

# **PUBLIC DISCLOSURE**

March 15, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First New Mexico Bank, Las Cruces  
Certificate Number: 58745

3000 East Lohman Avenue  
Las Cruces, New Mexico 88011

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Dallas Regional Office

1601 Bryan Street, Suite 1410  
Dallas, Texas 75201

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

INSTITUTION RATING .....	1
DESCRIPTION OF INSTITUTION .....	1
DESCRIPTION OF ASSESSMENT AREA .....	3
SCOPE OF EVALUATION .....	6
CONCLUSIONS ON PERFORMANCE CRITERIA.....	8
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	14
APPENDICES .....	15
SMALL BANK PERFORMANCE CRITERIA.....	15
GLOSSARY .....	16

## **INSTITUTION RATING**

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

First New Mexico Bank, Las Cruces's satisfactory Lending Test record supports the overall Community Reinvestment Act (CRA) rating. The bank did not request consideration of its investments or services; therefore, this consideration did not affect the overall rating. The following points summarize conclusions regarding the applicable test, discussed in detail elsewhere.

### **Lending Test**

- The loan-to-deposit ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs.
- A substantial majority of loans and other lending-related activities are in the institution's assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test conclusion.

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

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the overall CRA rating.

## **DESCRIPTION OF INSTITUTION**

### **Background**

First New Mexico Bank, Las Cruces (FNMB-LC), headquartered in Las Cruces, New Mexico, began operations in 2001. First New Mexico Financial Corporation, Deming, New Mexico, a three-bank holding company, wholly owns FNMB-LC, along with First New Mexico Bank, Deming, New Mexico, and First New Mexico Bank, Silver City, New Mexico.

FNMB-LC received a Satisfactory rating at its previous evaluation, dated July 20, 2015, based on Federal Financial Institutions Examination Council (FFIEC) Small Institution CRA Examination Procedures, as performed by the Federal Deposit Insurance Corporation (FDIC).

## **Operations**

FNMB-LC functions as a retail bank with a primary business focus, unchanged from the last evaluation, on residential and commercial loans. The bank did not participate in any merger or acquisition activity since the prior evaluation. The institution operates from two full-service offices, both in the State of New Mexico. The bank did not open or close any full-service offices since the prior evaluation. The Description of Assessment Area depicts the offices' specific locations.

The bank offers a variety of loan products including commercial, home mortgage, and consumer loans. It also provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposits. Service hours remain consistent with area and industry norms, with drive-thru services offered on Saturdays at the main office. Alternative banking services include internet banking, mobile banking, and six bank-owned automated teller machines (ATMs).

The bank provides a small dollar loan program with an upper limit of \$1,800. It originated 126 of these loans totaling \$166,951 in 2019 and 75 loans totaling \$114,059 in 2020. However, these loans did not affect the bank's overall CRA rating.

## **Ability and Capacity**

As of the December 31, 2020, Report of Condition, or Call Report, assets equaled \$137.2 million, net loans totaled \$68.0 million, and deposits equaled \$116.1 million. Since the prior evaluation, on average per year, total assets increased 2.97 percent, net loans increased 7.25 percent, and total deposits increased 2.79 percent. As of December 31, 2020, the bank reported a Return on Average Assets of 1.45 percent and a Tier 1 Leverage Capital Ratio of 12.95 percent.

The mix of outstanding loans as of December 31, 2020, as seen in the following table, reflects a distribution generally supportive of the institution's primary business focus with commercial loans at 46.4 percent by dollar volume, followed by 1-4 family residential real estate loans at 27.9 percent.

<b>Loan Portfolio Distribution as of 12/31/2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	11,083	15.9
Secured by Farmland	822	1.2
Secured by 1-4 Family Residential Properties	19,433	27.9
Secured by Multifamily (5 or more) Residential Properties	4,382	6.3
Secured by Nonfarm Nonresidential Properties	22,988	33.0
<b>Total Real Estate Loans</b>	<b>58,708</b>	<b>84.3</b>
Commercial and Industrial Loans	9,348	13.4
Agricultural Production and Other Loans to Farmers	20	<0.1
Consumer Loans	1,843	2.7
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	22	<0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(262)	(0.4)
<b>Total Loans</b>	<b>69,679</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income.</i>		

Based on the information discussed in this section as well as other regulatory data, the institution’s financial condition, size, product offerings, prior performance, and status of any legal impediments did not affect its ability to meet the assessment area’s credit needs.

