

# **PUBLIC DISCLOSURE**

March 6, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Lea County State Bank  
RSSD # 1015252  
1017 North Turner  
Hobbs, NM 88240

Federal Reserve Bank of Dallas  
2200 North Pearl Street  
Dallas, Texas 75201

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## TABLE OF CONTENTS

Institution's Community Reinvestment Act Rating .....	1
Scope of the Evaluation .....	1
Description of the Institution.....	2
Description of the Assessment Area .....	2
Conclusions With Respect to Performance Tests.....	5
Fair Lending or Other Illegal Credit Practices Review .....	11
Appendix A – Map of the Assessment Area .....	12
Appendix B – Demographic Information .....	13
Appendix C – Glossary .....	16

## INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING

This institution is rated: **Satisfactory**.

The Lending Test is rated: **Satisfactory**.

The Community Development Test is rated: **Outstanding**.

Lea County State Bank (the bank) is rated **Satisfactory**. This rating is based on the following conclusions with respect to the performance criteria under the Lending Test and Community Development Test:

- The bank's 16-quarter average net loan-to-deposit ratio (NLTD) is reasonable given the bank's asset size, financial condition, and credit needs of the assessment area (AA).
- A reasonable distribution of loans occurs throughout the bank's AA.
- Lending reflects a reasonable distribution among individuals of different income levels, including low- and moderate-income (LMI), and businesses of different sizes.
- Community development (CD) activity reflects excellent responsiveness to the needs of its AA.

## SCOPE OF THE EVALUATION

Examiners from the Federal Reserve Bank of Dallas (Reserve Bank) utilized the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Intermediate Small Institutions* to evaluate the bank's Community Reinvestment Act (CRA) performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, business strategy and market competition, as well as AA demographic and economic characteristics, and credit needs. Performance was assessed within the bank's only AA, Lea County, New Mexico. Examiners reviewed the following data to assess the bank's CRA performance:

- The 16-quarter average NLTD ratio of the bank and three similarly situated institutions.
- The ratio of loans originated inside and outside the AA.
- A statistically derived sample of the bank's commercial loans consisting of 89 small business loans out of a universe of 158 originated between January 1, 2022, and June 30, 2022.
- The universe of the bank's real estate loans originated between January 1, 2022, and June 30, 2022, which totaled 47 loans.
- All qualified CD loans, investments, and services as provided by the bank since the previous CRA evaluation dated December 3, 2018.
- Information provided by two community leaders to assess local economic conditions and the credit needs of the community, as well as the area banks' responsiveness in meeting those needs. The community contacts consisted of executive of two non-profit organizations supporting economic development and local businesses in the area.

The criterion used to evaluate an intermediate small bank's CRA performance, response to CRA-related complaints, was not evaluated. Neither the bank nor the Reserve Bank received any such complaints since the previous evaluation.

## DESCRIPTION OF THE INSTITUTION

Lea County State Bank, a community bank headquartered in Hobbs, New Mexico, has the following characteristics.

- Lea County Bancshares, Inc. wholly owns the bank.
- The bank has total assets of \$583 million as of September 30, 2022.
- The intrastate bank operates three branches in the state of New Mexico, designating Lea County as its only AA.
- The bank's main office and drive-thru office are located in Hobbs, NM. The bank also operates a full-service branch in Lovington, NM.
- The bank owns and operates six automated teller machines (ATMs) throughout its AA. To further expand availability to customers, the bank has negotiated agreements that allow bank customers to use additional ATMs without fees.
- The bank has identified housing as a need in the AA and works with the State of New Mexico Housing Authority to finance homes for first time homebuyers that meet certain qualifications.
- As shown in Table 1 below, the bank's primary business focus is commercial lending, as it represents 69.8 percent<sup>1</sup> of the bank's loan portfolio as of September 30, 2022.

