

Charles Schwab Bank

CRA STRATEGIC PLAN
October 1, 2009

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BACKGROUND

Charles Schwab Bank (“Schwab Bank” or “Bank”) is a federally chartered thrift headquartered in Reno, Nevada. The Bank opened its doors in April 2003, and is a wholly owned subsidiary of Charles Schwab Corporation (“CSC”), a thrift holding company based in San Francisco, California. CSC, through its principal subsidiary Charles Schwab & Co. (“CS&Co.”), is primarily engaged in securities brokerage.

Schwab Bank has a unique business model that differs significantly from other more traditional bank models. The Bank’s products and services are marketed primarily to customers of the Bank’s affiliated companies in order to complement the range of financial services and products offered by CS&Co. As these clients are primarily individuals, the Bank’s product line is focused on consumer retail banking products. The other unique features of the Bank’s business model include:

- Limited retail presence in Reno, Nevada and San Francisco, California;
- Extensive use of internet delivery channel for product marketing and client service;
- Limited product set focused exclusively on individual consumers; and
- Limited array of consumer credit products with strong mortgage orientation.

SCHWAB BANK’S CRA STRATEGIC PLAN GOAL, IMPLEMENTATION, EFFECTIVE DATE AND TERM

Strategic Plan Goal

Given the Bank’s business model described above, Schwab Bank elects to utilize the alternative method of assessing the Bank’s Community Reinvestment Act (“CRA” or “Act”) performance record, which is the development of a CRA Strategic Plan (“Plan”) (12 CFR 563e.27). The submission of a strategic plan allows the Bank to more effectively meet its CRA obligations by better leveraging the strengths of its business model. The Plan will cover the Bank’s two assessment areas: the Reno-Sparks Assessment Area and the San Francisco Bay Area Assessment Area.

Implementation

The Bank’s CRA Committee is charged with the responsibility of administering the Bank’s CRA program. The Bank’s CRA and Management Committees ensure that adequate resources are dedicated to the CRA Program in order to implement the Bank’s Strategic Plan.

The Bank has appointed a senior officer as the Bank’s CRA Officer, whose primary role is community outreach, focused on identifying CRA related lending, investment and service opportunities. The diverse backgrounds of other CRA Committee members help ensure that the CRA Strategic Plan is effectively administered.

Effective Date and Term

The term of this Plan is three years, covering the period October 1, 2009 through September 30, 2012. If there are material changes in the Bank’s product mix,

geography, or volume projections that would have an impact on the goals enumerated in this Strategic Plan document, the Bank will amend the Plan.

PUBLIC PARTICIPATION AND SUBMISSION PROCESS

In accordance with CRA regulations, a bank seeking approval of a CRA strategic plan is to perform a number of tasks associated with the submission process. In addition to seeking review by the CRA and Management Committees, the Plan received approval by the Bank's Board of Directors prior to informally and formally soliciting public comment. Specifically, the pertinent part of § 563e.27 of The Office of Thrift Supervision's ("OTS") regulations provides:

“. . . (d) Public participation in plan development. Before submitting a plan to the OTS for approval, a bank shall:

(1) Informally seek suggestions from members of the public in its assessment area(s) covered by the plan while developing the plan;

(2) Once the bank has developed a plan, formally solicit public comment on the plan for at least 30 days by publishing notice in at least one newspaper of general circulation in each assessment area covered by the plan; and

(3) During the period of formal public comment, make copies of the plan available for review by the public at no cost at all offices of the bank in any assessment area covered by the plan and provide copies of the plan upon request for a reasonable fee to cover copying and mailing, if applicable.

(e) Submission of plan. The bank shall submit its plan to the OTS at least three months prior to the proposed effective date of the plan. The bank shall also submit with its plan a description of its informal efforts to seek suggestions from members of the public, any written public comment received, and, if the plan was revised in light of the comment received, the initial plan as released for public comment.”

The primary goal of the Bank's Strategic Plan is to be responsive to the credit and community development needs of the communities it serves. The Bank is fully committed to complying with the requirements of the CRA and recognizes its obligation to help meet the credit and community development needs within its designated CRA Assessment Areas.

SCHWAB BANK'S OPERATIONS

Financial Information

As of September 30, 2009, the Bank's Thrift Financial Report (TFR) Consolidated Statement of Condition reported total assets of \$38.2 billion, total liabilities of \$36.0 billion, and total equity capital of \$2.2 billion. The Bank's assets were comprised of \$16.6 billion in cash, deposits and investment securities, \$13.8 billion in mortgage backed securities, \$7.3 billion in loans, \$1.8 million in repossessed assets, and \$353.9 million in other assets. The Bank's funding was provided primarily by deposits, including \$14.0 billion in consumer deposits with the Bank and \$21.8 billion in sweep deposits from the Bank's affiliated broker-dealer. The Bank's tier one capital of \$2.5 billion represents 17.28 percent of the Bank's risk-weighted assets.

CURRENT PRODUCTS AND SERVICES

The Bank does not have a large network of “brick and mortar” branches. The Bank services the vast majority of its customers by alternative delivery systems including the telephone, mail, a transactional internet website, and other electronic means such as ATMs.

The Bank offers a full range of deposit products, including interest-bearing checking accounts, statement savings accounts, certificates of deposit, and money market deposit accounts. The Bank also offers retail loan products to consumers, including overdraft lines of credit, home equity lines of credit, residential mortgage loans for home purchase and refinance, and stock-secured personal loans. The Bank's products and services are widely available and publicly marketed.

CRA ASSESSMENT AREAS

The Community Reinvestment Act was enacted in 1977. The Office of Thrift Supervision enacted regulations implementing the Act for federal savings associations at 12 CFR 563e, et seq. §563.41, which requires that savings associations delineate one or more assessment areas in which the OTS shall evaluate the institution's record of helping to meet community credit needs. A delineated assessment area is to consist generally of one or more Metropolitan Statistical Areas (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 addition, the assessment area is required to include the geographies in which the bank has its main office, its branches, and its deposit-taking ATMs, as well as the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans (including home mortgage loans, small business and small farm loans, and any other loans the bank chooses, such as those consumer loans on which the bank elects to have its performance assessed).

