



## **PUBLIC DISCLOSURE**

OCTOBER 19, 2015

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**MYBANK  
RSSD# 1972298**

**19339 HIGHWAY 314  
BELEN, NEW MEXICO 87002**

**Federal Reserve Bank of Kansas City  
1 Memorial Drive  
Kansas City, Missouri 64198**

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

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**INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING:** *This institution is rated Satisfactory.*

MyBank, Belen, New Mexico (the bank), has a satisfactory record of helping to meet the credit needs of its assessment area (AA) pursuant to the Community Reinvestment Act (CRA), in a manner consistent with its resources, operating philosophy, and credit needs of its community.

The bank's net loan-to-deposit (NLTD) ratio reflected a reasonable effort to extend credit in its lending market. In addition, a substantial majority of the bank's lending activity was originated inside its AA. The geographic distribution of loans reflected a reasonable dispersion among census tracts of different income levels based on the bank's locations and the demographics of its AA. Considering the bank's competitive lending market, the borrower distribution of loans to borrowers of different income levels and to businesses of different revenue sizes also was considered reasonable.

**SCOPE OF EXAMINATION**

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Small Institutions*. The examination evaluated the bank's performance in the context of demographic information from its delineated AA. Four of the five criteria used in evaluating small bank lending performance were relevant to this review and are as follows:

- NLTD Ratio
- Lending Inside the AA
- Geographic Distribution of Loans
- Lending to Borrowers of Different Income Levels and Businesses of Different Revenue Sizes

The bank's responsiveness to complaints under the CRA, the fifth core criterion used to assess small institution performance, was not evaluated since the bank has not received any complaints since the previous evaluation.

Conclusions for each performance criteria were based on data compiled and reported pursuant to the Home Mortgage Disclosure Act (HMDA) and from the bank's universe of small business loans. HMDA-reportable and commercial loans were determined to be the bank's major product lines through discussions with management, a review of the Reports of Condition and Income (Call Report), and a review of the number and type of outstanding loan originations since the previous CRA examination conducted on August 29, 2011. The sample size consisted of a total of 140 loans, of which 90 were HMDA-reportable loans and 50 were for commercial purpose. This included all residential real estate loans reported on the 2013 and 2014 HMDA Loan/Application Registers as well as the universe of commercial loans originated in the one-year period from January 1, 2014 to December 31, 2014.

Only loans made inside the bank's AAs were analyzed with respect to geographic and borrower distribution. The geographic distribution analysis was based on the bank's penetration within different geographic income categories, including LMI geographies. Geographic income classifications are based on the U.S. Census 2006-2010 American Community Survey (2010 ACS) data as well as the 2014 Office of Management and Budget (OMB) Metropolitan Statistical Area (MSA) designations. The borrower distribution analysis was based on the bank's penetration to individuals of different income categories, including LMI borrowers, and to businesses of different revenue sizes, particularly those with gross annual revenues of \$1 million or less. For the evaluation by borrower characteristics, borrower income levels were based on 2014 estimated median family income (MFI) figures from the FFIEC.

For evaluative purposes, the bank's lending performance was compared with area demographic data, including 2010 ACS data and 2014 Dun & Bradstreet (D&B) business data. Comparisons also were made to 2013 and 2014 aggregate loan originations reported by all HMDA filers within the bank's AAs.

While conclusions with respect to the bank's HMDA lending performance were evaluated for both 2013 and 2014, only lending tables presenting 2014 loan data will be shown. For reference, the bank's 2013 HMDA lending data can be reviewed in Appendix A.

To supplement the evaluation, an interview was conducted with a member of the local community to help ascertain the specific credit needs, opportunities, and local market conditions within the AA the bank serves and to evaluate the bank's responsiveness in helping to meet such needs.

## **DESCRIPTION OF INSTITUTION**

The main office of the bank is located in Belen, New Mexico, which is approximately 35 miles southwest of Albuquerque, New Mexico. The bank has five branches located in the cities of Belen, Albuquerque, Los Lunas, Mountainair, and Rio Communities. The bank also operates five full-service automated teller machines. The analysis of the bank's CRA performance considers the bank's financial capacity, local economic conditions, and AA demographics. Based on the bank's financial condition, size, and credit product offerings, the bank has the ability to meet the credit needs of its AA. The Call Report of June 30, 2015, shows the bank's total assets at \$169.6 million (MM), total loans at \$80.2MM, and total deposits at \$148.5MM.