**Table 1**

<b>Composition of Loan Portfolio as of September 30, 2022</b>		
<b>Loan Type</b>	<b>\$(000)</b>	<b>%</b>
Construction and Land Development	7,024	3.3
Farmland	0	0.0
1-4 Family Residential Real Estate	16,040	7.5
Multifamily Residential Real Estate	0	0.0
Non-Farm Non-Residential Real Estate	37,258	17.5
Agricultural	4,496	2.1
Commercial and Industrial	104,331	49.0
Consumer	28,300	13.3
Other	15,516	7.3
<b>Gross Loans</b>	<b>212,965</b>	<b>100.0</b>

*Note: Percentages may not total 100.0 percent due to rounding.*

The Reserve Bank rated the bank's CRA performance as Satisfactory at the previous performance evaluation dated December 3, 2018. There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

## DESCRIPTION OF ASSESSMENT AREA

The bank's sole AA, Lea County Nonmetropolitan AA, consists of the entirety of Lea County, which is a rural county in the state of New Mexico. Lea County is part of the Permian Basin region, which is rich in oil and natural gas deposits. Refer to Appendix A for an AA map and Appendix B for additional demographic data.

<sup>1</sup> Commercial lending includes Construction and Land Development, Non-Farm Non-Residential Real Estate, and Commercial and Industrial loans.

- The AA delineation has not changed since the previous evaluation.
- According to the 2015 American Community Survey (ACS), the AA consists of 18 census tracts.
- While the number of census tracts remained the same during the review period, the income designation of various census tracts changed.
  - In 2020 and 2021, the AA had two (11.1 percent) moderate-income, six (33.3 percent) middle-income, and ten (55.6 percent) upper income census tracts.
  - In 2022, the AA had one (5.6 percent) low-income, eight (44.4 percent) middle-income, and nine (50.0 percent) upper-income census tracts.
- According to the June 30, 2022, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, eight federally insured deposited institutions operate 19 branches in the AA and hold approximately \$1.6 billion in deposits. The bank ranks first in deposit market share with \$520 million or 32.8 percent of market deposits. Primary competitors in the AA include Wells Fargo Bank, National Association and First American Bank, which hold 26.9 percent and 13.0 percent of the deposit market share, respectively.
- Community contacts identified residential housing and small business support as needs in the AA. Both contacts stated the AA is experiencing a shortage of housing units compared to the demand. Moreover, one of the community leaders stated that state government restrictions placed during the COVID-19 pandemic have adversely impacted small businesses, which have struggled to bounce back to pre-pandemic times due to the increased operational costs to comply with related policies, such as mandatory sick leave for employees. The community contact focused on economic development identified the need for quality-of-life businesses and organizations, such as additional restaurants, entertainment, and retail services, in the AA.

**Table 2**

<b>Population Change</b>			
<b>Assessment Area: Lea County Nonmetropolitan</b>			
<b>Area</b>	<b>2010 Population</b>	<b>2015 Population</b>	<b>Percent Change</b>
Lea County Nonmetropolitan	64,727	68,149	5.3
NonMSA New Mexico	688,655	695,182	0.9
New Mexico	2,059,179	2,084,117	1.2

*Source: 2010 U.S. Census Bureau Decennial Census  
2011 - 2015 U.S. Census Bureau American Community Survey*

- As shown in Table 2, the AA population between 2010 and 2015 increased at a higher rate than other nonmetropolitan counties in the state of New Mexico, which remained fairly stable during the same time period and was comparable to the population growth experienced throughout the entire state of New Mexico.
- A community contact stated the population increase is primarily due to high paying jobs in the oil and gas industry.

**Table 3**

<b>Median Family Income Change</b>			
<b>Assessment Area: Lea County Nonmetropolitan</b>			
<b>Area</b>	<b>2015 Median Family Income</b>	<b>2020 Median Family Income</b>	<b>Percentage Change</b>
Lea County Nonmetropolitan	\$63,943	\$62,579	-2.1
NonMSA New Mexico	\$49,356	\$52,518	6.4
New Mexico	\$55,049	\$57,306	4.1
<i>Source: 2006 - 2010 U.S. Census Bureau American Community Survey 2011 - 2015 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.</i>			

- As shown in Table 3, while the AA median family income decreased between 2015 and 2020, the median family income increased throughout the state of New Mexico, including other nonmetropolitan areas.
- Despite the slight decrease noted, the median family income in the AA remains higher than in other nonmetropolitan areas and the state. A community contact noted that the oil and gas industry, which employs a significant number of individuals in the AA, pays higher wages than other industries. As a result, individuals and families in the AA enjoy higher incomes.
- In 2022, 17.1 percent of the AA families were low-income, 13.8 percent were moderate-income, 19.1 percent were middle-income, and 50.0 percent were upper-income families.
- Approximately 12.0 percent of the AA families live below the poverty rate, which is lower than the family poverty rate for the state of New Mexico, at 14.2 percent.

