



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# LIMITED PURPOSE BANK

## PUBLIC DISCLOSURE

September 18, 2023

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

TD Bank USA, N.A.  
Charter Number: 22611

2035 Limestone Road  
Wilmington, DE 19808

Office of the Comptroller of the Currency  
Large Bank Supervision  
400 7<sup>th</sup> Street, SW  
Washington, DC 20219-0001

**NOTE:** This document is an evaluation of this 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. 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.

## Table of Contents

|  |     |
|--|-----|
| Overall CRA Rating.....                                      | 1   |
| Description of Institution.....                              | 2   |
| Scope of the Evaluation.....                                 | 3   |
| Discriminatory or Other Illegal Credit Practices Review..... | 4   |
| Multistate Metropolitan Statistical Area Rating.....         | 5   |
| Philadelphia-Camden-Wilmington PA-NJ-DE-MD .....             | 5   |
| Appendix A: Summary of MMSA and State Ratings.....           | A-1 |
| Appendix B: Definitions and Common Abbreviations.....        | B-1 |

## **Overall CRA Rating**

**Institution's CRA Rating:** This institution is rated Outstanding.

The major factors that support this rating include:

- The institution demonstrates a high level of community development (CD) loans, CD services, and qualified investment activity.
- The institution demonstrates occasional use of innovative or complex qualified investments and CD loans.
- The institution exhibits excellent responsiveness to credit and CD needs in its assessment area.

## Description of Institution

TD Bank USA, N.A. (TDUSA or bank), with one physical location in Wilmington, Delaware, is a wholly owned subsidiary of TD Bank US Holding Company ("TDBUSH"), a multi-bank holding company headquartered in Wilmington, Delaware. TDUSA is a Limited Purpose Bank under CRA that operates as the issuing bank for a credit card partnership program with retailers and maintains no branch offices. TDUSA is funded primarily by a deposit program with Charles Schwab Corporation and their broker dealer subsidiaries, including TD Ameritrade Clearing, Inc. There was no merger or acquisition activity during the evaluation period.

As of December 31, 2022, TDUSA had total assets of \$36 billion. The bank's credit card portfolios totaled approximately \$9.6 billion, representing 98 percent of total loans, with community development loans representing most of the remaining loan activity. The deposit base was \$31.7 billion, comprised primarily of Money Market Deposit Account deposits. Tier 1 Capital was \$3.7 billion with a 3-year average of \$3.3 billion for the 2020-2022 evaluation period.

TDUSA's only assessment area (AA) consists of a portion of the Philadelphia-Camden-Wilmington PA-NJ-DE-MD Multi-State Metropolitan Statistical Area (MMSA). There are no legal, financial, or other factors that impede the bank's ability to help meet credit needs in its AA. In addition, TDUSA designated a regional area which includes the entire states of Maine, New Hampshire, Massachusetts, Vermont, Connecticut, Rhode Island, New York, New Jersey, Delaware, and Pennsylvania. The regional area was approved in March 2013 by the OCC simultaneously with the limited purpose bank designation.

TDUSA's prior CRA examination results were reported in the Public Evaluation dated September 17, 2020 and resulted in an Outstanding rating.

**Table 1: Financial Information (\$000s)**

|                          | <b>Year-end<br/>2020</b> | <b>Year-end<br/>2021</b> | <b>Most Recent<br/>Quarter-end<br/>12/31/2022</b> | <b>Average for<br/>Evaluation<br/>Period</b> |
|--------------------------|--------------------------|--------------------------|---|--|
| Tier 1 Capital           | 2,891,572                | 3,302,932                | 3,677,362   | 3,290,622                                    |
| Total Income             | 2,107,876                | 2,078,841                | 2,831,974   | 2,339,564                                    |
| Net Operating Income     | 194,720                  | 411,436                  | 376,578   | 327,578                                      |
| Total Assets             | 29,205,488               | 29,741,240               | 35,996,617  | 31,647,782                                   |
| Pass Through Receivables | 9,136,331                | 8,983,804                | 9,595,134   | 9,238,423                                    |

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

## **Scope of the Examination**

### **Evaluation Period/Products Evaluated**

In evaluating the bank's performance under the CRA, the OCC reviewed CD activities from January 1, 2020 through December 31, 2022. Examiners reviewed the level and nature of qualified investments, CD lending, and CD services. No affiliates activity was considered in the analysis of the bank's performance during the evaluation period. At the prior examination dated September 17, 2020, the OCC rated the bank Outstanding.