In accordance with 12 CFR 563e, Schwab Bank has two assessment areas. First is the **Reno-Sparks, NV Metropolitan Statistical Area (39900)**, as defined by the federal Office of Management and Budget, which is delineated as Schwab Bank's assessment area under the Community Reinvestment Act. Schwab Bank maintains its main office in this MSA.

The Bank's second assessment area is the San Francisco Bay Area which includes the **San Francisco-Oakland-Fremont, CA Metropolitan Statistical Area (41860)** and the **San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (41940)**, both as defined by the federal Office of Management and Budget.

Reno-Sparks Assessment Area

Bank Presence. The Bank's main office, two onsite deposit-taking ATMs, two remote cash dispensing ATMs and one brokerage/bank branch office are currently located within the Reno-Sparks MSA. (A map and list of census tracts for the assessment area are contained in Appendix A of this Strategic Plan.) Schwab Bank has carried out a robust and comprehensive community development program in the Reno-Sparks MSA since 2003. The Bank's experience in the community, confirmed by field research including conversations with key players in the community development field in the Reno-Sparks MSA, shows that the area has limited ability to absorb the amount of CRA-related lending and investment activities of an institution the size of Schwab Bank.

Geography and Demographics. The Reno-Sparks MSA is comprised of Washoe and Storey counties. Geographically, Washoe is the seventh largest county, and Storey is the second smallest county in Nevada. Storey is located southeast of Washoe and has limited opportunities for community development activities as much of its land area is either controlled by the Bureau of Land Management or is designated with historical landmark status. Northern Nevada has benefited from the migration of businesses and population from Northern California, especially the San Francisco Bay Area. The Reno-Sparks MSA had a population of 422 thousand in 2007, according to the Nevada State Demographer's Office,¹ which represents a 16 percent increase since 2002. The 2009 HUD median area income for the area is \$70,400² and the 2008 average wage was \$38,980.³ According to a report released by the Nevada Department of Employment, Training and Rehabilitation, ("DETR") the rate of unemployment for the area as of March 2009 was 11.2 percent.⁴

Community Outreach. Schwab Bank maintains strong ties with the Reno-Sparks business and economic development community. Both the CRA Officer and the Community Development Manager work closely with community leaders in the Reno-Sparks MSA by holding board seats on community organizations, participating in committees addressing credit needs and housing issues, and participating with various business leaders in addressing the banking and credit needs of the community.

Support for affordable housing has been recognized as the most urgent community development need in the area by housing professionals, local and state government, the business community, and non-profit organizations. Schwab Bank is committed to helping create an environment in which more lower-income people can become homeowners.

SAN FRANCISCO BAY AREA ASSESSMENT AREA (SAN FRANCISCO-OAKLAND-FREMONT MSA AND SAN JOSE-SUNNYVALE-SANTA CLARA MSA)

Bank Presence. As of June 2009, Charles Schwab Bank has opened six branch offices within the San Francisco-Oakland-Fremont MSA: five in CS&Co brokerage offices and one in a CSC facility accessible to employees only. The new branch presence has added the ability for the general public to make deposits directly into their Schwab Bank accounts at the Corte Madera, San Mateo, West Portal, and two San Francisco brokerage/bank branch offices. These branches, along with the extensive technology infrastructure in the area, and the higher incidence of computer usage indicate there should be few barriers to accessing the Bank's products and services in the Bay Area Assessment Area. The ATM network in the assessment area is extensive, and the Bank's unlimited reimbursement of third party ATM fees will likely attract clients to its alternative business model. Given this assessment area's population, extremely large number of nonprofit organizations, and enhanced small business environment, there are substantial opportunities for community development lending, qualified investments and services in these MSAs. These characteristics will allow the Bank to create a responsive and active community development program in this assessment area.

Geography and Demographics. The San Francisco-Oakland-Fremont MSA consists of two Metropolitan Divisions: the Oakland-Fremont-Hayward MD (Oakland MD), which

¹ Office of the State Demographer, "Nevada County Population Estimates July 1, 1986 to July 1, 2008 Includes Cities and Towns"

² U.S. Department of Housing and Urban Development, HUD User Data Sets-FY2009 Income Limits

³ U.S. Bureau of Labor Statistics. Western Information Office, "Highlights of Reno-Sparks, NV National Compensation Survey February 2008"

⁴ Nevada Department of Employment, Training and Rehabilitation, Report from the Office of the Director.

includes Contra Costa and Alameda Counties, and the San Francisco-San Mateo-Redwood City MD (San Francisco MD), which includes Marin, San Francisco and San Mateo Counties. (A map and list of census tracts for the assessment area are contained in Appendix A of this Strategic Plan.)

The median family income for the Oakland MD for 2009 is \$89,300 and \$96,800 for the San Francisco MD.⁵ The 2008 population of the Oakland MD was 2.5 million, and the San Francisco MD was 1.7 million.⁶ According to the California Employment Development Department (EDD), unemployment for the Oakland MD at the end of March 2009 had risen to 10.2 percent.⁷ Unemployment for the San Francisco MD was 8.5 percent at the end of March 2009.⁸ The San Francisco-Oakland-Fremont MSA has a well-developed infrastructure that has capacity to absorb additional CRA-related activities. The area also demonstrates the need for community development loans and investments.