**Table 4**

<b>Lea County Nonmetropolitan 2021 Housing Cost Burden</b>						
<b>Area</b>	<b>Cost Burden - Renters</b>			<b>Cost Burden - Owners</b>		
	<b>Low Income</b>	<b>Moderate Income</b>	<b>All Renters</b>	<b>Low Income</b>	<b>Moderate Income</b>	<b>All Owners</b>
Lea County Nonmetropolitan	64.3	43.7	29.8	37.3	14.3	10.5
NonMSA New Mexico	62.2	37.3	35.0	42.6	21.1	16.1
New Mexico	71.1	44.3	41.4	53.3	30.3	19.7
<i>Cost burden is housing cost that equals 30 percent or more of household income. Source: U.S. Department of Housing and Urban Development (HUD), 2015-2019 Comprehensive Housing Affordability Strategy</i>						

- Table 4 reflects the burden of housing cost is less for homeowners in the AA than other areas of the state. In addition, home ownership is more affordable in the AA than renting.
- While the burden of housing cost is less for all renters in the AA, it is slightly more for LMI renters when compared to other nonmetropolitan areas. A community contact stated that the high wages earned by oil field workers tend to drive up rent, making it difficult for LMI individuals to afford the cost.
- The AA contains 26,871 housing units, with an average age of 54 years. The average home value in the AA is \$138,559.
- In 2022, 57.9 percent of the housing units in the AA were owner-occupied, 27.2 percent were rental, and 14.9 percent were vacant.
- Owner-occupied housing units account for 5.3 percent of housing in low-income census tracts, 39.4 percent in middle-income census tracts, and 55.3 percent in upper-income census tracts.

- The influx of oil and gas workers results in limited housing availability, especially for LMI individuals and families, who cannot afford to pay the same housing costs as oil field workers.
- A community contact stated that housing is an ongoing need in the community. Individuals and families would like to upgrade into newer or larger homes. Another contact stated that it is becoming more common for multiple families to live in a single-family home to afford the cost.

**Table 5**

<b>Lea County Nonmetropolitan 2021 Unemployment Rates</b>					
<b>Area</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Lea County Nonmetropolitan	6.5	4.1	4.0	10.7	9.6
NonMSA New Mexico	6.5	5.1	5.1	8.3	7.5
New Mexico	6.1	4.9	4.9	8.1	6.8

*Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics*

- As shown in Table 5, the unemployment rates in the AA between 2017 and 2019 were similar to that of the state and slightly below the unemployment rates at other nonmetropolitan areas. However, the AA unemployment rate increased significantly in 2020 due to the COVID-19 pandemic. While the unemployment rate also increased throughout the state, the AA unemployment rate more than doubled and remains considerably higher than the rest of the state in 2021.
- Major industries in the AA include oil and gas, agriculture, cattle, and dairy farming.
- Major employers include oil and gas companies, such as Halliburton and Patterson-UTI Drilling Co. Other major employers include Hobbs Municipal Schools and Lea Regional Medical Center.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **LENDING TEST**

The bank's performance under the lending test is satisfactory. The bank's lending patterns reflect reasonable responsiveness to the credit needs of the AA. In addition, the bank has identified opportunities to partner with nonprofit and community organizations to identify lending opportunities, especially to LMI individuals.

The following sections outline the analysis and conclusions of the various components of the Lending Test.

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

This performance criterion evaluates the bank's average NLTD ratio to determine the reasonableness of the institution's efforts to extend credit in light of performance context, such as lending capacity, availability of lending opportunities, demographic and economic factors present in the AA, and in comparison, to similarly situated institutions insured by the FDIC. The similarly situated institutions were selected based on similar asset size, portfolio mix, and markets served.

