



## **PUBLIC DISCLOSURE**

JANUARY 05, 2015

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

**PEOPLES BANK  
RSSD# 177957**

**4831 WEST 6TH STREET  
LAWRENCE, KANSAS 66049**

**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 RATING

### INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING:

*This Institution is rated:*

*The Lending Test is rated:*

*The Community Development Test is rated:*

***Needs to Improve***  
***Satisfactory***  
***Satisfactory***

Major factors supporting the institution's rating include:

Peoples Bank's (the bank) initial Satisfactory Community Reinvestment Act (CRA) rating, based on its lending and community development (CD) performance, has been lowered to Needs to Improve based on identified substantive violations of Section 5(a) of the Federal Trade Commission (FTC) Act involving unfair and deceptive practices. Absent these practices, the bank's overall CRA performance was satisfactory.

#### **Lending Test:**

- The bank's average net loan-to-deposit (NLTD) ratio reflects a more than reasonable effort to extend credit given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans are originated outside the bank's AAs given the bank's national mortgage lending strategy.
- The geographic distribution of loans reflects reasonable dispersions of lending throughout the bank's AAs.
- The borrower distribution reflects an excellent penetration to individuals of different income levels and businesses of different revenue sizes throughout the bank's AA.

#### **Community Development Test:**

- The bank's qualified CD loans, qualified investments, and CD services demonstrates an adequate level of responsiveness to the CD needs throughout its AAs.

## DESCRIPTION OF INSTITUTION

The bank is a \$425.3 million full-service interstate financial institution that is a wholly owned subsidiary of Peoples, Inc., a bank holding company, which is owned by the Winter Trust of 12/3/74. All three entities are headquartered in Lawrence, Kansas. The bank also owns two subsidiaries: Peoples Bank Home Loans, LLC (PHL), a loan production office (LPO) that opened in September 2013 and originates mortgage loans under the name of the bank, and

Interbank 1, LLC, that provides all hardware and software support for the bank.

The bank offers a wide variety of commercial and retail products and services with a primary emphasis on secondary market mortgage lending and commercial real estate. The bank operates out of 13 core retail branch offices with 7 locations in Kansas and 6 locations in Albuquerque, New Mexico. The bank also has two deposit production offices (DPO), one in Lawrence, Kansas, and the other in Questa, New Mexico. Each location in Kansas and three of the seven locations in New Mexico offer access to automated teller machines (ATMs).

The majority of the bank's mortgage operations are nationwide, with 26 LPOs located in the states of California, Florida, Indiana, Kansas, Maryland, Michigan, Minnesota, Missouri, New Jersey, New Mexico, Ohio, and Pennsylvania. PHL currently originates mortgage loans in every state with reported loan volume of \$2.0 billion in 2012 and \$1.3 billion in 2013. The bank's secondary market residential real estate operations include both traditional retail methods and direct-to-consumer (DTC) channels through the Internet. The bank also purchases mortgage leads through numerous Internet-based lead aggregators (e.g., Lending Tree) using specific criteria.

Table 1 shows the breakdown of loans per the September 30, 2014 Consolidated Reports of Condition and Income (Call Report). Secondary market mortgage loans are generally sold within 45 days of origination; therefore, the bank's Call Report data does not include the majority of secondary market mortgage loans originated.

Loan Type	Amount \$(000)	Percent of Total
Commercial	169,377	51.3
Residential Real Estate	147,066	44.5
Agricultural	11,042	3.4
Consumer	2,578	0.8
Other	130	<0.1
<b>Gross Loans</b>	<b>330,193</b>	<b>100.0</b>

Based on the bank's asset size, product offerings, and financial condition, it has the ability to meet the credit needs of its AAs. No financial or legal impediments exist that would negatively impact the institution's ability to meet the credit needs of its AAs. The bank received a Satisfactory rating at the previous CRA evaluation performed by the Federal Reserve Bank of Kansas City (Reserve Bank) as of August 6, 2012.