**DESCRIPTION OF ASSESSMENT AREA**

FNMB-LC designated one assessment area, the Las Cruces Metropolitan Statistical Area Assessment Area (Las Cruces MSA AA). The assessment area conforms to CRA regulatory requirements. The following discussion provides information on the area.

**LAS CRUCES MSA AA**

The Las Cruces MSA AA, unchanged from the prior evaluation, consists of 41 contiguous census tracts in the following county, which alone makes up the Las Cruces, NM Metropolitan Statistical Area located in South Central New Mexico on the border with the State of Texas and with Mexico.

- Dona Ana County – all 41 total census tracts

As noted, the Las Cruces MSA AA accounts for 100 percent of the bank’s loans, deposits, and offices considered in this evaluation. Examiners performed a full-scope review of this assessment area.

The following table shows that the bank operates two full-service offices in this area. It also operates six ATMs. The bank did not open or close any offices, nor did it participate in any merger or acquisition activity in this assessment area since the previous examination.

Office Locations Las Cruces MSA AA					
County/City/Street	Office Type	Census Tract Number	Census Tract Income Level	ATM	Office Opened or Closed Since Last Evaluation
<b>Dona Ana County:</b>					
Anthony - Landers Rd	Branch	0018.06	Low	Yes	No
Las Cruces - E Lohman Ave	Main Office	0012.01	Upper	Yes	No
<i>Source: Bank records; American Community Survey (ACS) Census data (2015).</i>					

### **Economic and Demographic Data**

According to 2015 American Community Survey (ACS) Census data, the assessment area’s 41 census tracts reflect the following income designations: 3 low-, 16 moderate-, 13 middle-, and 9 upper-income census tracts.

Service-related businesses represent 41.3 percent of the area’s primary industry and remains a driving force of the economy. Other notable industries in the area include retail trade at 12.0 percent and finance, insurance, and real estate at 8.8 percent. Major employers in the county include White Sands Missile Range, New Mexico State University, Memorial Medical Center, and Wal-Mart. According to 2020 D&B data, 86.7 percent of businesses operate from one location and 62.9 percent have four or fewer employees.

Based on data from the U.S. Bureau of Labor Statistics, Dona Ana County reported an annual unemployment rate of 5.7 percent for 2019; however, the last reported unemployment rate in November 2020, indicated a 9.2 percent rate in the county. These figures reflect higher percentages than the State of New Mexico rates of 4.9 percent for 2019 and 9.1 percent in November 2020, as well as the national rates of 3.7 percent in 2019 and 8.1 percent in 2020, thus suggesting a relatively weaker economy.

Examiners use the applicable FFIEC-updated median family incomes (MFI) to analyze home mortgage loans under the borrower profile performance factor. As an example, the following table shows the applicable income ranges for loans originated in 2019 based on the 2019 MFI of \$50,800 applicable to the area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>Las Cruces, NM MSA Median Family Income (29740)</b>				
2019 (\$50,800)	<\$25,400	\$25,400 to <\$40,640	\$40,640 to <\$60,960	≥\$60,960
<i>Source: FFIEC (2019).</i>				

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	41	7.3	39.0	31.7	22.0	0.0
Population by Geography	213,963	7.7	36.1	26.4	29.8	0.0
Housing Units by Geography	83,586	7.1	33.0	26.9	33.0	0.0
Owner-Occupied Units by Geography	48,445	3.6	34.5	24.8	37.1	0.0
Occupied Rental Units by Geography	26,317	13.5	29.6	31.5	25.4	0.0
Vacant Units by Geography	8,824	6.9	35.1	25.3	32.7	0.0
Businesses by Geography	10,495	6.8	32.5	25.3	35.4	0.0
Farms by Geography	399	2.5	38.1	30.3	29.1	0.0
Family Distribution by Income Level	51,781	25.1	15.6	16.9	42.4	0.0
Household Distribution by Income Level	74,762	25.2	16.5	16.1	42.2	0.0
Median Family Income MSA - 29740 Las Cruces, NM MSA		\$45,044	Median Housing Value			\$143,830
			Median Gross Rent			\$710
			Families Below Poverty Level			22.1%
<i>Source: ACS Census (2015); D&amp;B Data (2020).</i> (*) The NA category consists of geographies that have not been assigned an income classification.						