For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), MMSA, or combined statistical area (CSA) are combined and evaluated as a single assessment area. Similarly, bank delineated non-MSA assessment areas within the same state are combined and evaluated as a single area.

The bank has adequately addressed the needs of its assessment area, and therefore, outside of assessment area qualified investments, CD loans and services were considered in evaluating its performance.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution's lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Multistate Metropolitan Statistical Area Rating

### Philadelphia-Camden-Wilmington PA-NJ-DE MD MMSA (Philadelphia MMSA)

#### CRA Rating for the Philadelphia MMSA: Outstanding

The major factors that support this rating include:

- The institution demonstrates a high level of CD loans, CD services, and qualified investment activity in the Philadelphia MMSA.
- The institution demonstrates occasional use of innovative or complex qualified investments and CD loans in the Philadelphia MMSA.
- The institution exhibits excellent responsiveness to credit and CD needs in the Philadelphia MMSA.

#### Description of Philadelphia MMSA

TDUSA's only AA consists of a portion of the Philadelphia-Camden-Wilmington PA-NJ-DE-MD MMSA. Specifically, the Philadelphia MMSA AA includes the whole counties of: New Castle County, Delaware; Burlington, Camden, Gloucester, and Salem Counties in New Jersey; and Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties in Pennsylvania. The AA consists primarily of mostly urban and suburban areas, complies with CRA guidelines, and does not arbitrarily exclude any low- or moderate-income geographies.

According to the 2020 U.S. Census data, the AA consists of 1,535 census tracts (CTs) comprising of 103 low-income CTs, 344 moderate-income CTs, 561 middle-income CTs, 475 upper-income CTs, and 52 CTs with no designations. The percentage of families below the poverty level is 8.2 percent.

According to Moody's Analytics, recent performance of the Philadelphia economy has shown signs of a positive trend. As of December 2021, the unemployment rate was 8.4 percent compared to 11.5 percent in 2020. The unemployment rate further declined to 5.4 percent as of July 2022. Though a larger share of jobs lost during the COVID-19 recession has yet to be recovered, the acceleration in job growth through midyear of 2022 helped reduce the shortfall. The top industries in the area include healthcare and research institutions. Job growth in Philadelphia is projected to be steady in the near future; however, weak demographics and an unfriendly business climate is expected to keep job growth trailing behind projected job growth for the U.S. as a whole in the longer term.

**Table 2: Philadelphia MMSA Multistate Metropolitan Statistical Area Description**

|                   | <b>Number</b> | <b>Low</b> | <b>Moderate</b> | <b>Middle</b> | <b>Upper</b> |
|-------------------|---------------|------------|-----------------|---------------|--------------|
| <b>Tracts</b>     | 1,535         | 6.7%       | 22.4%           | 36.5%         | 30.9%        |
| <b>Families</b>   | 1,466,339     | 21.8%*     | 17.3%*          | 20.1%*        | 40.9%*       |
| <b>Businesses</b> | 807,374       | 4.7%**     | 19.3%**         | 35.6%**       | 38.5%**      |

Source: Demographic Data - 2020 U.S. Census and 2022 Dun & Bradstreet Data. \*Represents families by income level. \*\*Represents businesses by income level of census tract.

The OCC conducted five community contacts in the MMSA AA during the evaluation period.