The San Jose-Sunnyvale-Santa Clara MSA is comprised of Santa Clara County and San Benito County. (A map and list of census tracts for the assessment area are contained in Appendix A of this Strategic Plan.) Santa Clara County, one of California's original counties, has a population of 1.7 million and is the fourth most populous county in the state and is the largest county within the Bay Area in land area.⁹ San Jose (population 929,936) is the county seat and the largest city (by population) in the Bay Area;¹⁰ San Benito County has a population of 55 thousand.¹¹ The HUD 2009 updated median family income for the MSA is \$102,500.¹² Data released in April 2009 by the California Employment Development Department (EDD) notes, "the unemployment rate in the San Jose-Sunnyvale-Santa Clara MSA was 11.0 percent at the end of March 2009,¹³ up from a revised 10.2 percent in February 2009, and above the year-ago estimate of 5.3 percent. This compares with an unadjusted unemployment rate of 11.5 percent for California and 9.0 percent for the nation during the same period.¹⁴ The unemployment rate was 16.2 percent in San Benito County, and 10.8 percent in Santa Clara County.¹⁵ Also known as "Silicon Valley," Santa Clara County is a major employment center for the region, providing more than a quarter of all jobs in the entire San Francisco Bay Area.¹⁶ The term "Silicon Valley" originally referred to the region's large number of silicon chip innovators and manufacturers, but eventually came to refer to all the high-tech businesses in the area; it is now generally used as a metonym for the high-tech sector. Despite the development of other high-tech economic centers throughout the United States, Silicon Valley continues to be the leading high-tech hub because of its large number of engineers and venture capitalists.

Community Outreach. With respect to the new assessment area, Schwab Bank initiated conversations with a variety of Bay Area nonprofits, affordable housing developers, community leaders, other community development agencies and government officials in 2007 and 2008. The Bank has developed relationships with a number of these

⁵ U.S. Department of Housing and Urban Development , HUD User Data Sets-FY2009 Income Limits

⁶ U.S. Census Bureau, 2000-2007 American Community Survey

⁷ State of California Employment Development Department, Labor Market Information Division. Oakland-Fremont-Hayward Metropolitan Division (MD)

⁸ State of California Employment Development Department, Labor Market Information Division. San Francisco-San Mateo-Redwood City Metropolitan Division (MD)

⁹ Santa Clara County Planning Office, "County Profile."

¹⁰ City of San Jose, "City Facts."

¹¹ U.S. Census Bureau, "State & County Quick Facts."

¹² U.S. Department of Housing and Urban Development , HUD User Data Sets-FY2009 Income Limits

¹³ State of California, Employment Development Department-Labor Market Information Division. "San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA)."

¹⁴ *ibid*

¹⁵ *ibid*

¹⁶ Santa Clara County profile, *supra*

organizations and will be able to both contribute to and partner with them to meet common community and economic development goals. Moreover, CSC, CS&Co, the Charles Schwab Foundation and the Charles and Helen Schwab Foundation have a major presence in this geography. Their many years of outreach, employee volunteerism and interactions with nonprofit and community based organizations will provide a foundation for the Bank to forge strategic alliances in the new assessment area.

INFORMAL SOLICITATION OF PUBLIC COMMENT ON THE CRA STRATEGIC PLAN

Pursuant to the CRA requirement that a bank informally seek suggestions from the public while developing the Strategic Plan, staff members interviewed leaders in the areas of affordable housing, community development, small business lending, CRA advocacy and community services, as well as individuals from public agencies. These conversations, along with other independent research, form the basis of the identification of the credit needs in the assessment areas, as well as the goals set forth in the remainder of the plan.

DETERMINING THE CREDIT NEEDS IN THE RENO-SPARKS MSA

According to the Office of Federal Housing Enterprise Oversight (OFHEO), home prices in the Reno-Sparks MSA rose 33 percent in the five years leading up to Q32008, but decreased 16 percent year-over-year ending in the same quarter.¹⁷ The sharp buildup in housing prices was evident in 2005, when OFHEO showed that home prices in the MSA had doubled over the previous five years, and the decline began with an 8 percent drop in 2007.¹⁸ According to the National Association of Realtors (NAR), the median price for a single family home was \$321 thousand at the end of 2007, and sunk to \$259 thousand by the fourth quarter of 2008 (19 percent decline).¹⁹ The difference in the magnitude of the decrease reported by the two groups may be due to the fact that OFHEO only captures data for mortgages purchased by Fannie Mae or Freddie Mac and that NAR reports on one additional quarter. The housing boom at the start of the decade also impacted the rental market, as many apartments have been converted to condominiums with steep homeowner association dues. Moderate- and middle-income residents are filling the remaining apartments. According to the National Low Income Housing Coalition, the fair market rate for a two-bedroom apartment rented for \$967 per month as of the first quarter of 2009 (latest figures available).²⁰ This fair market rent represents a 35.6 percent increase over the period 2000-2009.

The total number of LMI mortgages originated in the Reno-Sparks MSA was approximately 17 percent of total originations in 2007 and 2005, with a dip in 2006 to 14 percent.²¹ Likewise, total dollar amount of LMI mortgages originated in the Reno-Sparks MSA was about 10 percent in 2007 and 2005, with a dip to 8 percent in 2006. During those years, the total number of mortgages originated in the MSA declined from 33.4 thousand in 2005, to 25.4 thousand in 2006, to 16 thousand in 2007.²² Although 2008 aggregate housing data is not currently available, we anticipate further erosion in the number of loan originations to LMI borrowers within the assessment area.

¹⁷ Office of Federal Housing Enterprise Oversight, October Monthly House Price Index - 12/23/2008

¹⁸ Office of Federal Housing Enterprise Oversight, 4Q2005 House Price Index

¹⁹ National Association of Realtors Single Family 4th Quarter 2008 Report
<http://www.realtor.org/research/research/metroprice>

²⁰ From "Congressional District Profiles, April 2009, National Low Income Housing Coalition. "

²¹ Public Home Mortgage Disclosure Act data, 2007 (<http://www.ffiec.gov/hmda/default.htm>)

²² *ibid*

Furthermore, LMI mortgage refinancings have accounted for around half of all LMI mortgage originations over the past three years.²³ With the continued rise of unemployment in the Reno-Sparks MSA, plus a lower number of housing starts and mortgage loan applications, it is likely that there will be a reversion to pre-2003 trends, when refinancings accounted for less than 30 percent of total mortgage originations. This reversion, coupled with the fact that the LMI purchase housing supply is not slated to rise, points to a continued reduction in the overall LMI mortgage originations in the foreseeable future.