According to the June 30, 2014 Federal Deposit Insurance Corporation Market Share Report, the bank holds a deposit market share of 1.1 percent within the Albuquerque Metropolitan Statistical Area (MSA), ranking 10<sup>th</sup> out of 25 banks. Although the bank's lending activity by dollar volume is primarily devoted to commercial and residential real estate financing, the bank does offer other traditional credit products to meet the needs of its AA. Table 1 illustrates the distribution of the bank's loan portfolio by product type.

<b>TABLE 1 MYBANK LOAN PORTFOLIO AS OF JUNE 30, 2015</b>		
<b>Loan Type</b>	<b>Amount \$(000)</b>	<b>Percent of Total</b>
<b>Residential Real Estate</b>	51,897	64.8
<b>Commercial</b>	21,078	26.3
<b>Agricultural</b>	5,309	6.6
<b>Consumer</b>	1,851	2.3
<b>Other</b>	17	0.0
<b>Gross Loans</b>	<b>80,152</b>	<b>100.0</b>

The bank has no financial or legal impediments that prevent it from fulfilling its responsibilities under the CRA. In addition, the bank received a Satisfactory rating at the previous CRA evaluation conducted by the Federal Reserve Bank of Kansas City (Reserve Bank) as of August 29, 2011.

**DESCRIPTION OF THE BANK'S ASSESSMENT AREA**

The bank's AA is composed of three of the four counties located in the Albuquerque MSA, including Bernalillo, Tarrant, and Valencia Counties. Based on 2010 U.S. Census Bureau data, the AA consists of 175 census tracts: nine low-, 52 moderate-, 61 middle-, and 53 upper-income census tracts. There are no distressed or underserved tracts. In addition, the bank has not changed its AA designation since the previous evaluation. The overall distribution of tracts by income level is shown in Table 2.

*Population Trends and Characteristics*

The 2000 Census data reflects that the AA's population was 639,741. Based on the U.S. Census Bureau's 2010 population estimates, the AA now contains a population of 755,516, which constitutes approximately 18.1 percent growth in the area's population. Within the AA, the largest population growth of 105,886 (representing a 19.0 percent growth rate) occurred in Bernalillo County; followed by Valencia County, which grew by 10,417 for a growth rate of 15.7 percent since 2000. Comparatively, Tarrant County has a population of 16,383, showing a decrease in population of 3.1 percent since 2000.

*Income Characteristics*

According to 2014 FFIEC data, the AA is home to approximately 182,778 families, of which 41.1 percent are designated as low- and moderate-income (LMI) families. This is comparable to the percentage of LMI families residing in the entire MSA (40.0 percent) and the state of New Mexico (41.1 percent). The 2014 estimated median family income (MFI) for the AA equaled \$57,870, which was 10.1 percent higher than the state of New Mexico (\$52,565) but lower than the MSA (\$59,381). Since 2000, the MFI estimates have grown by 28.1 percent in the AA, 29.8 percent within the MSA, and 33.3 percent within the state of New Mexico. In addition, the percentage of families in the AA living below the poverty level was 12.2 percent,

which is consistent with the poverty rate for the MSA and the state of New Mexico (11.6 percent and 13.9 percent, respectively). The percentage of families in the AA living below the poverty level has increased by 27.8 percent since 2000, consistent with the MSA (27.7 percent) and above the state of New Mexico (1.5 percent).

### *Housing Characteristics*

According to 2014 FFIEC's Census data estimates, the AA holds 291,849 households, in which the median housing value is \$180,183. While this average is comparable to the median housing value for the MSA (\$180,825), the value is higher than the state of New Mexico average (\$158,400). In addition, according to the 2010 Census data, the number of households in the AA has increased by 16.9 percent, 19.8 percent in the MSA, and 11.5 percent for the state of New Mexico since 2000. The percentage of owner-occupied units in the AA (60.9 percent) is also comparable to the MSA and state averages (62.5 percent and 59.3 percent, respectively). However, the bank's AA contained a larger stock of rental units at 31.0 percent, which was comparable to the MSA (29.0 percent), while above statewide percentages (25.8 percent). The area's housing affordability ratio<sup>1</sup> of 25.9 percent is below the MSA (26.6 percent) and the state of New Mexico (27.7 percent), indicating less affordable housing in the AA.

Of the three counties within the AA, Tarrant County had the highest percent of vacant units at 24.4 percent. The vacancy rate for this county was also much higher than the MSA (8.4 percent) and the state of New Mexico (14.8 percent), which indicates there may be housing deterioration in some areas of Tarrant County. The median age of housing stock in the AA is 32 years, which is slightly older than the housing stock within the MSA at 27 years and the state of New Mexico at 29 years. A community contact indicated that the housing market within the AA has continued to experience a high inventory of available homes with limited demand for home purchases. Housing in the area may also be less energy-efficient and may require remodeling or replacement, indicating a higher need for home improvement loans.

