



## **PUBLIC DISCLOSURE**

September 18, 2017

### **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 (OCC)

Large Bank Supervision  
400 7th 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.

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**Overall CRA Rating:**

**This institution is rated Outstanding.**

The conclusions for the three rating criteria are:

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

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation. 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 both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Assessment Area (AA):** A geographic area that consists generally of one or more MSAs (using the MSA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

**Benefit to Assessment Area:** The OCC considers all qualified investments, community development loans, and community development services that benefit areas within the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

**Benefit Outside Assessment Area:** The OCC considers the qualified investments, community development loans, and community development services that benefit areas outside the bank's assessment area(s), if the bank has adequately addressed the needs of its assessment area(s).

**CEBA:** Competitive Equality Banking Act of 1987, which permitted corporations to form limited-purpose credit card banks, whose operations are restricted to credit card activities, without the corporation becoming subject to the limitations of a "bank holding company" under the Bank Holding Company Act. A CEBA credit card bank engages only in credit card operations, does not accept demand deposits or savings or time deposits of less than \$100,000 (other than to secure extensions of credit), maintains only one office and does not engage in the business of making commercial loans.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. 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.

**Community Development:** 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; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster

areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, 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.

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

**Limited Purpose Institution:** An institution that offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market and for which a designation as limited purpose bank is in effect.

**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. 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 it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**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.

**Net Operating Income:** As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments.

**Pass-Through Receivables:** Outstanding receivables tied to all accounts issued or owned by the bank. Pass-through receivables include receivables attributable and receivables retained on balance sheet as those terms are used in 12 CFR 8.

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

**Total Assets:** Total bank assets as listed in the Consolidated Report of Condition and Income.

**Total Income:** From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income.

## **Description of Institution**

TD Bank USA, N.A. (TDUSA or bank) is a wholly owned subsidiary of TD Bank US Holding Company (TDBUSH). TDBUSH is a multi-bank holding company with total assets as of December 31, 2016 of approximately \$287 billion. TD Bank, N.A is also a wholly owned subsidiary of TDBUSH. As of December 31, 2016, TDUSA total assets were \$23.25 billion. The deposit base was \$20.6 billion, and was comprised primarily of Money Market Deposit Account deposits.

TDUSA was originally chartered as Waterhouse National Bank to provide attendant financial services to Waterhouse Group's brokerage service customers. In 1996, TD Bank Group (Toronto) purchased Waterhouse National Bank and the bank was renamed TD Waterhouse Bank, N.A. With the 2006 sale of TD Waterhouse to Ameritrade Holding Corporation, the bank changed its name to TD Bank USA, N.A. and TDUSA was transferred directly to TDBUSH.

TDUSA is a non-competitive equity banking act (CEBA) limited purpose institution headquartered in Wilmington, Delaware that maintains no branch offices. In March 2013, TDUSA acquired the existing credit card portfolio from Target National Bank and Target Receivables LLC, collectively. As a result of the acquisition, TDUSA requested and the OCC approved the designation as a limited purpose bank for CRA purposes. In October 2015, TDUSA acquired the credit card portfolio from Nordstrom Inc. Currently, the combined portfolio totals \$8 billion. The bank maintains possession of their receivables and they do not originate credit card loans.

There are no known legal, financial or other factors impeding the bank's ability to meet the credit needs in its AA.

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

	<b>Year-end 2013 (Partial)</b>	<b>Year-end 2014</b>	<b>Year-end 2015</b>	<b>Year-end 2016</b>	<b>Average for Evaluation Period</b>
<b>Tier 1 Capital</b>	1,149,941	1,247,361	1,554,657	1,748,602	1,425,140
<b>Total Income</b>	1,298,395	1,442,623	1,284,713	1,824,713	1,462,611
<b>Net Operating Income</b>	121,984	112,151	85,437	158,113	119,421
<b>Total Assets</b>	16,073,895	17,061,688	19,730,958	23,245,910	19,028,112
<b>Pass-Through Receivables/Managed Assets</b>	-	-	-	-	-

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

## Scope of the Evaluation

In evaluating the bank's performance under the CRA, the OCC reviewed community development activities from March 14, 2013 through December 31, 2016. Examiners reviewed the level, nature, and responsiveness of qualified investments, community development grants, community development lending, and community development services within TDUSA's AA. For the prior evaluation dated March 31, 2014, the OCC rated the bank's CRA performance as "Outstanding".

The current evaluation is based upon records and reports provided by TDUSA, publicly available financial information, demographic data, and information collected as part of the evaluation process, including recent community contacts. The OCC evaluated TDUSA's performance in accordance with the evaluation period and AA when considering:

- Economic environment
- Demographic characteristics
- TDUSA's financial resources and constraints

The bank has adequately addressed the needs of its AA, and therefore, the OCC considered qualified investments, community development loans, and services outside of the AA in evaluating its performance. TDUSA focused its performance outside of the AA within the surrounding regional area in the states of Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.

## Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 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 AA 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 Consumer Financial Protection Bureau, 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.

## Description of Assessment Area

TDUSA’s only AA consists of a portion of the Philadelphia-Camden-Wilmington PA-NJ-DE-MD Multi-State Metropolitan Statistical Area (Philadelphia AA). Specifically, the Philadelphia AA includes 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/or suburban areas, complies with CRA guidelines, and does not arbitrarily exclude any low- or moderate-income geographies.

Table 2 details the distribution of the AA’s 1,457 census tracts for families and businesses by income level.

**Table 2: Assessment Area Description**

	Number	Low	Moderate	Middle	Upper
<b>Tracts</b>	1,457	7.34%	22.99%	38.50%	29.86%
<b>Families</b>	1,422,874	21.09%*	17.49%*	20.99%*	40.44%*
<b>Businesses</b>	407,442	3.97%**	17.17%**	38.22%**	40.17%**

Source: Demographic Data – 2010 U.S. Census, Dun & Bradstreet Data.

Nineteen Census Tracts are not income categorized which result in the table figures to sum to slightly less than 100%.

\*Represents families by income level.

\*\*Represents businesses by income level of census tract.

According to the 2010 Census, there are 107 low; 335 moderate; 561 middle; and 435 upper-income census tracts in the Philadelphia AA (19 tracts are not income categorized as they do not contain any housing units). The adjusted median family income for 2016 was \$78,252 with 12 percent of the households below the poverty level.

Home values in the AA continue to slowly rebound. Per the National Association of Realtors, the median home price in the AA increased modestly from \$200,700 in 2014 to \$225,400 in 2016.

According to the most current data from the Bureau of Labor Statistics, the August 2017 civilian work force totaled 3.1 million with approximately 5.1 percent unemployment in the AA, down from 5.5 percent as of August 2016. According to Moody’s Analytics, total population in AA is approximately 5.9 million. The population trends in the principle cities of Philadelphia,



Camden and Wilmington show moderate growth, declining population, and stable population, respectively. The top employers within the AA include the University of Pennsylvania, The Children's Hospital of Philadelphia, Thomas Jefferson University Hospital, Christiana Care Health System, and E.I. du Pont de Nemours & Co.

There are no barriers to CD lending, investment and service. However, the competition in and around the Philadelphia AA is very strong.

The OCC conducted a community contact in Wilmington, DE during the evaluation period. A need for community revitalization activities, especially in and around Wilmington's distressed East Side was identified. The contact specifically noted the need for revitalization activities that create job opportunities, teach basic business skills and promote entrepreneurship. Other needs identified were affordable housing; financial literacy training; access to affordable fresh and healthy food in underserved neighborhoods; and support for nonprofits.

Opportunities exist for participation by local financial institutions in the areas of community development, investments via low income housing tax credits (LIHTC) and New Market Tax Credits (NMTC), other credit-related projects, and financing programs; however, competition is strong. There are approximately 125 financial institutions subject to CRA operating within the AA, including many limited purpose credit card banks, all of which are very active within the AA and competing for the same community development opportunities.

## Conclusions about Performance

### Summary

- TDUSA demonstrates a high level of community development lending, community development services, and qualified investment activity. Investments purchased during the evaluation period within the Philadelphia AA total \$199.9 million with an additional \$29.0 million purchased in the greater regional area outside of the AA. Investments originated mostly consisted of mortgage backed securities (MBS) that support affordable housing and LIHTC. Investments originated in prior periods total \$63.9 million, all outside of their AA as currently defined. In addition, the bank initiated 143 grants totaling \$4 million, consisting of \$2.9 million within the AA and \$1.1 million outside of their AA. TDUSA originated 47 community development loans totaling \$159.9 million, consisting of \$75.7 million in the AA and \$84.1 million outside of the AA.
- TDUSA demonstrates occasional use of innovative or complex qualified investments, community development loans, or community development services. The bank coordinates with various organizations to accommodate the needs of low- and moderate-income communities.
- TDUSA demonstrates excellent responsiveness to credit and community development needs in its AA. During the evaluation period, in addition to the more traditional methods, the bank employed an innovative method to assist in the ascertainment of community needs. Specifically, since 2014, TDUSA has invited a member of a local full-service community development organization in the AA to serve on the TDUSA CRA Committee, a

management-level subcommittee of the TDBUSH committee structure. The majority of community development investments and lending during the evaluation timeframe focused on providing affordable housing for low- or moderate-income individuals.