Although Reno only has two low-income census tracts, the combination of the current economic situation, lower-wage employment and the paucity of affordable housing development makes affordable housing a major challenge in the entire area, including the low- and moderate-income census tracts. There are several moderate-income tracts with homes evidencing deferred maintenance that would support development. However, historically, high prices for land and existing structures have been a major problem in urban areas. It remains to be seen whether the drop in land and housing prices alone will result in development of an increased number of affordable units. One factor which aggravated the development of affordable units was the water shortage. Water rights are a type of property in Nevada and can be bought and sold on the open market. Supply and demand plays a big role in their value. Until recently, the cost of water rights was about five times the price as they were in 2005. However, an interview with the Truckee Meadows Water Authority has revealed that the cost of water rights has dropped in direct response to the low number of housing starts and decreased development activity in the Reno-Sparks area. The problem of a low supply of affordable housing units is further compounded by the fact that there are a limited number of affordable housing developers in Northern Nevada. The low population in the area limits the amount of Low Income Housing Tax Credits (LIHTCs) that are allocated. On average, only one or two tax credit projects are developed in the state of Nevada each year. Historically, affordable housing in rural areas of Nevada was primarily manufactured homes. Fannie Mae's withdrawal of certain products from the manufactured housing secondary market has severely limited development of manufactured housing in the assessment area.

Of the four industries for which job growth numbers were tracked by DETR (Leisure and Hospitality; Trade, Transportation and Utilities; Professional and Business Services; and Construction), the Reno-Sparks MSA experienced negative job growth in three out of the four sectors. As an example, in 2008, construction job growth in Washoe County was -20.5 percent and in Storey County -68.6 percent. According to the Economic Analysis Bureau of DETR, construction job levels continue to recede as well. In 2006, construction payrolls increased by 8,200. In 2007, 9,300 building-related jobs were lost. Construction positions fell another 16,400 in 2008, according to the Chief Economist, Bill Anderson. Trends over the past few months suggest that job readings have fallen more than 20,000 below a year ago. Specifically, March brought with it a decline of 21,100 from the prior year. This represents 31.3 percent of jobs lost across all industries. , Anderson went on to note, "much has been made of the severity of the current recession relative to previous downturns in Nevada." He further noted that, "while it is extremely difficult to make broad generalizations given structural changes in the economy over time, we must go back to the early-1980s to find unemployment rates as high as we are currently experiencing. As a result, a comparison between the current economic slump and the recession which rocked the State's economy more than 25 years ago appears to be a legitimate exercise. " These statistics bring an end to an historic era of economic growth in the State. Additionally, individual income remained virtually flat in 2008, and

²³ ibid

overall, income growth for jobs in all sectors has increased less than 10 percent since the 1990s.

Schwab Bank's business model has historically limited the number of mortgages that the Bank originates within its assessment area. Competitors with branch networks, greater brand recognition, on-the-ground loan officers and a wholesale lending presence tend to capture the majority of the real estate lending market in the Reno-Sparks MSA.

For the reasons enumerated above, and factoring in the number of jobs lost in the region, it is unlikely that the Bank will significantly increase its LMI mortgage lending in the short-term, regardless of any increased marketing efforts and partnerships with other affordable housing groups in the area.

Regarding non-residential lending, there are 17 insured financial institutions (86 branches); six credit unions, and four CDFIs in the MSA that provide a competitive financing environment. However, financing for small businesses, especially startups, is limited. There is only one CDFI that finances small businesses, and those that it finances are primarily in urban areas. Rural startups receive financing support from the USDA's Rural Development. Most of the business growth has been with large employers in the leisure, service, and construction sectors. Because Schwab Bank does not offer business lending products, it has used intermediaries to meet the lending needs of small businesses.

Although the assessment area has limited opportunities for community development lending, Charles Schwab Bank actively seeks opportunities to make investments in community development organizations that engage in lending. Interviews with leaders in the field indicate that the number of community development activities per year will result in only a small number of projects and therefore limited opportunities to lend. Moreover, many of the nonprofits in the Reno-Sparks assessment area are still at the level of development where they rely primarily on grants, not loans.

DETERMINING THE CREDIT NEEDS OF THE SAN FRANCISCO-OAKLAND-FREMONT AND THE SAN JOSE-SUNNYVALE-SANTA CLARA MSAS

The bank's CRA plan is designed to help meet the credit needs of its assessment area through lending activities, qualified investments, and community development services. The plan itself seeks to identify and maximize the bank's opportunities to partner or otherwise collaborate with appropriate organizations and entities for the purpose of enhancing local community and economic development capacity. The primary goal of the plan will be achievement of the plan commitment contained herein. However, the overarching intent of the bank's CRA program is helping to make a positive difference in the bank's Assessment Areas. As the bank assesses the opportunities and potential community partners in the Bay Assessment Area, it notes the presence of a large number of nonprofits, government agencies, and other organizations actively promoting or directly providing financial services, financial and consumer literacy training, affordable housing, first-time homebuyer counseling, small business development (provision of technical assistance and financing), and community services to low- and moderate-income communities in the Bay Area. Indeed, there are 81 CDFIs in California, and 14 of these operate in the Bay Area assessment area.

The San Francisco and San Jose MSAs have historically been one of the least affordable housing markets in the entire country. According to the Council for Community Economic Research (formerly ACCRA) which produces a widely used Cost

of Living Index, there is only one state with a higher cost of living than California.²⁴ According to the findings of a survey conducted by the San Francisco Bay Area Office of the Local Initiatives Support Corporation (LISC), “the Bay Area’s affordable housing shortage is well known to all, and despite the region’s general affluence, poverty and disinvestment still plague too many of our neighborhoods and families.”²⁵ The LISC survey findings and conclusions go on to report that, “over the course of the last 30 years, more than 60,000 units have been built by nonprofit producers across the Bay Area in almost every community. Even more impressive, nationally the Bay Area accounts for about five percent of all nonprofit units developed annually and about eight percent of all nonprofit housing ever produced in the United States.”²⁶ Moreover, many local governments within the San Francisco MSA, including the City of San Francisco, have enacted policies regarding inclusionary zoning and workforce housing, which enable more low- to moderate-income families to be able to afford homeownership. In fact, California has statewide legislation that applies to all redevelopment areas. Private developers are required to have a 15 percent set-aside and public agencies must have a 30 percent set-aside for LMI residents. Of those units set aside for affordable housing, six percent of the units must serve very low-income households, three percent must serve low-income households, and six percent must serve moderate income households. A number of Community Development Corporations (CDCs) operate in this assessment area, many focusing on affordable housing development or rehabilitation. A number of these CDCs and other development and financial intermediaries are working through Neighborhood Stabilization Programs and other initiatives established by the current administration’s economic recovery legislation. These and other programs present numerous opportunities for the bank in the area of community development in both the San Francisco and San Jose MSAs.

