

PUBLIC DISCLOSURE

December 8, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Capital One Bank

05511205

P. O. Box 85525

Richmond, Virginia 23285-5525

Federal Reserve Bank of Richmond

P. O. Box 27622

Richmond, Virginia 23261

This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each Federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Capital One Bank, Richmond, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of December 8, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The bank's community development performance through qualified investments and use of innovation in community development lending is considered responsive to community needs. Investments, grants, and contributions have been made to a variety of community organizations whose primary purpose is to serve the needs of low- and moderate-income individuals or promote economic development within low- and moderate-income neighborhoods.

DESCRIPTION OF INSTITUTION:

Capital One Bank, located in Glen Allen, Virginia, is a wholly owned subsidiary of Capital One Financial Corporation. The holding company is located in Falls Church, Virginia. As of September 30, 1997, the bank had total assets of \$5.4 billion. The institution is engaged exclusively in credit card operations servicing 10.7 million MasterCard and Visa accounts nationwide. In April 1996, the Federal Reserve Bank of Richmond, acting under authority delegated by the Board of Governors of the Federal Reserve System, approved Capital One Bank's request for designation as a limited-purpose financial institution for CRA purposes. A limited purpose institution is evaluated on its community development lending, qualified investments, and community development services. The institution's previous CRA rating was satisfactory.

DESCRIPTION OF ASSESSMENT AREA

Glen Allen is in Henrico County, Virginia, which, along with the City of Richmond, has been designated as the bank's assessment area. This community is located in the east-central portion of the Commonwealth and is part of the Richmond-Petersburg Metropolitan Statistical Area (MSA). The population of the assessment area, according to the 1990 census data, is 420,937. The local economy is diverse with a mixture of manufacturing, service, and Government employment opportunities. Some of the leading industries in the area include tobacco processing, metal fabrication, medical services, insurance, and banking. The October 1997 unemployment rates for Henrico County and the City of Richmond are 2.5% and 4.2%, respectively. The unemployment rate for the Commonwealth of Virginia is 3.4%. Economic prospects for the area are considered favorable due to the large and mostly skilled labor force and the diverse industrial and economic base.

A community contact was recently made with a representative of a local community housing organization to further assist in evaluating the bank's CRA performance. The contact stated that more affordable housing programs, along with educational programs regarding the mortgage loan process, are needed to assist low- and moderate-income individuals seeking housing throughout the metropolitan Richmond area.

CONCLUSIONS WITH RESPECT TO THE COMMUNITY DEVELOPMENT TEST

COMMUNITY DEVELOPMENT TEST

Capital One Bank aids various community development programs that specifically target low- and moderate-income areas and individuals throughout the assessment area. Participation in these programs has taken the form of investments, grants, and contributions. The activities described below illustrate the bank's efforts to ensure that credit and community development needs throughout the assessment area, including low- and moderate-income areas, are addressed.

To promote community development, the bank purchased more than \$2.9 million of a special series of bonds from the Virginia Housing Development Authority (VHDA). The VHDA is a public mortgage lender that serves the housing needs of low- and moderate-income individuals throughout the Commonwealth of Virginia. The bond proceeds will be used to provide permanent financing for a Richmond-area development project. The project is an 85-unit, three-story building located in the City of Richmond. The VHDA expects that 100% of the units will be occupied by tenants at or below 60% of the area's median income, adjusted for family size.

The bank continues its alliance with Consolidated Bank & Trust Company in offering a home improvement loan program targeted to low- and moderate-income residents of the metropolitan Richmond area. Consolidated Bank & Trust Company, a minority-owned bank, through "The Better Loans for Better Homes Program," offers both secured and unsecured loans for various home improvement purposes. Capital One Bank has committed funding of up to \$500,000 through deposits into a designated home improvement loan account at Consolidated Bank & Trust Company. Through this program, below-market-rate home improvement loans to qualified Richmond-area homeowners are available. Capital One will assist Consolidated Bank & Trust Company in marketing the program through a seminar promoted by news releases, radio spots, posters and pull-outs. However, Consolidated Bank & Trust Company will be responsible for all credit decisions and program administration. To date no loans have been extended under this program.

Since the previous evaluation, the institution has contributed more than \$224,500 to organizations which develop low- and moderate-income housing and engage in various activities that revitalize and stabilize low- and moderate-income areas. Through these organizations, the bank also provides credit card and general financial services counseling. Such organizations include:

Affordable Housing Organizations

Habitat for Humanity
Local Initiatives Support Corporation
Henrico Community Housing Corporation
Richmond Community Housing Corporation
Christmas in April Virginia Housing Coalition
Southside Community Development Corporation
Multi-Purpose Community Development Organizations

Interfaith Housing Corporation
Bainbridge & Blackwell Community Development Corporation
Virginia Community Development Loan Fund

Small Business/Financial Counseling Organizations

East Richmond District (an organization serving a low- and moderate-income community in the City of Richmond)
Better Business Bureau Foundation

Social Service Organizations

Cross-Over Health Center
Court Appointed Special Advocate

Other groups that primarily serve low- and moderate-income individuals receiving contributions include the Consumer Credit Counseling Service of Richmond and the Greater Richmond Community Corporation. The Consumer Credit Counseling Service provides financial educational programs to low- and moderate-income inner-city school students, while the Greater Richmond Community Corporation performs improvements on inner-city schools, with much of the work performed by residents living in the community.

Capital One Bank also made a donation totaling \$500,000 to area food banks in each of Capital One's cities of operation in the United States. The donation will be used to fund a major endeavor sponsored by the food banks, the "Capital One Kids Cafe" to feed children. Through this program, children of low-and moderate-income families will be provided food during the holidays and throughout 1998, as well as educational assistance. This donation benefits four cities: Dallas, Texas; Tampa, Florida; and Fredericksburg and Richmond, Virginia.

In November 1996, Capital One and the YMCA of Greater Richmond announced the formation of an alliance to assist children and families in the Richmond area, especially within the low-income inner-city community. The bank contributed \$250,000 to the YMCAs Expanding Horizons and Changing Lives Capital Campaign. The money will be used for the Downtown YMCAs Outreach and Education Center to be built adjacent to the current downtown facility. The facility is located in a low-income census tract and will educate low-income individuals and families regarding financial matters.

Additionally, Capital One Bank recently committed \$1.5 million to its Capital One Leadership Grants program. This program was created to address social service and education needs of low- and moderate-income youth through a collaborative effort with five area agencies or programs. Some of the services provided by these groups are family counseling, family and individual financial counseling, and some small business mentoring. The agencies or programs involved include: Communities in Schools, Richmond Community Action Program, Salvation Army Boys and Girls Club, Science Museum of Virginia, and William Byrd Community House.

In addition to investments, donations, and grants, Capital One officers and staff volunteer their time and provide technical expertise to local community service organizations. These organizations provide financial or credit counseling to both individuals and small businesses. The bank's assistance is primarily directed to low and moderate-individuals and small businesses located in low and moderate areas. The following associations are assisted in this regard by bank officials:

Individual and Business Credit or Financial Counseling

- Virginia Business Council
- Greater Richmond Chamber of Commerce
- Richmond In-Roads
- Henrico Business Council
- VCU Business Council
- Richmond Nonprofit Network Program
- Better Business Bureau of Central Virginia

There appear to be no restrictions on the institution's ability to provide credit and promote economic development in its assessment area consistent with its human and financial resources.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the provisions of the fair housing and fair lending laws and regulations were identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending and credit services.