Every community contact specifically noted the need for affordable housing stock throughout the AA, both to purchase and to rent. Agencies noted that they have qualified buyers and unused homebuying down payment assistance funds, but low- and moderate-income homebuyers are unable to find homes in their price range and often compete against investors when seeking to purchase properties. Other needs identified were improved public transportation in the suburbs surrounding Philadelphia, small business working capital loans, and small business financial education programs.

There are no barriers to CD lending, investment, and service activities and opportunities exist for participation by local financial institutions in the area; however, competition is very strong. As of June 2022, there are approximately 101 financial institutions subject to the CRA operating protocol within the AA, all of which are very active within the AA and competing for the same community development opportunities.

## **Conclusions About Performance**

### **Summary**

TDUSA's overall CRA performance is excellent.

- The institution demonstrates a high level of qualified investments, CD loans, and CD services. Investments purchased during the evaluation period within the Philadelphia MMSA AA totaled \$157.4 million with an additional \$46.1 million purchased outside of the AA. Investments originated consisted of Low-Income Housing Tax Credits and mortgage-backed securities (MBS) that supports affordable housing. Investments originated in prior periods that remain outstanding total \$161.1 million, with 79.3 percent within the AA. TDUSA originated 49 CD loans totaling \$302.7 million, consisting of \$135.9 million in the AA and \$166.8 million outside of the AA. While TDUSA has only 11 direct employees, employees serve on the boards or advisory committees of 14 CD organizations.
- The institution demonstrates occasional use of innovative or complex qualified investments and CD loans. The bank coordinates with various organizations to accommodate the needs of low- and moderate-income communities.
- The institution exhibits excellent responsiveness to credit and CD needs in its assessment area. The bank actively engages with the community to assist in the ascertainment of community needs. The primary focus of the bank's qualified investment activity and CD lending during the evaluation period was providing affordable housing for low- or moderate-income individuals, which was identified as a principal need in the AA and broader regional area that includes the bank's AA.

### **Qualified Investments**

TDUSA provided a high-level of community development investments. Investments purchased during the evaluation period within the Philadelphia MMSA AA totaled \$157.4 million with an additional \$46.1 million in investments purchased outside of the AA. The bulk of the bank's investments consisted of the purchase of multiple Low-Income Housing Tax Credits (LIHTCs), which totaled \$122.1 million; \$95.9 million benefiting the AA and \$26.2 million outside the AA. The investments also included purchases of MBSs that totaled \$81.2 million; \$61.5 million benefiting the AA and \$19.7 million outside of the AA. Additionally, the bank invested in CDs totaling \$183 thousand. The bank's investment



activities during the evaluation period assisted in providing a total of approximately 968 units of affordable housing for low- and moderate-income individuals; 742 units within the AA and 226 units outside the AA. TDUSA also made grants totaling \$2.7 million benefiting the AA and \$910 thousand benefiting the area outside the AA.

Examples of community development investments include:

- A \$15.2 million investment in a LIHTC. The investment was for the development of 50 affordable housing units for low- and moderate-income seniors in Collingwood, PA, within the AA.
- An \$18.3 million investment in a Fannie Mae MBS. The investment included the financing of mortgage loans to 82 low- and moderate-income borrowers in the Burlington, Camden, Gloucester, Bucks, Chester, Montgomery, Philadelphia, New Castle, and Salem counties, within the AA.
- An \$8.1 million investment in a Fannie Mae MBS. The investment included the financing of mortgage loans to 32 low- and moderate-income borrowers in each of the 10 counties within the AA.

**Table 3a: Qualified Investment Activity (\$000s)**

|   | <b>Benefits AA**</b> | <b>Outside AA</b> | <b>Totals</b> |
|---|----------------------|-------------------|---------------|
| <b>Originated Investments</b>                           | 157,419              | 46,077            | 203,496       |
| <b>Originated Grants</b>                                | 2,690                | 910               | 3,600         |
| <b>Prior-Period Investments that Remain Outstanding</b> | 127,689              | 33,398            | 161,087       |
| <b>Total Qualified Investments</b>                      | 287,798              | 80,385            | 368,183       |
| <b>Unfunded Commitments*</b>                            | -                    | -                 | -             |

\* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system. \*\* Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA.