The mature network of community development agencies, redevelopment agencies, nonprofit financial intermediaries, community development corporations and community advocates will provide Schwab Bank a vehicle through which to distribute additional community development dollars corresponding to both the community’s credit needs and Schwab Bank’s means.

CRA PERFORMANCE GOALS AND MEASUREMENT STANDARDS

Under a Strategic Plan, CRA regulations require the Bank to specify measurable goals for helping to meet the credit needs of the assessment area or areas covered by the Plan, including the needs of low- and moderate-income geographies and low- and moderate-income individuals, through lending, investment, and services, as appropriate.

The goals stated in this Strategic Plan have been informally discussed with the public during the development of this Plan. Subsequent to these informal discussions, the Bank solicited formal public comment on the Plan and its goals, as is required by the OTS’s CRA regulation.

If there are material changes in the Bank’s product mix, geography, or volume projections that would have an impact on the community development goals articulated in the Plan, then the Bank will initiate the process to formally amend the Plan.

The regulation also states that generally a bank shall address in its plan all three performance categories and, unless the bank has been designated as a wholesale or

²⁴ Council for Community Economic Research (formerly ACCRA) Cost of Living Index.

²⁵ [Investing Where It Matters: A Survey Of Community Development In The San Francisco Bay Area](#), San Francisco LISC

²⁶ Ibid

limited purpose bank, shall emphasize lending and lending-related activities. However, the regulation allows the bank to provide a different emphasis, including a focus on one or more performance categories, if it is responsive to the characteristics and credit needs of its assessment area(s), considering public comment and the bank's capacity, constraints, product offerings, and business strategy.

This plan commences on October 1, 2009 and expires September 30, 2012. For the term of this Plan, Schwab Bank has established measurable performance goals for, community development lending, community development investments, and community development services. The Bank is striving for an overall "Satisfactory" rating by achieving specific performance in each of these areas. In defining the levels of performance deemed necessary to attain a Satisfactory rating, the Bank has endeavored to carefully consider the identified community development needs of its assessment areas, within the specific framework of the Bank's own unique character and available resources.

Under the Office of Thrift Supervision's 12 CFR 563e, "community development" is defined as:

- 1) Affordable housing (including multifamily rental 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 that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
- 4) Activities that revitalize or stabilize—
 - a) Low-or moderate-income geographies;
 - b) Designated disaster areas; or
 - c) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and OTS, based on—
 - i) Rates of poverty, unemployment, and population loss; or
 - ii) Population size, density, and dispersion. Activities revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

CHARLES SCHWAB BANK CRA GOALS FOR LENDING, INVESTING, AND SERVICES WITHIN ITS CRA ASSESSMENT AREAS.

1. **Lending and Lending Related Activities.** Charles Schwab Bank will make LMI mortgage and community development loans and fund lending related activities (see definitions below) in both assessment areas. For the Plan period, the annual goal for lending and lending related activities is \$20 million in year one and \$35 million respectively in years two and three for a total of \$90 million over the three year plan period.

- Specifically, with regard to LMI mortgage lending, the bank commits that during the plan period, the number of our HMDA reportable mortgage loans (originated and purchased), each year will be at least 125 percent of the running three year average of loans to persons with low- or moderate-income as a percentage of reportable loans (originated) made by all HMDA reporters in each of our Assessment Areas for each of the three whole HMDA reporting years contained within the Plan period.²⁷

For example, if in one of our Assessment Areas, the average aggregate HMDA reportable originations for all lenders for the past three reporting years indicated that LMI mortgages represented 12% of the total number of loans originated within that Assessment Area; Schwab Bank's goal for the Assessment Area would be to have LMI mortgages make up 15% of the total number of loans that we originate or purchase in that Assessment Area.

- Investments.** Charles Schwab Bank will make qualified community development investments. For the Plan period, the annual goal for community development investments is \$30 million for a three year plan total of \$90 million.
- Services.** Charles Schwab Bank will continue to be actively engaged in community development service by serving on boards of nonprofits and providing financial services and other programs to the low- and moderate-income community. The Bank puts a special emphasis on affordable housing, but also supports efforts toward financial literacy and other services that support low- and moderate-income individuals. Bank staff and officers will serve on at least ten boards, task forces, or committees whose primary goal is community development in the Reno-Sparks assessment area and/or San Francisco Bay Area assessment area. The Bank will also continue to spearhead and support community development events on an ad-hoc basis.

CRA Strategic Plan Lending and Investing Goals for Plan Period							
By Year and Assessment Area							
Plan Year	Reno-Sparks, NV		San Francisco Bay Area		Total		Community Development Services
	Community Development Lending	Community Development Investments	Community Development Lending	Community Development Investments	Community Development Lending	Community Development Investments	
Year 1	\$5,000,000	\$6,000,000	\$15,000,000	\$24,000,000	\$20,000,000	\$30,000,000	Serve on no fewer than 10 boards, task forces, and committees in both Assessment Areas combined.
Year 2	\$9,000,000	\$6,000,000	\$26,000,000	\$24,000,000	\$35,000,000	\$30,000,000	
Year 3	\$9,000,000	\$6,000,000	\$26,000,000	\$24,000,000	\$35,000,000	\$30,000,000	

+The annual and three year plan goal for Community Development Services is the same, that is, we will maintain annually our service commitment.

**Information regarding its LMI mortgage production goals will be published annually on the Community Development section of the Bank's website. That information may also be obtained by contacting the Bank's CRA Officer at (415) 667-0138.