The bank's 16-quarter NLTD ratio of 38.1 percent is reasonable given the demand and complexities of the AA. The bank's NLTD is similar to those of the similarly situated banks shown in Table 6, which range from 40.0 percent to 62.7 percent. The bank holds a high amount of public funds (local government and government-sponsored organizations) on deposit, which affect its lending capacity as public funds exceeding the FDIC Insurance must be protected by a corporate surety bond or pledged collateral. Considering this performance context, the bank's average NLTD displays reasonable efforts to extend credit.

**Table 6**

<b>Comparative NLTD Ratios September 30, 2018 – September 30, 2022</b>			
<b>Institution</b>	<b>Location</b>	<b>Asset Size \$(000)</b>	<b>16-Quarter Average NLTD Ratio (%)</b>
Lea County State Bank	Hobbs, NM	583,068	38.1
<b>Similarly Situated Institutions</b>			
Citizens Bank	Farmington, NM	827,994	44.0
CNB Bank	Carlsbad, NM	613,706	62.7
First National Bank	Alamogordo, NM	437,990	40.0

**Assessment Area Concentration**

This performance criterion evaluates the bank's lending extended inside and outside of the AA. The bank originated a majority of loans, by number and dollar amount, outside the AA. While this does not meet the standards for a satisfactory rating under this performance criterion, certain factors should be recognized. As shown in Table 7, the majority of residential real estate loans was originated inside the AA, while the majority of small business loans was originated outside the AA.

**Table 7**

<b>Lending Inside and Outside the Assessment Area</b>								
<b>Loan Types</b>	<b>Inside</b>				<b>Outside</b>			
	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Residential Real Estate Loans</b>	43	91.5	9,004	88.7	4	8.5	1,150	11.3
<b>Small Business Loans</b>	18	20.2	3,022	18.0	71	79.8	13,807	82.0
<b>TOTAL LOANS</b>	<b>61</b>	<b>44.9</b>	<b>12,027</b>	<b>44.6</b>	<b>75</b>	<b>55.1</b>	<b>14,957</b>	<b>55.4</b>

The bank's small business loans include a significant number of equipment loans extended to companies in the oil and gas industry to finance trucks, trailers, and other specialty equipment. While many of the bank's commercial loan customers are not headquartered in the AA, they provide essential support services, such as environmental consulting and remediation, safety inspections, supervision and training, pipe, and pump rental, etc., inside the AA. For example, the bank originated several loans to one company headquartered in Odessa, Texas (outside the bank's AA). However, this company operates in both Lovington and Hobbs, NM (inside the AA) and employs a significant number of workers residing in the AA. Furthermore, much of this lending is used for equipment, which is frequently moved to different, and often remote, areas. Therefore, it is difficult to determine the precise locations that benefited from the loan funds. Given this context, the AA benefitted from the funds being disbursed outside the AA.



The remaining of the Lending Test analysis only considers loans extended within the delineated AA.

### Geographic Distribution of Loans

This performance criterion evaluates the bank’s distribution of lending within its AA by income level of census tract with consideration given to the dispersion of loans throughout the AA.

Overall, the bank’s lending reflects a reasonable distribution among the different census tracts and dispersion throughout the AA. Residential real estate lending carried more weight in the overall conclusions given the number of loans analyzed for each product and the complexities associated with the oil and gas equipment loans, which were included in the small business loans. Given that the bank is not required to report Home Mortgage Disclosure Act (HMDA) loans or CRA small business loans, its performance was compared to the AA demographics and not compared to aggregate lenders.

#### *Residential Real Estate Lending*

The geographic distribution of residential real estate lending is reasonable. Table 8 compares the bank’s performance to the percentage of owner-occupied homes in LMI income census tracts. While the bank’s residential real estate lending during the sample period was below the demographic, the opportunities to lend in this area are limited. The AA has one low-income census tract and no moderate-income geographies. In addition, the bank competes with several large banks and mortgage brokers to originate residential real estate loans in the AA, as supported by the 144 financial institutions that reported originating HMDA loans in the AA in 2021. Aggressive competition reduces the bank’s ability to extend loans in the low-income census tract. Given this context, the bank’s performance demonstrates a reasonable willingness to lend in LMI census tracts. Moreover, the bank generally extended its loans in proximity to its branches, with no conspicuous gaps or anomalies in the lending patterns noted.