**Competition**

The area contains a relatively low level of competition from other chartered banks based on its population of 213,963, with each of the 42 offices from its 18 institutions serving about 5,094 people, on average. Mortgage companies, credit unions, and finance companies also compete for loans in the area adding to the competition level. FNMB-LC ranks 6<sup>th</sup> in deposit market share by capturing 4.3 percent of the area’s deposits based on the June 30, 2020, FDIC Deposit Market Share Report. Overall, the competition level allows for lending opportunities.

Competition remains higher for FNMB-LC related to home mortgage loans as 262 lenders originated and purchased 8,230 home mortgage loans in the assessment area during 2019. FNMB-LC ranks 8<sup>th</sup> among home mortgage lenders in the area with a market share of 3.2 percent based on data collected per the Home Mortgage Disclosure Act (HMDA).

**Community Contact**

Examiners contacted a community member knowledgeable of the area’s economy and housing and business environments to help assess the current economic conditions, community credit needs, and potential opportunities for bank involvement in the area.

The contact stated that the major economic force in the community involves government, primarily federal military/defense, as well as private military/defense-support companies. The contact noted that the Las Cruces economy is stable with no major changes in demographics in the past few years. The contact identified small start-up business funding and affordable housing for low-income residents as the area's primary credit needs.

### **Credit Needs**

Considering information obtained from the community contact, demographic data, and bank management, examiners determined that small business and home mortgage loans represent the area's primary credit needs.

## **SCOPE OF EVALUATION**

### **General Information**

Examiners evaluated performance based on the FFIEC Small Institution CRA Examination Procedures, which include the Lending Test. The appendices list the applicable test's criteria. This evaluation covers the period from July 20, 2015, to March 15, 2021, the date of the previous evaluation to this evaluation's date.

### **Assessment Areas Reviewed/Weighting**

As noted, the bank operates in one assessment area. Consequently, examiners performed a full-scope review of the only assessment area, the Las Cruces MSA AA. As the only assessment area, the Las Cruces MSA AA generates and contains 100 percent of the bank's loans, deposits, and offices considered in this evaluation. Consequently, examiners placed all weight on the bank's performance in the Las Cruces MSA AA when arriving at applicable conclusions. This evaluation does not consider any affiliate activity.

### **Activities Reviewed**

#### **Lending Test**

##### ***Loan Products Reviewed***

For the Lending Test, CRA Small Bank procedures require examiners to determine the bank's major product lines for review. As an initial matter, examiners may select from the same loan categories used for CRA Large Bank evaluations: home mortgage, small business, small farm, and consumer loans.

The following table shows the bank's originations and purchases over the most recent full calendar year, 2020, for the loan categories typically reviewed in CRA evaluations. The activity reflects a generally consistent pattern with the bank's lending emphasis since the last evaluation.

<b>Loans Originated or Purchased</b>				
<b>Loan Categories Typically Reviewed</b>	<b>Universes of Loan Categories Typically Reviewed</b>			
	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Home Mortgage	36,363	73.4	176	32.9
Small Business	11,920	24.1	196	36.6
Small Farm	365	0.7	2	0.4
Consumer	910	1.8	161	30.1
<b>Total</b>	<b>49,558</b>	<b>100.0</b>	<b>359</b>	<b>100.0</b>
<i>Source: Bank records (2020)</i>				

Examiners determined that the bank’s major product lines consist of home mortgage and small business loans based on the dollar volume and number of loans originated, as seen in the previous table, as well as on management’s stated business strategy. Since the other typically considered loan categories, small farm and consumer loans, do not represent major product lines and thus would not materially affect any conclusions or the rating, this evaluation does not discuss them.

Consequently, this evaluation considers all originated or purchased home mortgage loans reported on the bank’s Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) for the most recent two full calendar years, 2018 and 2019, per the exception allowed in guidance for small institutions, and given the data readily available. This includes 2018 data showing 164 loans totaling \$24.0 million, and 2019 data showing 200 loans totaling \$27.1 million.