²⁷ The HMDA reportable LMI mortgage lending goal will be measured against the complete HMDA reporting years contained within the plan, 2009, 2010 and 2011. Targets for lending will be set annually, in December, for the subsequent HMDA reporting year based upon public HMDA data released by the Federal Reserve

PERFORMANCE GOALS AND MEASUREMENT STANDARDS TO ACHIEVE AN “OUTSTANDING” RATING

The Bank will achieve a rating of “Outstanding” on all goals if it performs more than 15 percent above the community development lending and investment goals stated in items 1 and 2 in the section preceding this paragraph.

ELECTION OF ALTERNATIVE CRA ASSESSMENT METHOD

Charles Schwab Bank’s Board of Directors and management are committed to the goals set forth in this Plan. Pursuant to § 563e.27(f)(4), if through unforeseen circumstances, Schwab Bank is unable to meet substantially all of the goals enumerated in this Plan to achieve a “Satisfactory” rating, the Bank’s CRA performance should be assessed under the performance standards for large institutions, i.e., the Lending, Investment and Services Tests set forth in § 563e.21-24 of the OTS regulations.

DEFINITIONS

Community Development Loans exclude home mortgage, small business or small farm, or consumer loans, and include loans that support one or more of the following Community Development activities:

- (1) Has as its primary purpose community development as defined by 12 CFR 563e; and
- (2) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan; and
- (3) Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

LMI mortgage loans consist of purchased or originated mortgages serving borrowers who earn less than 80 percent of the area median income, per guidelines of the U.S. Department of Housing and Urban Development, published each year; or those purchased or originated in LMI geographies as identified by the Office of Management and Budget (OMB).

Community Development Investment or qualified investment means a lawful investment, deposit, membership share, or grant that has as its primary purpose community development as detailed by the OTS’s “Community Development Investment Authority - A Guide to the Federal Laws and Regulations Governing Community Development Activities of Savings Associations, December 1998.”

Community Development Service means a service that:

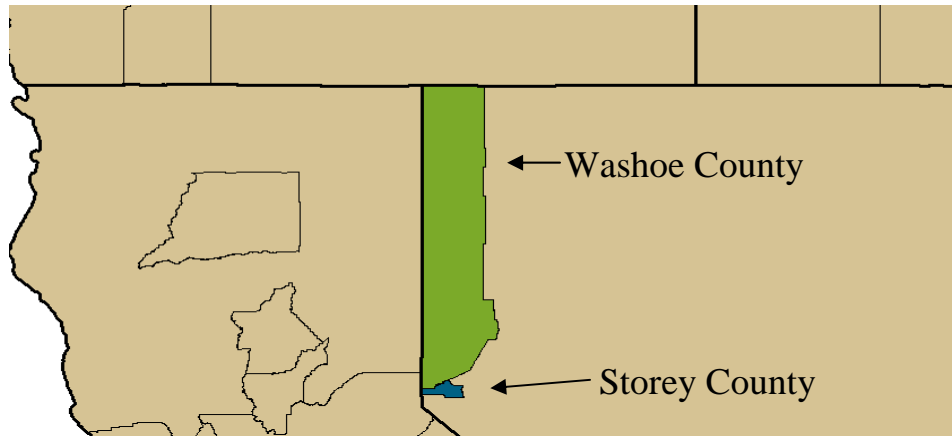
- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and

- (3) Has not been considered in the evaluation of the bank's retail banking services.

Lending Related Activities means efforts which facilitate or result in community development lending, mortgage lending to LMI borrowers or within LMI geographies, small business lending and small farm lending, including but not limited to qualified investments for such purposes.

APPENDIX A: MAPS AND CENSUS TRACTS FOR DESIGNATED CRA ASSESSMENT AREAS

Reno Assessment Area



Census Tracts:

State: NEVADA
Metropolitan Statistical Area: Reno-Sparks

County: Storey

Census Tracts:

9401 9701

County: Washoe

Census Tracts:

1	10.04	11.05	19.01	22.02	24.06	26.09	30	32.02	35.05
2	10.05	12	19.02	22.03	25	27.01	31.01	33.02	35.06
3	10.06	13	21.01	22.04	26.03	27.02	31.05	33.04	35.07
4	10.07	14	21.03	22.05	26.04	28.01	31.06	35.01	9401
7	11.01	15	21.04	23	26.05	28.02	31.07	35.02	
9	11.03	17	21.05	24.01	26.06	29.01	31.08	35.03	
10.03	11.04	18	21.06	24.02	26.07	29.02	32.01	35.04	

San Francisco Bay Area Assessment Area



Census Tracts:

State: CALIFORNIA									
Metropolitan Division: San Francisco - San Mateo - Redwood City									

County: Marin

Census Tracts:

1011	1041.01	1060.01	1090	1122	1160	1192	1230	1262	1302
1012	1041.02	1060.02	1101	1130	1170	1200	1241	1270	1310
1021	1042	1070	1102	1141	1181	1211	1242	1281	1321
1022.01	1043	1081	1110	1142	1182	1212	1250	1282	1322
1031	1050	1082	1121	1150	1191	1220	1261	1290	1330
1032									

County: San Francisco

Census Tracts:

101	120	153	171	211	230.01	258	302.02	330	477.02
102	121	154	176.01	212	230.02	259	303.01	331	478
103	122	155	176.02	213	230.03	260.01	303.02	332.01	479.01
104	123	156	177	214	231.01	260.02	304	332.02	479.02
105	124	157	178	215	231.02	260.03	305	351	601
106	125	158	179.01	216	231.03	260.04	306	352.01	602
107	126	159	179.02	217	232	261	307	352.02	603
108	127	160	180	218	233	262	308	353	604
109	128	161	201	226	234	263.01	309	354	605.01
110	129	162	202	227.01	251	263.02	310	401	605.02
111	130	163	203	227.02	252	263.03	311	402	606
112	131	164	204	227.03	253	264.01	312	426	607
113	132	165	205	228.01	254.01	264.02	313	427	609
114	133	166	206	228.02	254.02	264.03	314	428	610
115	134	167	207	228.03	254.03	264.04	326	451	
117	135	168	208	229.01	255	301.01	327	452	
118	151	169	209	229.02	256	301.02	328	476	
119	152	170	210	229.03	257	302.01	329	477.01	