### Qualified Investments

TDUSA provided a high-level of community development investments. During the evaluation period, the bank purchased community development investments amounting to \$199.9 million benefiting the AA and \$29.0 million outside of the AA, with an additional \$63.9 million in prior period investments outside of the AA. MBSs totaled \$101.8 million and consists of \$64.7 million benefiting the AA and \$37.1 million outside of the AA. LIHTCs totaled \$177.7 million and consist of \$134.8 million benefiting the AA and \$42.9 million outside of the AA. The investments also included NMTC, state-issued tax credits, loan funds, MBSs, municipal bonds, and certificates of deposit. The bank’s investment activities during the evaluation period assisted in providing a total of 996 units of affordable housing for low- and moderate-income individuals; 857 units within their AA and 139 units outside the AA. TDUSA also made grants totaling \$2.9 million benefiting the AA and \$1.1 million outside of the AA.

Examples of community development investments include:

- A \$12.0 million investment in a LIHTC in Philadelphia, PA, within the AA. The investment revitalized the Cobbs Creek neighborhood and provided 75 units of affordable housing for low- and moderate-income individuals and families.
- A \$17.0 million investment in a LIHTC in Camden, NJ, within the AA. The investment provided 80 units of affordable housing to low-income individuals and families.
- The bank invested in state tax credits totaling to \$392 thousand within the AA. The investment is for scholarships, educational improvement programs, and neighborhood assistance programs for low- and moderate-income individuals in Philadelphia and the surrounding area.
- TDUSA made 143 grants totaling \$2.9 million to community development organizations dedicated to the provision of services; financial education programs, affordable housing, and/or economic development programs targeted to low- and moderate-income individuals and families in the AA.

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

	<b>Benefits AA</b>	<b>Outside AA</b>	<b>Totals</b>
<b>Originated Investments</b>	199,913	28,983	228,896
<b>Originated Grants</b>	2,920	1,109	4,029
<b>Prior-Period Investments that Remain Outstanding</b>	0	63,921	63,921
<b>Total Qualified Investments</b>	202,833	94,013	296,846
<b>Unfunded Commitments*</b>	76	733	809

\* “Unfunded Commitments” means legally binding investment commitments that are tracked and recorded by the bank’s financial reporting system.

**Table 4a: Qualified Investment Percentages**

	<b>Benefits AA (%)</b>	<b>Outside AA (%)</b>	<b>Total (%)</b>
<b>Total Investments/Average Tier 1 Capital</b>	14.23	6.60	20.83
<b>Total Investments/Average Total Income</b>	13.87	6.43	20.30
<b>Total Investments/Average Pass-Through Receivables</b>	-	-	-

## Community Development Lending

TDUSA provided a high-level of qualified community development loans. During the evaluation period, the bank extended 24 loans totaling \$75.7 million benefiting the AA and an additional 23 loans totaling \$84.1 million outside of their AA. The bank’s community development lending activities during the evaluation period assisted in providing a total of 1,533 units of affordable housing for low- and moderate-income individuals; 578 units within their AA and 955 units outside the AA.

Examples of community development loans include:

- A \$7.5 million participation for financing a working capital line of credit to a leading Pennsylvania Managed Care Organization (MCO) nonprofit in Philadelphia, PA, within the AA. The organization arranges for the delivery of capitated and fee-for-service healthcare to its members who are Medicaid eligible. In addition, the non-profit supports low-income communities within Philadelphia and surrounding counties through education programs, scholarships, and emergency assistance.
- A \$3.5 million construction loan to revitalize an existing former furniture factory, a city landmark, into a mixed-use commercial and residential space that will provide 43 units of affordable housing and assist in the revitalization of the area in Pottstown, PA, within the Philadelphia AA.
- Participation totaling \$20 million in two bond purchases to act as a line of credit to a housing finance agency in Burlington, VT, outside of their AA. The agency is funded primarily through the issuance of tax-exempt bond finances and promotes affordable housing opportunities for low- and moderate-income individuals living in Vermont, through their activities in single family homeownership programs, rental housing programs, and federal and state Housing Tax Credit programs.

**Table 5a: Community Development Lending Percentages**

	<b>Benefits AA (%)</b>	<b>Outside AA (%)</b>	<b>Total (%)</b>
<b>Total CD Lending/Average Tier 1 Capital</b>	5.31	5.90	11.21
<b>Total CD Lending/Average Total Income</b>	5.18	5.75	10.93
<b>Total CD Lending/ Average Pass-Through Receivables</b>	-	-	-

## Community Development Services

TDUSA provided a high level of participation in community development services. TDUSA had 10 direct employees as of December 31, 2016. Bank officers engage in roles in organizations promoting community development by serving on the Boards and Advisory Councils of organizations. These organizations fulfill the needs of low- to moderate-income individuals, such as affordable housing, financial and homebuyer education programs, financial empowerment, 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 on an Advisory Council of an organization that implements Rapid Re-housing Federal guidelines to assist families experiencing homelessness quickly move out of shelters and into homes of their own in the AA.
- Bank officers serve as Board and Advisory Council members of multiple organizations that focus on participation programs for and advocating in support of affordable housing opportunities in and outside of the AA.
- A bank officer serves as a Board member of an organization that helps community residents transform distressed neighborhoods into healthy and sustainable communities of choice and opportunity outside of the AA in the greater regional area.