**Table 8**

<b>Distribution of 2022 Residential Lending by Income Level of Geography</b>					
<b>Assessment Area: Lea County Nonmetropolitan</b>					
<b>Geographic Income Level</b>	<b>Bank Loans</b>				<b>Owner Occupied Units %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000s)</b>	<b>\$%</b>	
<b>Low</b>	1	2.3	360	4.0	5.3
<b>Moderate</b>	0	0.0	0	0.0	0.0
<b>Middle</b>	5	11.6	840	9.3	39.4
<b>Upper</b>	37	86.0	7,804	86.7	55.3
<b>Unknown</b>	0	0.0	0	0.0	0.0
<b>Total</b>	43	100.0	9,004	100.0	100.0

*Source: 2022 FFIEC Census Data  
2016-2020 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0 percent due to rounding.*

*Small Business Lending*

The geographic distribution of small business lending is excellent. As shown in Table 9, the bank's lending to small businesses in low-income census tracts during the sample period significantly exceeded the demographic. As there were no moderate-income census tracts in the AA, lending in these tracts was not evaluated.

**Table 9**

<b>Distribution of 2022 Small Business Lending by Income Level of Geography</b>					
<b>Assessment Area: Lea County Nonmetropolitan</b>					
<b>Geographic Income Level</b>	<b>Bank Loans</b>				<b>Total Businesses %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000s)</b>	<b>\$%</b>	
<b>Low</b>	2	11.1	395	13.1	3.0
<b>Moderate</b>	0	0.0	0	0.0	0.0
<b>Middle</b>	6	33.3	1,050	34.7	42.7
<b>Upper</b>	10	55.6	1,577	52.2	54.3
<b>Unknown</b>	0	0.0	0	0.0	0.0
<b>Total</b>	18	100.0	3,022	100.0	100.0
<i>Source: 2022 FFIEC Census Data 2022 Dun &amp; Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

**Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes**

This performance criterion evaluates the bank's lending to borrowers of different income levels and businesses of different revenue sizes.

The bank's lending has an overall reasonable distribution among individuals of different income levels and businesses of different sizes. In drawing conclusions, residential real estate lending carried more weight due to the number of loans considered in the sample and the need for housing identified by community contacts.

*Residential Real Estate Lending*

The borrower distribution of residential real estate lending is reasonable. The bank's lending to LMI borrowers fell below the demographic figure during the sampled period; however, additional context should be considered to fully understand the bank's efforts. The bank partners with multiple organizations to provide financing for LMI home buyers. For example, the bank partnered with Habitat for Humanity in 2022 to support 14 low-income borrowers with their home financing needs. These loans are sold back to Habitat for Humanity after closing and, therefore, not reflected in the bank's loan portfolio. The bank's effort and impact to these borrowers should be recognized as beneficial to LMI borrowers in the AA.

**Table 10**

Distribution of 2022 Residential Lending by Borrower Income Level Assessment Area: Lea County Nonmetropolitan					
Borrower Income Level	Bank Loans				Families by Family Income %
	#	#%	\$(000)	%	
Low	2	4.7	140	1.6	17.1
Moderate	4	9.3	404	4.5	13.8
Middle	11	25.6	1,726	19.2	19.1
Upper	26	60.5	6,734	74.8	50.0
<b>Total</b>	<b>43</b>	<b>100.0</b>	<b>9,004</b>	<b>100.0</b>	<b>100.0</b>
<i>Source: 2022 FFIEC Census Data 2016 – 2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.</i>					

*Small Business Lending*

The borrower distribution of small business lending is poor. Small businesses make up 89.6 percent of businesses in the AA. As shown in Table 11, only 33.3 percent of the bank's commercial loans were made to small businesses. The bank's lending patterns reflect the prevalence of the oil and gas industry in the AA and the high revenue nature of these businesses. These loans provide jobs and economic stability and should not be viewed as unbeneficial to the AA. However, additional opportunity remains for the bank to meet the lending needs of small businesses in the AA.