County: San Mateo

Census Tracts:

6001	6016.01	6029	6044	6060	6076	6086	6100	6111	6128
6002	6016.03	6030	6045	6061	6077.01	6087	6101	6112	6129
6003	6016.04	6031	6046	6062	6077.02	6088	6102.01	6113	6130
6004	6016.05	6032	6047	6063	6078	6089	6102.02	6114	6132
6005	6017	6033	6048	6064	6079	6090	6102.03	6115	6133
6006	6018	6034	6049	6065	6080.01	6091	6103.02	6116	6134
6007	6019	6035	6050	6066	6080.02	6092	6103.03	6117	6135.01
6008	6020	6036	6051	6067	6080.04	6093	6103.04	6118	6135.02
6009	6021	6037	6052	6068	6080.13	6094	6104	6119	6136
6010	6022	6038	6053	6069	6080.23	6095	6105	6120	6137
6011	6023	6039	6054	6070	6081	6096.01	6106.01	6121	6138
6012	6024	6040	6055	6071	6082	6096.02	6106.02	6122	
6013	6025	6041.01	6056	6072	6083	6096.03	6107	6124	
6014	6026	6041.02	6057	6073	6084	6097	6108	6125	
6015.01	6027	6042	6058	6074	6085.01	6098	6109	6126	
6015.02	6028	6043	6059	6075	6085.02	6099	6110	6127	

State: CALIFORNIA
Metropolitan Division: Oakland - Fremont - Hayward

County: Alameda

Census Tracts:

4001	4034	4064	4096	4228	4283.02	4337	4376	4416.01	4501
4002	4035	4065	4097	4229	4284	4338	4377	4416.02	4502
4003	4036	4066	4098	4230	4285	4339	4378	4417	4503
4004	4037	4067	4099	4231	4286	4340	4379	4418	4504
4005	4038	4068	4100	4232	4301	4351.01	4380	4419.01	4505
4006	4039	4069	4101	4233	4302	4351.02	4381	4419.21	4506.01
4007	4040	4070	4102	4234	4303	4352	4382.01	4419.22	4506.02
4008	4041	4071	4103	4235	4304	4353	4382.02	4419.23	4506.03
4009	4042	4072	4104	4236.01	4305	4354	4383	4420	4506.04
4010	4043	4073	4201	4236.02	4306	4355	4384	4421	4506.05
4011	4044	4074	4202	4237	4307	4356	4401	4422	4506.06
4012	4045.01	4075	4203	4238	4308	4357	4402	4423	4506.07
4013	4045.02	4076	4204	4239.01	4309	4358	4403.01	4424	4507.01
4014	4046	4077	4205	4239.02	4310	4359	4403.02	4425	4507.03
4015	4047	4078	4206	4240.01	4311	4360	4403.04	4426	4507.21
4016	4048	4079	4211	4240.02	4312	4361	4403.05	4427	4507.22
4017	4049	4080	4212	4251	4321	4362	4403.06	4428	4507.41
4018	4050	4081	4213	4261	4322	4363	4403.07	4429	4507.42
4019	4051	4082	4214	4262	4323	4364.01	4403.08	4430.01	4511.01
4020	4052	4083	4215	4271	4324	4364.02	4403.09	4430.02	4511.02
4021	4053	4084	4216	4272	4325	4365	4403.31	4431.01	4512.01
4022	4054	4085	4217	4273	4326	4366.01	4403.32	4431.02	4512.02
4023	4055	4086	4218	4274	4327	4366.02	4411	4431.03	4513
4024	4056	4087	4219	4275	4328	4367	4412	4432	4514.01
4025	4057	4088	4220	4276	4330	4368	4413.01	4433.01	4514.02
4026	4058	4089	4221	4277	4331.01	4369	4413.02	4433.02	4515.01
4027	4059	4090	4222	4278	4331.02	4370	4414.01	4441	4515.02
4028	4060	4091	4223	4279	4332	4371	4414.02	4442	4515.03
4029	4061	4092	4224	4280	4333	4372	4415.01	4443	4516.01
4030	4062.01	4093	4225	4281	4334	4373	4415.03	4444	4516.02
4031	4062.02	4094	4226	4282	4335	4374	4415.21	4445	4517.01
4032	4063	4095	4227	4283.01	4336	4375	4415.22	4446	4517.02
4033									

County: Contra Costa

Census Tracts:

3010	3080.02	3180	3310	3382.02	3451.08	3522.01	3570	3660.02	3810
3020.02	3090	3190	3320	3383.01	3451.09	3522.02	3580	3671	3820
3020.03	3100	3200.01	3331	3383.02	3451.1	3530.01	3591.01	3672	3830
3020.04	3110	3200.02	3332	3390	3452.01	3530.02	3591.02	3680	3840
3031	3120	3211.01	3340.01	3400.01	3452.02	3540.01	3592.02	3690.01	3851
3032	3131.01	3211.02	3340.03	3400.02	3461.01	3540.02	3592.03	3690.02	3852
3040	3131.02	3211.03	3340.04	3410	3461.02	3551.01	3592.04	3700	3860
3050	3131.03	3212	3340.05	3420	3462.01	3551.04	3601	3710	3870
3060.01	3132.01	3220	3350	3430.01	3462.02	3551.06	3602	3720	3880
3060.02	3132.02	3230	3361.01	3430.02	3470	3552	3610	3730	3891
3071.01	3141.02	3240	3361.02	3430.03	3480	3553.01	3620	3740	3892
3071.02	3141.03	3250	3362	3440	3490	3553.02	3630	3750	3901
3072.01	3141.04	3260	3371	3451.01	3500	3553.03	3640.01	3760	3902
3072.02	3142	3270	3372	3451.02	3511	3553.04	3640.02	3770	3910
3072.04	3150	3280	3373	3451.03	3512	3553.05	3650.01	3780	3920
3072.05	3160	3290	3381	3451.05	3521.01	3560.01	3650.02	3790	
3080.01	3170	3300	3382.01	3451.07	3521.02	3560.02	3660.01	3800	