Examiners did not identify any trends between the different years’ data that materially affect conclusions, unless otherwise noted. Therefore, this evaluation presents HMDA data for 2019, the most recent year for which aggregate data exists as of this evaluation. ACS Census data for 2015 and 2019 HMDA aggregate data provide the standards of comparison for the reviewed home mortgage loans.

In addition, given the data readily available, this evaluation considers a random sample of 51 small business loans totaling \$3.5 million from the universe of 196 such loans totaling \$11.9 million originated in the previous full calendar year prior to the start of this evaluation, 2020. The random sample uses a statistical 90 percent Confidence Level with a 10 percent Precision Level. Examiners considered the reviewed loans representative of the entire evaluation period. D&B data for 2020 provides a standard of comparison for the small business loans reviewed.

### ***Loan Category Weighting***

Examiners considered the universes of the dollar volume and number of loans originated in 2020 for the loan categories reviewed as well as management’s stated business strategy to determine the weighting applied to those categories when evaluating the applicable performance factors.

The following table shows that for the bank’s total activities for the loan categories reviewed, considering both the dollar volume and number percentages equally, home mortgage loans account for 61.3 percent of the loan categories reviewed while small business loans account for 38.7 percent. Data for only loans originated inside the assessment area reflect similar levels. Thus, examiners weighed home mortgage loans heavier when arriving at applicable conclusions.

<b>Loan Category Weighting</b>				
<b>Loan Category Reviewed</b>	<b>Universes of Loan Categories Reviewed</b>			
	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Home Mortgage	36,363	75.3	176	47.3
Small Business	11,920	24.7	196	52.7
<b>Total Reviewed Categories</b>	<b>48,283</b>	<b>100.0</b>	<b>372</b>	<b>100.0</b>
<i>Source: Bank records (2020).</i>				

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

FNMB-LC demonstrated a satisfactory record regarding the Lending Test. Reasonable borrower profile and geographic loan distributions primarily support this conclusion. A reasonable record regarding the loan-to-deposit ratio further supports the overall Lending Test record. The bank further demonstrated an excellent record regarding its assessment area concentration. The appendices list the criteria used to evaluate the Lending Test.

For the CRA Small Bank Lending Test, typically, examiners will first determine whether the presence of any weaker loan-to-deposit ratio or assessment area concentration performance warrants downgrading the overall Lending Test conclusion. Absent any such warranted downgrading, examiners will then place more weight on the bank's borrower profile and geographic loan distributions when arriving at the overall Lending Test conclusion.

### **Loan-to-Deposit Ratio**

The loan-to-deposit ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs.

Examiners considered the average, net loan-to deposit (LTD) ratio's reasonableness in light of information from the performance context including, as applicable, the institution's capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the institution's assessment areas.

The bank recorded a 56.7 percent average, net LTD ratio for the 22 quarters since the previous evaluation, September 30, 2015, to December 31, 2020. The ratio increased over the 51.8 percent average, net LTD ratio reported at the previous evaluation. Over the 22 quarters, the bank's quarterly net, LTD ratios ranged from a low of 46.6 percent on September 30, 2015, to a high of 67.5 percent on December 31, 2019, with an overall increasing trend.

Examiners identified and listed in the following table two comparable institutions based on their operating in or near the bank’s assessment area, reporting somewhat similar asset sizes, and reflecting similar lending emphases. The following table shows that FNMB-LC posted the lowest ratio out of the three total ratios listed. It also indicates that the bank’s ratio still lands within a reasonable range of the 68.6 percent average of the three ratios, given the ratios’ overall levels. The bank’s ratio falls 11.9 percent lower than the average figure.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 12/31/2020 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>First New Mexico Bank, Las Cruces; Las Cruces, Dona Ana Co., NM</b>	<b>\$137,203</b>	<b>56.7</b>
Citizens Bank of Las Cruces; Las Cruces, Dona Ana Co., NM	\$762,020	72.0
Western Heritage Bank; Las Cruces, Dona Ana Co., NM	\$279,672	77.0
<i>Source: Reports of Condition and Income (09/30/2015 – 12/31/2020)</i>		

**Assessment Area Concentration**

A substantial majority of loans and other lending-related activities are in the institution’s assessment area. Substantial majorities of home mortgage and small business loans originated inside the bank’s assessment area support this conclusion. As noted, examiners weighed home mortgage loan performance heavier when arriving at this conclusion. Examiners considered the bank’s asset size and office structure as well as the loan categories reviewed relative to the assessment area’s size and economy when arriving at conclusions.