**Table 11**

Distribution of 2022 Small Business Lending By Revenue Size of Businesses Assessment Area: Lea County Nonmetropolitan					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	6	33.3	914	30.2	89.6
<b>Over \$1 Million</b>	11	61.1	1,963	65.0	9.4
<b>Revenue Unknown</b>	1	5.6	145	4.8	1.0
<b>Total</b>	<b>18</b>	<b>100.0</b>	<b>3,022</b>	<b>100.0</b>	<b>100.0</b>
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	7	38.9	512	16.9	
<b>\$100,001 - \$250,000</b>	8	44.4	1,310	43.3	
<b>\$250,001 - \$1 Million</b>	3	16.7	1,200	39.7	
<b>Total</b>	<b>18</b>	<b>100.0</b>	<b>3,022</b>	<b>100.0</b>	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	3	50.0	250	27.4	
<b>\$100,001 - \$250,000</b>	2	33.3	364	39.8	
<b>\$250,001 - \$1 Million</b>	1	16.7	300	32.8	
<b>Total</b>	<b>6</b>	<b>100.0</b>	<b>914</b>	<b>100.0</b>	
<i>Source: 2022 FFIEC Census Data 2022 Dun &amp; Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.</i>					

**COMMUNITY DEVELOPMENT TEST**

The CD Test evaluates the bank’s responsiveness to the needs of its AA through qualified CD loans, investments, and services, considering the bank’s capacity and the need and availability of such opportunities in the bank’s AA.

The bank’s CD performance demonstrates excellent responsiveness to the needs of the AA. The bank invested heavily in CD loans and investments, including donations and grants. During the COVID-19 pandemic, when unemployment rates increased sharply, the bank originated 39 Payment Protection Program (PPP) loans totaling over \$11.8 million to local businesses to help keep employees on the payroll. Community contacts identified the need and benefits provided by the bank in keeping individuals employed during the pandemic.

The bank made significant investments in local school districts to support the public education of children in the AA. In addition to the ten investments in the AA, the bank also invested \$16.5 million in investments that benefitted the state or regional area.

As mentioned above, the bank partnered with affordable housing organizations, including Habitat for Humanity and others, to provide financing for low-income borrowers to purchase a home. In addition to financing these properties, the bank provided technical services to affordable housing organizations by sitting on boards of directors, participating finance committees, and providing homebuyer education to LMI borrowers. Furthermore, bank employees provided additional community service to various non-profit organizations. Overall, bank employees contributed over 1,600 hours of service to qualifying organizations, such as the Chamber of Commerce, United Way, and the Lea County Economic Development Corporation.

The table below provides an overview of the bank’s CD activity in the AA.