### *Economic and Employment Characteristics*

The AA contains a diverse employment sector heavily influenced by educational services, health care, management and professional trades, and retail trades. In addition, there is a thriving farming industry in the rural areas, which includes hay, chili pepper, peanut, cotton, and onion production as well as livestock involving cattle and sheep. A community contact indicated the small business market in the Albuquerque MSA was somewhat isolated from the weaker economic conditions seen in other parts of the country; however, there is an increase in the number of small business owners having difficulty in accessing credit opportunities with larger national banks.

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<sup>1</sup> Affordability ratios are calculated using median household income divided by median housing value. The higher the rate, the more affordable the housing stock.

In addition, the labor force (civilians and armed forces) in the AA represents 65.1 percent of total persons 16 or older, which is comparable to the labor forces in the MSA and state of New Mexico (65.1 percent and 61.9 percent, respectively). The unemployment rate in both the AA and MSA increased from 5.8 percent to 6.6 percent between 2000 and 2010, while the state of New Mexico unemployment remained virtually unchanged over the same time period at 7.2 percent. Of the three counties within the AA, Torrance County holds the highest unemployment rate at 11.1 percent, which is also above the statewide (7.1 percent) and MSA (6.6 percent) rates.

Table 2 summarizes AA characteristics, based on the 2010 Census data.

**TABLE 2  
2014 MYBANK ASSESSMENT AREA DEMOGRAPHICS**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	9	5.1	6,839	3.7	2,254	33.0	42,309	23.1
Moderate	52	29.7	59,202	32.4	11,838	20.0	32,843	18.0
Middle	61	34.9	62,383	34.1	6,024	9.7	34,693	19.0
Upper	53	30.3	54,354	29.7	2,251	4.1	72,933	39.9
<b>Total AA</b>	<b>175</b>	<b>100.0</b>	<b>182,778</b>	<b>100.0</b>	<b>22,367</b>	<b>12.2</b>	<b>182,778</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	17,614	4,489	2.3	25.5	10,853	61.6	2,272	12.9
Moderate	104,530	57,683	29.8	55.2	37,085	35.5	9,762	9.3
Middle	109,199	68,137	35.2	62.4	32,799	30.0	8,263	7.6
Upper	86,100	63,154	32.6	73.3	17,649	20.5	2,297	6.2
<b>Total AA</b>	<b>317,443</b>	<b>193,463</b>	<b>100.0</b>	<b>60.9</b>	<b>98,386</b>	<b>31.0</b>	<b>25,594</b>	<b>8.1</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 MM		Over \$1 MM		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	2,445	7.0	1,977	6.3	375	15.8	93	8.5
Moderate	9,879	28.2	8,572	27.2	939	39.6	368	33.5
Middle	11,963	34.2	10,978	34.8	640	27.0	345	31.4
Upper	10,697	30.6	9,988	31.7	415	17.5	294	26.7
<b>Total AA</b>	<b>34,984</b>	<b>100.0</b>	<b>31,515</b>	<b>100.0</b>	<b>2,369</b>	<b>100.0</b>	<b>1,100</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>90.1</b>		<b>6.8</b>		<b>3.1</b>
Based on 2010 American Community Survey (ACS) five-year estimate data, 2014 FFIEC's Census tract designations, and 2014 Dun & Bradstreet (D&B) data. (NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)								

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank's record of meeting the credit needs of its AA is considered Satisfactory based on an assessment of its 16-quarter NLTD ratio, the level of lending within the AA, the geographic distribution of lending based on the income level of census tracts, and the distribution of lending to LMI borrowers of different income sizes and businesses of different revenue sizes. Information utilized for the analysis included the bank's performance data, area demographic information, and input obtained from members of the local community.

**Net Loan-to-Deposit Ratio**

The bank's 16-quarter NLTD ratio was calculated and compared to a sample of local competitors to determine the reasonableness of lending. Performance was evaluated relative to the bank's size and financial condition, economic and demographic characteristics, and

credit needs within the AA.

As of June 30, 2015, the bank's 16-quarter average NLTD ratio was 56.4 percent, which is considered reasonable. The bank's NLTD ratio fell within the middle of selected competitors with similar asset sizes and loan portfolio compositions, whose average NLTD ratio ranged between 21.4 percent and 90.5 percent. Discussions with bank management indicated the institution has a strong deposit base due to long-term customer relationships and that the bank maintains a conservative lending strategy.

