Wilmington faced a major financial crisis, and confidence in the downtown area was low. The CDC, which formed in 1994, stated that funds were raised for various site acquisitions; however, monies are still needed for the continued rehabilitation of certain areas of the city. These projects will serve to attract even more businesses to this vital area of Delaware's economy. The contact stated that their organization has little trouble raising monies for their various initiatives given the heavy concentration of financial institutions within Delaware, and particularly in Wilmington. The overwhelming majority of these institutions are eager to contribute to the CDC's affordable housing and revitalization projects.

CONCLUSIONS WITH RESPECT TO PERFORMANCE:

Scope of the Evaluation

As a limited purpose institution, the bank is subject to a Community Development Test. Under this test, the FDIC will evaluate the number and amount of community development loans,

qualified investments, or community development services made by the institution; the innovativeness or complexity of that activity; and the bank's responsiveness to credit and community development needs. All community development activity that occurred since the date of the previous evaluation, February 10, 2003, and through the start of the current evaluation, May 3, 2005, was considered. Previous investments and loans that are still outstanding were also considered, although not weighed as heavily. The CRA regulation allows for CRA activity made by a bank's affiliate, and that was not considered elsewhere in another CRA evaluation, to be included when assessing the bank's performance. Therefore, any qualified community development activity made by ACS, or qualifying community development services provided by its personnel, was considered.

Community Development Investments

Investments Made Since the Previous CRA Evaluation, February 10, 2003

Equity Investments

Since 1996, CCB has been an active participant in community development projects sponsored by the Delaware Community Investment Corporation (DCIC). DCIC is a multi-bank community development corporation headquartered in Wilmington, Delaware that provides financing for affordable housing and community revitalization projects across the state. In 2004, CCB committed \$500,000 to DCIC to become a limited partner in **Delaware Equity Fund for Housing Limited Partnership VI**. This program is responsible for the development of affordable housing projects within Delaware. DCIC's first equity fund was established in 1996, and since that time, the program has assisted in the production of approximately 2,400 units of affordable housing within the state of Delaware. New Castle County is the most populated of Delaware's three counties, and it is where the majority of affordable housing projects are located.

Mortgage-Backed Securities

CCB continues to invest in mortgage-backed securities which are pools of mortgage loans made to low- and moderate-income individuals living within the bank's assessment area. Since the previous CRA evaluation, CCB has invested in two such securities for a total investment of \$2,588,120.

In 2003, the bank purchased a security comprising 11 mortgage loans made to low- and moderate-income individuals in New Castle County. The total value of the investment was \$1,497,410.

In 2004, the bank purchased a mortgage-backed security in the amount of \$1,090,710, consisting of a pool of seven mortgage loans made to moderate-income individuals within New Castle County.

Wholesale and Limited Purpose Performance Evaluation

Charitable Grants and Donations

Since the last CRA evaluation, CCB provided 56 grants and donations to qualifying community development organizations that are located in, or provide services to, its assessment area for a total of \$1,754,500. Grants and donations which warrant special mention include the following:

- \$1,000,000 contribution to the Diocese of Wilmington. The purpose of the contribution was to assist Diocesan programs that benefit low- to moderate-income families in New Castle County. Services provided include financial grants for basic living expenses, providing budget counseling to enhance financial stability, clothing and food donations, and crisis alleviation services for families facing eviction. Each beneficiary of the funds must be a resident of New Castle County and must qualify as a low- or moderate-income individual or family.
- \$300,000 each year (2003 and 2004) for the Neumann College Merit Award Program. Recipients of the Merit Award must be enrolled at Neumann College, live in New Castle County, and qualify as a low- or moderate-income individual.
- \$30,000 to the Ministry of Caring. This non-profit organization serves the needs of the poor and homeless located in and around the city of Wilmington. The Ministry offers food, shelter, job training and placement, child care, medical and dental care, and clothing and household goods to those in need.

The table below summarizes the number and dollar amount of the various grants made.

QUALIFIED GRANTS AND DONATIONS		
DESCRIPTION	NUMBER	DOLLARS
Affordable housing for low- or moderate-income (LMI) individuals.	8	\$20,000
Community development social services targeted to low- or moderate-income persons.	35	\$1,109,500
Activities that promote economic development by financing small businesses or farms and activities that stabilize or revitalize particular LMI areas.	6	\$11,500
Educational Services targeted to low- or moderate-income persons.	7	\$613,500
Grand Total	56	\$1,754,500

Source: Bank Records

Previously Held Investments

In 2002, CCB invested \$4 million in two Delaware State Housing Authority revenue bonds. The Delaware State Housing Authority was created, in part, to construct, finance, and rehabilitate affordable housing for low- and moderate-income individuals living within the state of Delaware. The funds raised by the bonds are used to purchase guaranteed mortgage securities collateralized by pools of loans made to qualifying individuals.

Community Development Services

CCB and its affiliate, Applied Card Systems, have provided an adequate level of services to qualifying community development organizations within the assessment area. The bank's president, all of its executive and senior vice presidents, and several vice presidents and other staff personnel provide technical assistance or are directly involved through board and committee memberships. Several bank officers, and officers of the bank's affiliate, serve on advisory boards or on special committees of Delaware non-profit organizations, providing assistance and counseling with banking, legal, strategic development, and fundraising. Additionally, CCB staff members volunteer their time to provide financial expertise to these organizations. Examples of some of the organizations that benefit from the bank's involvement include the following:

- Brandywine Gateway Neighbors – a non-profit planning and economic development organization that provides housing opportunities for low- and moderate-income individuals and supports revitalization projects for economically depressed areas in Wilmington;
- Interfaith Housing Delaware – non-profit organization involved with affordable housing initiatives in Delaware;
- Habitat for Humanity – Delaware chapter for this nationally recognized non-profit affordable housing organization;
- Community Housing, Inc. – non-profit organization that develops and manages affordable rental and “for sale” housing for low- and moderate-income families;
- Housing Capacity Building Program – provides grants and technical assistance to increase the capacity of non-profit organizations engaged in affordable housing development in Delaware;
- West End Neighborhood House – provides low- and moderate-income individuals with stabilized housing and credit counseling, including assistance with budgeting and credit repair;
- Small Business Development Center (University of Delaware) – provides training to prospective, first-time small business owners, including mentoring and business plan creation;
- Short Term Emergency Housing Mission – provides emergency and transitional shelter to adults and children in need, as well as counseling services to those in established residences, and;

- Connections Community Support Programs – non-profit organization that provides outreach, affordable housing, opportunities for competitive employment, and other social services to low- and moderate-income individuals in Delaware.

Community Development Loans

Prior to this evaluation, Cross Country Bank invested in two DCIC-sponsored loan programs. In 2000, the bank committed \$100,000 to DCIC's **Housing Loan Fund II** which assists in the financing of affordable multifamily housing projects within the state of Delaware. The majority of affordable housing projects are located in the bank's assessment area. To date, \$75,966 has been advanced under this commitment.

In 1998, the bank committed \$250,000 to the **Community Investment Loan Fund**, which provides long-term financing for commercial real estate projects located in areas targeted for redevelopment. To date, \$208,579 has been advanced under this commitment. The proceeds have helped fund loans for eight revitalization developments including a day care center, two charter schools, a community center, a head start program, a medical center and office space for two non-profit organizations.

OTHER ACTIVITIES

CCB was not involved in any other activities which would affect the overall rating of the institution.