State: CALIFORNIA
Metropolitan Division: San Jose - Sunnyvale - Santa Clara

County: San Benito

Census Tracts:

1 2 3 4 5 6 7 8

County: Santa Clara

Census Tracts:

5001	5029.02	5033.13	5040.01	5046.01	5062.04	5076	5089	5108.03	5120.2
5002	5029.03	5033.15	5040.02	5046.02	5063.01	5077.01	5090	5109	5120.21
5003	5029.06	5033.17	5041.01	5047	5063.02	5077.02	5091.02	5110	5120.22
5004	5029.07	5033.19	5041.02	5048.02	5063.04	5077.03	5091.05	5111	5120.23
5005	5029.08	5033.2	5042.01	5048.03	5063.05	5078.05	5091.06	5112	5120.24
5006	5029.09	5033.21	5042.02	5048.05	5064.01	5078.06	5091.07	5113	5120.25
5008	5029.1	5033.22	5043.07	5048.06	5064.02	5078.07	5091.08	5114	5120.26
5009.01	5030.01	5033.23	5043.08	5049.01	5065.01	5078.08	5091.09	5115	5120.27
5009.02	5030.02	5033.24	5043.1	5050.01	5065.02	5079.03	5092.01	5116.04	5120.28
5010	5030.03	5033.25	5043.11	5050.05	5065.03	5079.04	5092.02	5116.05	5120.29
5011	5031.03	5033.26	5043.14	5050.06	5066.01	5079.05	5093.02	5116.06	5120.3
5012	5031.05	5033.27	5043.15	5050.07	5066.03	5079.06	5093.03	5116.07	5120.31
5013	5031.06	5033.28	5043.16	5051	5066.04	5080.01	5093.04	5117.01	5120.32
5014	5031.08	5034.01	5043.17	5052.02	5066.05	5080.02	5094.01	5117.02	5120.33
5015.01	5031.1	5034.02	5043.18	5052.03	5066.06	5081.01	5094.03	5117.03	5120.34
5015.02	5031.11	5035.04	5043.19	5053.01	5067.01	5081.02	5094.04	5118	5120.35
5016	5031.12	5035.06	5043.2	5053.02	5067.02	5082.02	5095	5119.01	5121
5017	5031.13	5035.07	5043.21	5053.03	5067.03	5082.03	5096	5119.05	5122
5018	5031.15	5035.08	5044.1	5053.04	5068.01	5082.04	5097	5119.07	5123.04
5019	5031.16	5035.09	5044.11	5053.05	5068.02	5083.01	5098.01	5119.09	5123.05
5020.01	5032.04	5035.1	5044.12	5054.01	5068.03	5083.03	5098.02	5119.1	5123.06
5020.02	5032.07	5035.11	5044.13	5054.02	5068.04	5083.04	5099.01	5119.11	5123.07
5021.01	5032.08	5036.01	5044.14	5054.03	5069	5084.01	5099.02	5119.12	5123.08
5021.02	5032.1	5036.02	5044.15	5055	5070.01	5084.03	5100.01	5119.13	5123.09
5022.01	5032.11	5037.02	5044.16	5056	5070.02	5084.04	5100.02	5119.14	5124.01
5022.02	5032.12	5037.03	5044.17	5057	5071	5085.03	5101	5120.01	5124.02
5023	5032.13	5037.06	5044.18	5058	5072.03	5085.04	5102	5120.02	5125.03
5024	5032.14	5037.07	5044.2	5059	5072.05	5085.05	5103	5120.05	5125.05
5025	5032.17	5037.08	5044.21	5060	5072.06	5085.06	5104	5120.14	5125.06
5026.01	5032.18	5037.09	5044.22	5061.01	5073.01	5086.01	5105	5120.15	5125.07
5026.02	5033.04	5038.02	5045.04	5061.02	5073.02	5086.02	5106	5120.16	5125.08
5027.01	5033.05	5038.03	5045.05	5061.03	5074.01	5087.03	5107	5120.17	5126.01
5027.02	5033.06	5038.04	5045.06	5062.02	5074.02	5087.04	5108.01	5120.18	5126.02
5028	5033.12	5039	5045.07	5062.03	5075	5088	5108.02	5120.19	5127
5029.01									

APPENDIX B: NOTICE OF PROPOSED COMMUNITY REINVESTMENT ACT STRATEGIC PLAN

Notice Regarding Public Inspection of Proposed CRA Strategic Plan

This public notice was published in the following newspapers of general circulation within the Bank's current and proposed assessment areas:

The Reno Gazette Journal: December 17, 2008

The San Francisco Chronicle: December 16, 2008

The Oakland Tribune: December 17, 2008

The San Jose Mercury: December 18, 2008

Charles Schwab Bank Community Reinvestment Act (CRA) Strategic Plan

The CRA regulations require a bank that has developed a Strategic Plan to publish notice of the plan and solicit formal written public comment for at least a 30-day period. In conformance with this requirement, Charles Schwab Bank (the "Bank") hereby provides notice to the public of its plan to submit a three (3) year CRA Strategic Plan to the Office of Thrift Supervision (OTS).

Written comments from the public concerning the Strategic Plan are encouraged. To obtain a copy of the Bank's Strategic Plan at no charge to the requesting party, individuals in Nevada may request a copy by mail or phone (by contacting Nancy Brown, Community Development Manager, 5190 Neil Road, Ste 300, Reno, NV 89502, 775-689-6830). Individuals in California may request a copy by mail or phone (by contacting Julia Brown, CRA Officer, 101 Montgomery St, 10-275, San Francisco, CA 94104, 415-636-2290).

All written comments regarding the plan should be directed to Julia T. Brown, CRA Officer at the address listed above or via e-mail: Julia.Brown@schwabbank.com. Comments and suggestions will be accepted until January 19, 2009, following which time the plan will be submitted for approval to the Office of Thrift Supervision (OTS). Schwab Bank will review all comments and incorporate suggestions to the plan at its discretion. Schwab Bank received a satisfactory evaluation from its last performance evaluation under the Large Bank test, as of April 3, 2006, copies of same are also available upon request.