**Assessment Area Concentration**

This performance criterion evaluates the institution's overall lending by comparing the concentrations of credit extended inside and outside the AA.

As shown in Table 3, a substantial majority of the bank's loans were originated within the bank's AA. The total number and dollar volume of loans generated in the AA reflect favorably at 90.7 percent by number and 94.5 percent by dollar volume, respectively, indicating the bank is actively serving the credit needs of its AA. By the products reviewed, 92.2 percent and 97.2 percent of HMDA-related loans, by number and dollar volume, respectively, were originated by the bank within the AA. In addition, 88.0 percent and 90.7 percent, by number and dollar volume, respectively, were originated by the bank within the AA for small business loans.

Bank Loans	Inside				Outside			
	#	\$(000)	#%	\$%	#	\$(000)	#%	\$%
Home Purchase	27	1,845	87.1	92.9	4	141	12.9	7.1
Home Improvement	39	953	97.5	99.7	1	3	2.5	0.3
Refinancing	6	1,106	75.0	83.2	2	223	25.0	16.8
Multifamily Housing	11	8,692	100.0	100.0	0	0	0.0	0.0
<b>Total HMDA-Loans</b>	<b>83</b>	<b>12,596</b>	<b>92.2</b>	<b>97.2</b>	<b>7</b>	<b>367</b>	<b>7.8</b>	<b>2.8</b>
Small Business Loans	44	8,180	88.0	90.7	6	843	12.0	9.3
<b>Total Loans</b>	<b>127</b>	<b>20,776</b>	<b>90.7</b>	<b>94.5</b>	<b>13</b>	<b>1,210</b>	<b>9.3</b>	<b>5.5</b>

**Distribution by Income Level of Geographies**

This core performance criterion evaluates the bank's distribution of loans among geographies (census tracts) of various income levels, with emphasis placed on lending in the LMI tracts. The distribution of the HMDA-related loans was compared to the percentage of owner-occupied housing units in the AA while the bank's small business loan distribution was compared to the percentage of businesses located in the various geographic income categories.

The overall geographic distribution of HMDA-related loans reflected a more than reasonable and small business loans reflected a reasonable penetration among the geographies, as summarized in Table 4. Please see Appendix A for more information.

### Residential Real Estate Loans

#### *Overall Home Mortgage Disclosure Act-reportable lending*

Based on the demographics of the area, the bank's level of HMDA-related lending in LMI tracts was considered more than reasonable. In 2014, the bank did not originate any HMDA loans within the AA to low-income census tracts; however, the bank generated 53.3 percent of its loans by number (33.8 percent by dollar) within the moderate-income tracts. Lending compared favorably to the 29.8 percent of reported owner-occupied housing units within these areas of the AA. The bank's lending in moderate-income tracts also compared favorably to aggregate lenders (22.4 percent by number and 16.3 percent by dollar). While the bank did not originate any loans in low-income tracts, the percentage of owner-occupied units reported in these areas was limited at 2.3 percent. In addition, the demand for home mortgage loans in these areas may be limited as aggregate lenders only captured 2.4 percent by number (1.9 percent by dollar) of loans in low-income tracts.

In 2013, the bank's HMDA-lending data was similar, originating zero loans in low-income tracts and 57.9 percent by number (55.3 percent by dollar) in moderate-income tracts. This exceeded the percent of owner-occupied units (29.8 percent) as reported within these areas and also compared favorably to aggregate lenders. A further evaluation detailed below will concentrate on the bank's major HMDA-reportable products, home purchase and home improvement lending.

#### *Home Purchase Loans*

When evaluating by individual product, the bank originated 50.0 percent by number (41.4 percent by dollar) of home purchases in moderate-income tracts. The bank outperformed aggregate lenders who originated 20.6 percent by number (14.4 percent by dollar) of loans in moderate-income tracts. Lending was also above the percentage of owner-occupied housing in these areas. Comparatively, the bank originated 50.0 percent by number (58.6 percent by dollar) in middle-income census tracts, and zero loans in upper-income tracts. The bank performed above aggregate lenders and the percentage of owner-occupied units in the middle-income tracts. Lending performance is considered more than reasonable based on the proximity of the bank branch locations, which are primarily situated in moderate- and middle-income tracts, as well as the degree of competition in the area. A community contact also indicated the AA continues to experience a high inventory of available homes and little demand for home purchases.

In 2013, lending performance was similar. The bank's home purchase lending in moderate-income areas was above aggregate lenders and the percentage of owner-occupied housing in these areas at 53.8 percent by dollar volume and 45.4 percent by loan volume, respectively. The majority of owner-occupied housing by tract is concentrated within the AA's moderate-

middle-, and upper-income tracts (29.8 percent, 35.2 percent, and 32.6 percent by number, respectively).