**Table 4a: Qualified Investment Percentages**

|   | <b>Benefits AA (%)*</b> | <b>Outside AA (%)</b> |
|---|-------------------------|-----------------------|
| <b>Total Investments/Average Tier 1 Capital</b>           | 8.7                     | 2.4                   |
| <b>Total Investments/Average Total Income</b>             | 12.3                    | 3.4                   |
| <b>Total Investments/Average Pass-Through Receivables</b> | 3.1                     | 0.9                   |

\* Investments included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA.

## CD Lending

TDUSA provided a high-level of qualified community development loans. During the evaluation period, the bank extended 20 loans totaling \$135.9 million benefiting the AA and an additional 29 loans totaling \$166.8 million outside the AA. The bank’s CD lending activities during the evaluation period assisted in providing a total of 1,088 units of affordable housing for low- and moderate-income individuals, with 582 units within their AA and 506 units outside the AA.

Examples of community development loans within the AA include:

- An \$8 million participation in a construction loan to build a three-story building consisting of 44 units. All units are for low- and moderate-income seniors in the City of Philadelphia, PA. Thirty-three units are for the low-income, and 11 units are for moderate-income seniors. This is an LIHTC project.
- A \$5 million participation loan to finance the construction of a 41-unit housing complex in Philadelphia, PA. All units will be occupied by low- and moderate-income individuals and families. The loan utilized LIHTC.
- A \$5 million participation loan to finance the construction of a 55-unit housing development with 52 units to be occupied by low- and moderate-income seniors, ages 62 and over, in Camden, NJ. This is an LIHTC project.

**Table 5a: CD Lending Percentages**

|  | <b>Benefits AA (%)*</b> | <b>Outside AA (%)</b> |
|--|-------------------------|-----------------------|
| <b>Total CD Lending/Average Tier 1 Capital</b>           | 4.1                     | 5.1                   |
| <b>Total CD Lending/Average Total Income</b>             | 5.8                     | 7.1                   |
| <b>Total CD Lending/Average Pass-Through Receivables</b> | 1.5                     | 1.8                   |

\* CD loans included in the Benefits AA column are located in the AA or in the broader statewide or regional area that includes the AA

**CD Services**

TDUSA provided a high level of participation in community development services. TDUSA had 11 direct employees as of December 31, 2022. Bank officers engage in roles in organizations promoting community development by serving on the Boards and Advisory Councils of multiple organizations. These organizations fulfill the needs of low- to moderate-income individuals, such as affordable housing, financial and homebuyer education programs, economic development, and the provision of services targeted to low- and moderate-income individuals and families.

Examples of community development services include:

- A bank officer serves as a Board member of an organization that provides community support by providing financial literacy to low- and moderate-income individuals in the AA.
- A bank officer serves as a Loan Review Committee member of a Community Development Financial Institution that provides education and empowerment to business owners and entrepreneurs by augmenting technical expertise, increasing access to capital, and stimulating business growth in the AA.

## Appendix A: Summary of MMSA and State Ratings

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| RATINGS           | TD Bank USA, N.A.   |
|-------------------|---------------------|
| Overall Bank:     | Overall Bank Rating |
| TD Bank USA, N.A. | Outstanding         |
| State/MMSA Name   | State/MMSA Rating   |
| Philadelphia MMSA | Outstanding         |
|                   |                     |
|                   |                     |
|                   |                     |
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|                   |                     |

## Appendix B: Definitions and Common Abbreviations

The following terms and abbreviations may be used in this performance evaluation, including the CRA tables. 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 with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** Affordable housing (including multifamily rental 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

**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).

**Full-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under §1003.2 of this title, and that is not an excluded transaction under §1003.3(c)(1) through (10) and (13) of this title.

**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.

**Limited-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income Individual:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) 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, and half below, a range of incomes.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**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 percent and less than 120 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 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**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.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose CD.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

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

**Small Loan(s) to Farm(s):** 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 have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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