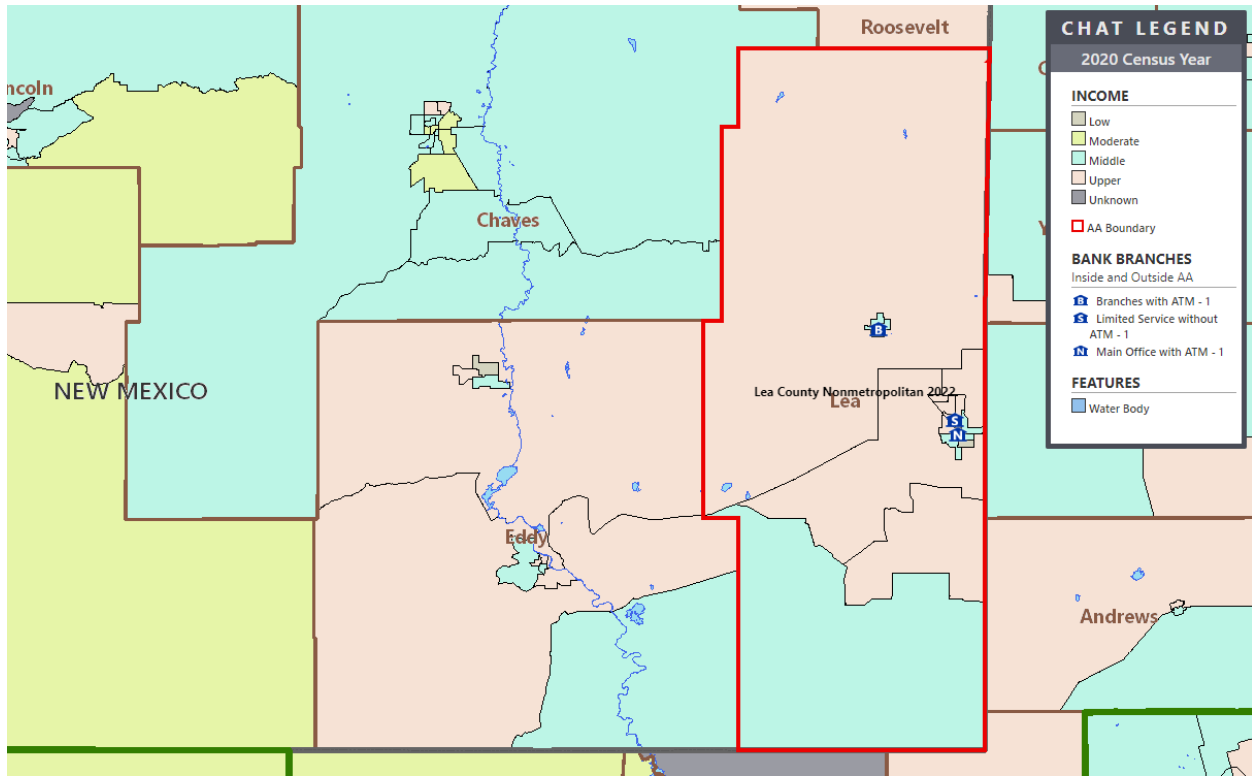
**Table 12**

<b>Community Development Activity</b>									
<b>Assessment Area: Lea County Nonmetropolitan</b>									
<b>Community Development Purpose</b>	<b>Community Development Loans</b>		<b>Qualified Investments</b>						<b>Community Development Services</b>
	<b>#</b>	<b>\$(000)</b>	<b>Investments</b>		<b>Donations</b>		<b>Total Investments</b>		
			<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>	
<b>Affordable Housing</b>	10	1,355	0	0	7	38	7	38	7
<b>Community Services</b>	22	8,745	10	6,075	181	219	191	6,294	49
<b>Economic Development</b>	9	1,435	0	0	29	33	29	33	4
<b>Revitalization and Stabilization</b>	26	22,387	0	0	5	3	5	3	4
<b>Totals</b>	<b>67</b>	<b>33,922</b>	<b>10</b>	<b>6,075</b>	<b>222</b>	<b>293</b>	<b>232</b>	<b>6,368</b>	<b>64</b>

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Compliance with the substantive provisions of antidiscrimination and other consumer protection laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act, was considered as part of this CRA evaluation. No evidence of a pattern or practice of discrimination on a prohibited basis or of other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – MAP OF THE ASSESSMENT AREA



**APPENDIX B – DEMOGRAPHIC INFORMATION**

**Table B-1**

2022 Lea County Nonmetropolitan AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	1	5.6	1,048	6.3	216	20.6	2,830	17.1
Moderate	0	0.0	0	0.0	0	0.0	2,287	13.8
Middle	8	44.4	7,164	43.2	1,182	16.5	3,174	19.1
Upper	9	50.0	8,368	50.5	589	7.0	8,289	50.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>18</b>	<b>100.0</b>	<b>16,580</b>	<b>100.0</b>	<b>1,987</b>	<b>12.0</b>	<b>16,580</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	1,695	826	5.3	48.7	668	39.4	201	11.9
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	12,174	6,134	39.4	50.4	4,070	33.4	1,970	16.2
Upper	13,002	8,595	55.3	66.1	2,575	19.8	1,832	14.1
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>26,871</b>	<b>15,555</b>	<b>100.0</b>	<b>57.9</b>	<b>7,313</b>	<b>27.2</b>	<b>4,003</b>	<b>14.9</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	74	3.0	73	3.3	1	0.4	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	1,049	42.7	920	41.7	119	51.5	10	41.7
Upper	1,336	54.3	1,211	54.9	111	48.1	14	58.3
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>2,459</b>	<b>100.0</b>	<b>2,204</b>	<b>100.0</b>	<b>231</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>89.6</b>		<b>9.4</b>		<b>1.0</b>
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	11	22.4	11	23.9	0	0.0	0	0.0
Upper	38	77.6	35	76.1	3	100.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>49</b>	<b>100.0</b>	<b>46</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>93.9</b>		<b>6.1</b>		<b>0.0</b>
<i>Source: 2022 FFIEC Census Data 2022 Dun &amp; Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>								
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>								