*Home Improvement Loans*

The bank did not report any home improvement loans within the low-income census tracts in 2014. As stated previously, the level of competition in the AA and limited volume of owner-occupied housing in these areas may be a contributing factor. However, 60.9 percent of home improvement loans by number (35.8 percent by dollar) were originated in moderate-income tracts in the AA, which was above aggregate lenders who originated 24.8 percent by number (17.8 percent by dollar) of loans in these tracts. In addition, lending was above the percent of owner-occupied units in these areas. Comparatively, performance in middle-income tracts (30.4 percent by number and 15.8 percent by dollar) was below aggregate lenders but comparable to the percentage of owner-occupied units (35.2 percent) in these areas. Lending in upper-income tracts was also below aggregate lenders and demographic figures at 8.7 percent by number, but more comparable to aggregate lenders by dollar volume (48.4 percent). As result, the distribution of home improvement lending was also considered reasonable.

In 2013, performance was similar as the bank's lending in moderate-income tracts was above aggregate lenders and the percentage of owner-occupied housing in these areas. This is consistent with AA demographics. The bank effectively penetrated moderate- and middle-income areas where a higher percent of owner-occupied housing exists.

**TABLE 4  
DISTRIBUTION OF 2014 HOME MORTGAGE DISCLOSURE ACT LOANS  
BY INCOME LEVEL OF GEOGRAPHY  
MYBANK ASSESSMENT AREA**

Census Tract Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Owner Occupied Units <sup>2</sup>
	#	\$(000)	#%	\$%	#%	\$%	
<b>Total Home Mortgage Loans</b>							
Low	0	0	0.0	0.0	2.4	1.9	2.3
Moderate	24	2,625	53.3	33.8	22.4	16.3	29.8
Middle	18	3,617	40.0	46.5	36.7	32.3	35.2
Upper	3	1,533	6.7	19.7	38.5	49.6	32.6
<b>Total</b>	<b>45</b>	<b>7,775</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	2.3	1.5	2.3
Moderate	7	370	50.0	41.4	20.6	14.4	29.8
Middle	7	523	50.0	58.6	36.5	32.0	35.2
Upper	0	0	0.0	0.0	40.6	52.0	32.6
<b>Total</b>	<b>14</b>	<b>893</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Refinance Loans</b>							
Low	0	0	0.0	0.0	2.6	1.8	2.3
Moderate	0	0	0.0	0.0	24.2	17.9	29.8
Middle	2	60	100.0	100.0	36.5	33.3	35.2
Upper	0	0	0.0	0.0	36.7	47.0	32.6
<b>Total</b>	<b>2</b>	<b>60</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	2.0	1.6	2.3
Moderate	14	246	60.9	35.8	24.8	17.8	29.8
Middle	7	109	30.4	15.8	40.4	36.7	35.2
Upper	2	333	8.7	48.4	32.9	43.8	32.6
<b>Total</b>	<b>23</b>	<b>688</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Multifamily Loans</b>							<b>% of Multifamily Units<sup>2</sup></b>
Low	0	0	0.0	0.0	19.2	7.9	13.8
Moderate	3	2,009	50.0	32.8	34.6	25.1	34.9
Middle	2	2,925	33.3	47.7	32.7	23.8	33.6
Upper	1	1,200	16.7	19.6	13.5	43.2	17.8
<b>Total</b>	<b>6</b>	<b>6,134</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.

<sup>2</sup> The percentage of owner-occupied housing and multifamily units by tract are based on 2014 Census tract boundaries and 2010 ACS data.

(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Small Business Lending

The geographic distribution of small business loans is reasonable. In 2014, as shown in Table 5, the bank originated no loans in the low-income tracts, which was below the percentage of businesses (7.0 percent) in these areas. However, the bank originated 31.8 percent of loans by number and 24.1 percent by dollar of small business loans in moderate-income tracts, which compared favorably to AA demographics of 28.2 percent of businesses operating in these areas. In addition, the bank's lending in middle-income tracts exceeded the percentage of businesses in these areas by number and dollar volume, while lending in upper-income geographies was below demographic figures. A community contact indicated banks within the AA are invested in and competing to meet the credit needs for small businesses in LMI areas.