***Home Mortgage Loans***

The institution originated a substantial majority of its home mortgage loans inside its assessment area. The following table shows that for the subtotals of home mortgage loans by both measures, the percentages of the number and dollar volume of loans, the bank originated substantial majorities inside its assessment area, thereby reflecting excellent levels. Combined, they show that the bank originated a substantial majority of its home mortgage loans inside its assessment area.

***Small Business Loans***

The institution originated a substantial majority of its small business loans inside its assessment area. The following table shows that for small business loans by both measures, the percentages of the number and dollar volume of loans, the bank originated substantial majorities inside its assessment area, thereby reflecting excellent levels. Combined, they show that the bank originated a substantial majority of its small business loans inside its assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2018	148	90.2	16	9.8	164	22,180	92.5	1,790	7.5	23,970
2019	182	91.0	18	9.0	200	24,945	92.1	2,129	7.9	27,074
<b>Subtotal</b>	<b>330</b>	<b>90.7</b>	<b>34</b>	<b>9.3</b>	<b>364</b>	<b>47,125</b>	<b>92.3</b>	<b>3,919</b>	<b>7.7</b>	<b>51,044</b>
Small Business*	51	100.0	0	0.0	51	3,471	100.0	0	0.0	3,471

Source: 2018 and 2019 HMDA Reported Data; \*2020 Bank Data:

### Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. A reasonable record in the Las Cruces MSA AA supports this conclusion. An excellent record regarding home mortgage loans sufficiently lowered by a reasonable record regarding small business loans supports the overall record in the Las Cruces MSA AA. As noted, examiners weighed home mortgage loan performance heavier when arriving at this conclusion.

Examiners considered the bank’s performance relative to available comparative data and any performance context issues. They focused on the percentages by the number of loans in low- and moderate-income geographies, when arriving at conclusions. This factor only considers loans originated inside the bank’s assessment area.

#### *Home Mortgage Loans*

The geographic distribution of home mortgage loans reflects an excellent record in the Las Cruces MSA AA. Excellent performance in moderate-income census tracts almost sufficiently lowered by reasonable performance in low-income tracts supports this conclusion. Examiners afforded more weight to performance in moderate-income census tracts given the greater lending opportunity as illustrated by the corresponding demographic and aggregate data.

The following table shows that in low-income census tracts in the Las Cruces MSA AA, the bank’s level lands within a reasonable range of the aggregate figure, given the ratios’ overall levels. The bank’ level rises 1.7 percentage points higher, thereby reflecting a reasonable level. The table further shows that in moderate-income census tracts, the bank’s level lands substantially above the aggregate figure, given the ratios’ overall levels. The bank’s level rises 14.7 percentage points higher, thereby reflecting an excellent level.

Thus, given the relative performances and weightings for the discussed income levels, the geographic distribution of home mortgage loans barely reflects an excellent record in the Las Cruces MSA AA.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	3.6	2.1	7	3.8	672	2.7
Moderate						
2019	34.5	13.9	52	28.6	4,942	19.8
Middle						
2019	24.8	31.5	43	23.6	5,611	22.5
Upper						
2019	37.1	52.5	80	44.0	13,720	55.0
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>182</b>	<b>100.0</b>	<b>24,945</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

**Small Business Loans**

The geographic distribution of small business loans reflects a reasonable record in the Las Cruces MSA AA. Reasonable performances in low- and moderate-income geographies support this conclusion. Examiners afforded more weight to performance in the moderate-income census tracts given the greater lending opportunity, as illustrated by corresponding D&B data. Examiners focused on the comparisons to the percentages of businesses as reported by D&B, when arriving at conclusions.