**Table B-2**

2021 Lea County Nonmetropolitan AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	2,722	16.8
Moderate	2	11.1	1,737	10.7	442	25.4	2,071	12.8
Middle	6	33.3	5,434	33.5	876	16.1	2,662	16.4
Upper	10	55.6	9,053	55.8	646	7.1	8,769	54.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>18</b>	<b>100.0</b>	<b>16,224</b>	<b>100.0</b>	<b>1,964</b>	<b>12.1</b>	<b>16,224</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	2,789	1,244	8.4	44.6	1,012	36.3	533	19.1
Middle	8,816	4,573	30.7	51.9	2,766	31.4	1,477	16.8
Upper	13,512	9,081	61.0	67.2	2,773	20.5	1,658	12.3
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>25,117</b>	<b>14,898</b>	<b>100.0</b>	<b>59.3</b>	<b>6,551</b>	<b>26.1</b>	<b>3,668</b>	<b>14.6</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	141	5.7	133	6.0	8	3.5	0	0.0
Middle	921	37.5	805	36.5	106	45.9	10	41.7
Upper	1,397	56.8	1,266	57.4	117	50.6	14	58.3
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>2,459</b>	<b>100.0</b>	<b>2,204</b>	<b>100.0</b>	<b>231</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>89.6</b>		<b>9.4</b>		<b>1.0</b>
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	11	22.4	11	23.9	0	0.0	0	0.0
Upper	38	77.6	35	76.1	3	100.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>49</b>	<b>100.0</b>	<b>46</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>93.9</b>		<b>6.1</b>		<b>0.0</b>
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey								
Note: Percentages may not total 100.0 percent due to rounding.								



**Table B-3**

2020 Lea County Nonmetropolitan AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	2,722	16.8
Moderate	2	11.1	1,737	10.7	442	25.4	2,071	12.8
Middle	6	33.3	5,434	33.5	876	16.1	2,662	16.4
Upper	10	55.6	9,053	55.8	646	7.1	8,769	54.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>18</b>	<b>100.0</b>	<b>16,224</b>	<b>100.0</b>	<b>1,964</b>	<b>12.1</b>	<b>16,224</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	2,789	1,244	8.4	44.6	1,012	36.3	533	19.1
Middle	8,816	4,573	30.7	51.9	2,766	31.4	1,477	16.8
Upper	13,512	9,081	61.0	67.2	2,773	20.5	1,658	12.3
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>25,117</b>	<b>14,898</b>	<b>100.0</b>	<b>59.3</b>	<b>6,551</b>	<b>26.1</b>	<b>3,668</b>	<b>14.6</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	144	5.8	136	6.1	8	3.4	0	0.0
Middle	943	37.7	828	36.9	106	45.3	9	37.5
Upper	1,412	56.5	1,277	57.0	120	51.3	15	62.5
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>2,499</b>	<b>100.0</b>	<b>2,241</b>	<b>100.0</b>	<b>234</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>89.7</b>	<b>9.4</b>	<b>1.0</b>		
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	10	20.8	10	22.2	0	0.0	0	0.0
Upper	38	79.2	35	77.8	3	100.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>48</b>	<b>100.0</b>	<b>45</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>93.8</b>	<b>6.3</b>	<b>0.0</b>		
Source: 2020 FFIEC Census Data 2020 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

## APPENDIX C – 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.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet 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, activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas; or designated distressed or underserved nonmetropolitan middle-income geographies.

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

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full-scope review:** Performance is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-scope review:** Performance is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, 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.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

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

**Nonmetropolitan area (NonMSA):** Any area that is not located within an MSA.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

**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. For these institutions, no state ratings will be received unless the bank also maintains deposit facilities outside of the multistate metropolitan area. CRA activity is captured in either a state rating or a multistate metropolitan area rating, but not both.

**Small loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as 'small business loans' if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small loan(s) to farm(s):** A loan included in 'loans to small farms' as defined in the Consolidated Reports of Condition and Income (Call Report) instructions. These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

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