**TABLE 5  
2014 DISTRIBUTION BY INCOME LEVELS OF GEOGRAPHY  
MYBANK ASSESSMENT AREA**

Census Tract Income Level	Small Business Loans				% of Businesses <sup>1</sup>
	#	\$(000)	#%	\$%	
Low	0	0	0.0	0.0	7.0
Moderate	14	1,971	31.8	24.1	28.2
Middle	19	2,706	43.2	33.1	34.2
Upper	11	3,503	25.0	42.8	30.6
<b>Total</b>	<b>44</b>	<b>8,180</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Based on 2014 D&B data.  
(Note: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

**Distribution by Borrower Income and Revenue Size of Businesses**

This performance criterion evaluates the bank's level of lending to businesses of different revenue sizes, including those with gross annual revenues of \$1MM or less as well as borrowers of different income levels.

Overall, the bank's distribution of small business and HMDA-reportable loans is considered reasonable. For additional performance context, small business lending was compared to the percentage of businesses operating in the AA with gross annual revenues of \$1MM or less, while HMDA-reportable lending was compared to the percentage of LMI families residing in the AA as well as the lending distribution by aggregate lenders.

Residential Real Estate Loans

*Overall Home Mortgage Disclosure Act-Reportable Lending*

Based on the demographics of the area, the bank's level of HMDA-related lending to LMI borrowers was considered reasonable. In 2014, the bank originated a total of 20.0 percent by number (1.3 percent by dollar) of its loans to low-income borrowers, which was above aggregate lenders by number (5.8 percent) and below aggregate lenders by dollar (3.0 percent). The bank's lending distribution to low-income borrowers by number was also

consistent with the percentage of low-income families (23.1 percent) residing in the AA. In addition, the bank originated 11.1 percent by number and 1.7 percent by dollar to moderate-income borrowers, which was below aggregate lenders by both number (15.9 percent) and dollar (10.5 percent). Lending by number was also slightly below the percentage of moderate-income families (18.0 percent) within in the AA. In comparison, lending to middle-income borrowers was above aggregate lenders and the percentage of families in these areas, while lending to upper-income borrowers was below both aggregate and demographic figures.

In 2013, total lending performance was similar, with the bank originating 18.4 percent by number and 2.4 percent by dollar of loans to low-income borrowers. This was above aggregate lenders by number (7.9 percent) and more comparable by dollar (3.9 percent). In comparison, lending to moderate-income borrowers (26.3 percent by number and 5.4 percent by dollar) was above the performance of aggregate lenders by number (17.0 percent) but below by dollar (10.4 percent). Lending was also fairly consistent with the percentage of LMI families residing in the AA. Similar to the geographic distribution analysis above, the borrower distribution by individual product also was evaluated and includes a review of the bank's home purchase and home improvement lending.

#### *Home Purchase Loans*

For home purchase loans, the bank originated no loans to low-income borrowers, which was below aggregate lenders (5.2 percent by number and 2.6 percent by dollar) in 2014. Lending was also below AA demographics or the percent of low-income families residing in the AA (23.1 percent). Competition may contribute to the bank's performance in these areas. In addition, the bank originated 21.4 percent by number (13.2 percent by dollar) to moderate-income borrowers, which was above aggregate lenders (18.1 percent by number and 12.1 percent by dollar) as well as the percentage of moderate-income families residing in the AA (18.0 percent). In comparison, the bank originated the majority of its home purchase loans to middle- and upper-income borrowers, slightly exceeding both aggregate lenders and the percentage of families in these areas.

While the bank originated lower levels of home purchase loans to low-income borrowers, performance is considered reasonable based on total home mortgage lending and AA demographics. A community contact indicated unemployment is still high, and the local economy has not been as strong with a high inventory of available homes and little demand for home purchase and home improvement funding. Housing needs are typically met with assistance from federal loan programs such as Fair Housing Act (FHA), U.S. Department of Housing and Urban Development, and U.S. Department of Agriculture as well as state programs such as the New Mexico Mortgage Finance Authority.

In 2013, home purchase lending performance was similar. The bank originated no home purchase loans to low-income families and a higher percentage of loans to moderate-income borrowers by both number (38.5 percent) and dollar volume (22.1 percent), which was above aggregate lenders and the percent of moderate-income families in the area. In comparison, lending to middle- and upper-income borrowers was consistent with or above the performance of aggregate lenders and the percentage of families in these areas.

*Home Improvement Loans*

For home improvement loans, the bank originated a higher number of loans to low-income borrowers than to moderate-income borrowers in 2014. Specifically, the bank originated 39.1 percent by number (14.8 percent by dollar) of loans to low-income borrowers, which was above aggregate lenders and above the percentage of low-income families in these areas (by number). In contrast, the bank originated 8.7 percent by number (1.7 percent by dollar) of loans to moderate-income borrowers, which was below aggregate lenders and the percentage of families in these areas. Although lending to moderate-income borrowers was lower, the bank's lending to LMI overall is still considered reasonable. In comparison, the bank originated 34.8 percent by number (19.0 percent by dollar) to middle-income borrowers, which was above aggregate lenders by number (22.5 percent) and consistent with aggregate lenders by dollar (19.7 percent), while exceeding the percentage of middle-income families (19.0 percent) residing in the AA. The percentage of loans by number to upper-income borrowers trailed aggregate lenders and percentage of upper-income families in the AA.