The following table shows that in low-income census tracts in the Las Cruces MSA AA, the bank’s level lands within a reasonable range of the D&B figure, given the ratios’ overall levels. The bank’s level rises 1.0 percentage points higher, thereby reflecting a reasonable level. The table further shows that in moderate-income census tracts, the bank’s level clearly lands within a reasonable range of the D&B figure, given the ratios’ overall levels. The bank’s level rises 8.7 percentage points higher, thereby reflecting reasonable performance.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	6.8	4	7.8	207	6.0
Moderate	32.5	21	41.2	899	25.9
Middle	25.3	8	15.7	749	21.6
Upper	35.4	18	35.3	1,616	46.5
<b>Total</b>	<b>100.0</b>	<b>51</b>	<b>100.0</b>	<b>3,471</b>	<b>100.0</b>
<i>Source: 2020 D&amp;B Data; 2020 Bank Data Due to rounding, totals may not equal 100.0%</i>					

## **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. A reasonable record in Las Cruces MSA AA supports this conclusion. Reasonable records regarding home mortgage and small business loans support the overall record in the Las Cruces MSA AA. As noted, examiners weighed home mortgage loan performance heavier when arriving at this conclusion.

Examiners considered the bank's performance relative to available comparative data and any performance context issues. They focused on the percentages by the number of loans when arriving at conclusions. This factor only considered loans originated inside the bank's assessment area.

### ***Home Mortgage Loans***

The distribution of home mortgage loans based on the borrowers' profiles reflects a reasonable record in the Las Cruces MSA AA. Reasonable performances to low- and moderate-income borrowers support this conclusion. Examiners afforded more weight to performance to moderate-income borrowers given the greater lending opportunity, as illustrated by the corresponding aggregate data. Examiners focused on the comparisons to the aggregate figures when arriving at conclusions. The borrowers' income designations define the borrowers' profiles for this analysis.

The following table shows that to low-income borrowers in the Las Cruces MSA AA, the bank's level lands within a reasonable range of the aggregate figure, given the ratios' overall levels. The bank's level rises 2.7 percentage points higher, thereby reflecting a reasonable level. The table further shows that to moderate-income borrowers, the bank's level again lands within a reasonable range of the aggregate figure, given the ratios' overall levels. The bank's level rises 6.9 percentage points higher, thereby reflecting a reasonable level.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	25.1	2.8	10	5.5	463	1.9
Moderate						
2019	15.6	10.7	32	17.6	2,345	9.4
Middle						
2019	16.9	20.0	59	32.4	6,443	25.8
Upper						
2019	42.4	45.3	77	42.3	15,278	61.2
Income Not Available						
2019	0.0	21.2	4	2.2	416	1.7
<b>Total</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>182</b>	<b>100.0</b>	<b>24,945</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

### ***Small Business Loans***

The distribution of small business loans based on the borrowers' profiles reflects a reasonable record in the Las Cruces MSA AA. Reasonable performance to businesses with gross annual revenues of \$1 million or less primarily supports this conclusion. Examiners focused on the bank's overall levels to businesses with gross annual revenues of \$1 million or less when arriving at conclusions. The businesses gross annual revenues define the borrowers' profiles for this review.

The following table shows that in the Las Cruces MSA AA, the bank originated well over eight out of every ten loans to businesses with gross annual revenues of \$1 million or less, thus reflecting a reasonable level. All five bank loans in the Revenue Not Available category represent Small Business Administration Paycheck Protection Program loans. The program does not require collection of revenue information.

Thus, given the relative performance and weighting for the discussed revenue category, the borrower profile distribution of small business loans reflects a reasonable record in the Las Cruces MSA AA.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
≤ \$1,000,000	83.1	45	88.2	3,252	93.7
> \$1,000,000	4.3	1	2.0	80	2.3
Revenue Not Available	12.6	5	9.8	139	4.0
<b>Total</b>	<b>100.0</b>	<b>51</b>	<b>100.0</b>	<b>3,471</b>	<b>100.0</b>
<i>Source: 2020 D&amp;B Data; 2020 Bank Data Due to rounding, totals may not equal 100.0%</i>					

### **Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation. Therefore, this criterion did not affect the Lending Test conclusion.

### **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs. Therefore, this consideration did not affect the institution's overall CRA rating.

## APPENDICES

### SMALL BANK PERFORMANCE CRITERIA

#### **Lending Test**

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

## GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**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, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**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. Other family 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).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, 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 do 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; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**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 metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities 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 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 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area** (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**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.

**Rated Area:** A rated area is a state or multistate metropolitan 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

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

**Small Farm Loan:** 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.