In 2013, lending was similar as the bank originated a majority of home improvement loans to LMI borrowers: 43.8 percent by number and 44.5 percent by dollar to low-income borrowers and 31.3 percent by number and 19.6 percent by dollar to borrowers of moderate income. This exceeded aggregate lenders and the percentage of families in these respective income categories by both number and dollar amount of loans. A community contact stated financial institutions have been diligent in meeting the lending needs within the community in these areas.

**TABLE 6  
DISTRIBUTION OF 2014 HOME MORTGAGE DISCLOSURE ACT LOANS  
BY BORROWER INCOME LEVELS  
MYBANK ASSESSMENT AREA**

Census Tract Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Families <sup>2</sup>
	#	\$(000)	#%	\$%	#%	\$%	
<b>Total Home Mortgage Loans<sup>3</sup></b>							
Low	9	102	20.0	1.3	5.8	3.0	23.1
Moderate	5	130	11.1	1.7	15.9	10.5	18.0
Middle	14	487	31.1	6.3	19.9	16.5	19.0
Upper	10	815	22.2	10.5	40.6	48.7	39.9
Unknown	7	6,241	15.6	80.3	17.8	21.3	0.0
<b>Total</b>	<b>45</b>	<b>7,775</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	5.2	2.6	23.1
Moderate	3	118	21.4	13.2	18.1	12.1	18.0
Middle	4	296	28.6	33.1	21.1	18.4	19.0
Upper	6	372	42.9	41.7	40.8	52.3	39.9
Unknown	1	107	7.1	12.0	14.8	14.6	0.0
<b>Total</b>	<b>14</b>	<b>893</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Refinanced Loans</b>							
Low	0	0	0.0	0.0	6.2	3.7	23.1
Moderate	0	0	0.0	0.0	13.1	9.3	18.0
Middle	2	60	100.0	100.0	18.2	15.5	19.0
Upper	0	0	0.0	0.0	39.8	48.6	39.9
Unknown	0	0	0.0	0.0	22.7	22.9	0.0
<b>Total</b>	<b>2</b>	<b>60</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>							
Low	9	102	39.1	14.8	9.8	4.2	23.1
Moderate	2	12	8.7	1.7	16.4	12.3	18.0
Middle	8	131	34.8	19.0	22.5	19.7	19.0
Upper	4	443	17.4	64.4	46.8	55.1	39.9
Unknown	0	0	0.0	0.0	4.6	8.8	0.0
<b>Total</b>	<b>23</b>	<b>688</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<sup>1</sup> Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers. <sup>2</sup> Based on 2010 ACS five-year estimate data and 2014 FFIEC's Census tract designations. <sup>3</sup> Multifamily loans are not considered in the Borrower Analysis. (NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)							

Small Business Loans

Small business lending reflects reasonable penetration among businesses of different revenue sizes. In 2014, as shown in Table 7, the bank originated 100.0 percent by number and 100.0 percent by dollar of its loans to businesses with annual revenues of \$1MM or less. The bank's performance was above AA demographics, as approximately 90.1 percent of businesses operating in the AA have annual gross revenues of \$1MM or less.

**TABLE 7  
DISTRIBUTION BY INCOME LEVEL OF BORROWER AND  
REVENUE SIZE OF BUSINESSES  
MYBANK ASSESSMENT AREA**

Business Revenue	Business Loans				% of Businesses by Revenue <sup>1</sup>
	#	\$(000)	#%	\$%	
<b>\$1MM or Less</b>	44	8,180	100.0	100.0	90.1
<b>Over \$1MM</b>	0	0	0.0	0.0	6.8
<b>Income Not Known</b>	0	0	0.0	0.0	3.1
<b>Total</b>	<b>44</b>	<b>8,180</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Based on 2014 D&B data.  
(Note: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

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

An evaluation of the bank's fair lending activities was conducted during the examination to determine compliance with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the FHA. A review of the bank's policies and procedures, credit applications, loan denials, and staff interviews concluded no prohibited practices designed to discourage loan applicants. Furthermore, the bank has not engaged in any illegal credit practices inconsistent with helping to meet the community's credit needs.

**Appendix A**

**TABLE A-1  
DISTRIBUTION OF 2013 HOME MORTGAGE DISCLOSURE ACT LOANS  
BY INCOME LEVEL OF GEOGRAPHY  
MYBANK ASSESSMENT AREA**

Census Tract Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Owner Occupied Units <sup>2</sup>
	#	\$(000)	#%	\$%	#%	\$%	
<b>Total Home Mortgage Loans</b>							
Low	0	0	0.0	0.0	2.3	1.9	2.3
Moderate	22	2,665	57.9	55.3	20.7	17.1	29.8
Middle	14	2,059	36.8	42.7	36.3	36.3	35.2
Upper	2	97	5.3	2.0	40.7	44.6	32.6
<b>Total</b>	<b>38</b>	<b>4,821</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	2.3	1.4	2.3
Moderate	7	432	53.8	45.4	20.7	14.0	29.8
Middle	6	520	46.2	54.6	34.8	31.1	35.2
Upper	0	0	0.0	0.0	42.2	53.5	32.6
<b>Total</b>	<b>13</b>	<b>952</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Refinance Loans</b>							
Low	0	0	0.0	0.0	2.3	1.2	2.3
Moderate	3	551	75.0	52.7	20.5	18.5	29.8
Middle	1	495	25.0	47.3	37.1	39.0	35.2
Upper	0	0	0.0	0.0	40.2	41.3	32.6
<b>Total</b>	<b>4</b>	<b>1,046</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	1.7	1.3	2.3
Moderate	8	124	50.0	46.8	23.6	17.4	29.8
Middle	6	44	37.5	16.6	37.5	33.8	35.2
Upper	2	97	12.5	36.6	37.2	47.5	32.6
<b>Total</b>	<b>16</b>	<b>265</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Multifamily Loans</b>							% of Multifamily Units <sup>2</sup>
Low	0	0	0.0	0.0	23.2	28.7	13.8
Moderate	4	1,558	80.0	60.9	39.1	22.9	34.9
Middle	1	1,000	20.0	39.1	26.1	31.1	33.6
Upper	0	0	0.0	0.0	11.6	17.2	17.8
<b>Total</b>	<b>5</b>	<b>2,558</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.

<sup>2</sup> The percentage of owner-occupied housing and multifamily units by tract are based on 2010 Census tract boundaries and 2010 ACS data.

(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

**TABLE A-2  
DISTRIBUTION OF 2013 HOME MORTGAGE DISCLOSURE ACT LOANS  
BY BORROWER INCOME LEVELS  
MYBANK ASSESSMENT AREA**

Census Tract Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Families <sup>2</sup>
	#	\$(000)	#%	\$%	#%	\$%	
<b>Total Home Mortgage Loans<sup>3</sup></b>							
Low	7	118	18.4	2.4	7.9	3.9	23.1
Moderate	10	262	26.3	5.4	17.0	10.4	18.0
Middle	6	703	15.8	14.6	20.1	15.0	19.0
Upper	10	1,180	26.3	24.5	37.6	38.7	39.9
Unknown	5	2,558	13.2	53.1	17.4	32.0	0.0
<b>Total</b>	<b>38</b>	<b>4,821</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	8.8	4.7	23.1
Moderate	5	210	38.5	22.1	20.9	15.2	18.0
Middle	4	240	30.8	25.2	21.5	20.1	19.0
Upper	4	502	30.8	52.7	36.9	48.5	39.9
Unknown	0	0	0.0	0.0	12.0	11.5	0.0
<b>Total</b>	<b>13</b>	<b>952</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Refinanced Loans</b>							
Low	0	0	0.0	0.0	7.4	3.6	23.1
Moderate	0	0	0.0	0.0	14.7	8.5	18.0
Middle	2	463	50.0	44.3	19.1	12.9	19.0
Upper	2	583	50.0	55.7	37.9	35.1	39.9
Unknown	0	0	0.0	0.0	20.9	39.9	0.0
<b>Total</b>	<b>4</b>	<b>1,046</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>							
Low	7	118	43.8	44.5	9.9	6.0	23.1
Moderate	5	52	31.3	19.6	20.2	12.6	18.0
Middle	0	0	0.0	0.0	23.7	21.5	19.0
Upper	4	95	25.0	35.8	42.8	53.2	39.9
Unknown	0	0	0.0	0.0	3.4	6.7	0.0
<b>Total</b>	<b>16</b>	<b>265</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.

<sup>2</sup> Based on 2010 ACS five-year estimate data and 2010 FFIEC's Census tract designations.

<sup>3</sup> Multifamily loans are not considered in the Borrower Analysis.

(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)