### SCOPE OF EXAMINATION

The bank's CRA performance was reviewed using the lending and CD tests as defined under

the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Intermediate Small Institutions*. For the lending test, the following four performance criteria were relevant to this review:

- Average NLTD Ratio
- Lending Inside the AA
- Distribution of Lending by Income Level of Geographies
- Distribution of Lending to Borrowers of Different Income Levels and to Businesses of Different Revenue Sizes

A fifth performance criterion was not relevant to this analysis because the bank had not received any complaints about its CRA performance during the evaluation period.

Conclusions regarding the lending test criteria were based on a review of the bank's major product lines. These were determined through discussions with bank management, a review of the bank's June 30, 2014 Call Report, and a review of all outstanding loan originations since the prior CRA examination. The bank's primary lending focus is on commercial and residential real estate lending, including both in-house and secondary market mortgage products. Mortgage products were selected from the bank's 2012 and 2013 Home Mortgage Disclosure Act (HMDA) Loan/Application Register (LAR), which included a total of 14,266 home purchase, home refinance, home improvement, and multifamily loans. Loan originations from the bank's affiliated company, PHL, were also captured on the bank's HMDA LAR and were included in the analysis. For commercial loans, a universe of 123 small business loans originated between January 1, 2013 and December 31, 2013, were selected for the analysis. The greatest emphasis on the bank's lending performance was placed on the bank's residential real estate lending, especially home purchase and home refinance lending, which experienced the most volume. The number of reported loans for home improvement and multifamily loans was insufficient to conduct a meaningful analysis; thus, were given minimal weight in the overall evaluation.

The evaluation period for CD activities was from the prior examination to the current examination, August 6, 2012 through December 31, 2014. The bank's CD activities were compared to the performance of other Intermediate Small Banks (ISBs) in its AAs and the level of CD opportunities in the area, as well as the competition for such activities among local institutions.

For evaluative purposes, the bank's HMDA-related lending was compared to local demographic data using the 2010 American Community Survey (ACS) five-year estimates, while small business lending was compared to Dun & Bradstreet (D&B) demographic data for 2013. The bank's lending for both 2012 and 2013 was also compared to the 2012 and 2013 aggregate data, respectively, that were reported by all HMDA and CRA reporters with loan originations in the bank's AAs. While the bank is not required to report small business data as an intermediate small institution, aggregate data reported by all large bank CRA-filers in the AA was utilized for additional insight into the credit demand of the area.

The geographic distribution analysis was based on the bank's penetration within different geographic income categories, particularly low- and moderate-income (LMI) geographies. Geographies were classified based on appropriate 2010 FFIEC census tract definitions and 2003 Office of Management and Budget Metropolitan Statistical Area (MSA) designations. The borrower distribution analysis was based on the bank's penetration to borrowers of different income categories and to small businesses with gross annual revenues of \$1 million (MM) or less. For the evaluation of borrower characteristics, borrower income levels were calculated using the 2012 and 2013 FFIEC median family income (MFI) listing from the FFIEC for applicable MSA or statewide non-MSA areas.

Under the CRA, a financial institution's performance is evaluated within the context of each delineated AA and within each state in which it operates. Each state is assigned a separate rating, and an overall rating is assigned for the bank. The bank has delineated four separate AAs including two in Kansas and two in New Mexico. Table 2 details the bank's presence in each state and AA by number of offices, loan and deposit volume, and deposit market share as a percentage of all Federal Deposit Insurance Corporation (FDIC)-insured depository institutions. As shown, the state of Kansas accounts for a higher number of branch locations with the majority percentage of loans and deposits; as such, predominant weight in the overall institution's rating and conclusions were placed on the bank's performance within this state. Full-scope reviews were conducted on the Kansas City MSA AA and Albuquerque MSA AA while the remaining AAs in each state received limited-scope reviews. Although the Kansas City MSA is a multistate MSA, the bank does not have a branch on the Missouri side of the MSA, so a separate multistate MSA evaluation was not conducted.

In addition, while conclusions with respect to HMDA lending performance were evaluated for multiple years, only lending tables presenting 2013 loan data will be shown in the body of this report. The bank's 2012 lending data can be reviewed in Appendix B. Additionally, lending tables for those AAs that were examined under a limited review are shown in Appendix C.

TABLE 2 PEOPLES BANK MARKET SHARE BY ASSESSMENT AREA							
Assessment Area	Review Type	# of Offices	Percent of Bank's Lending by Dollar <sup>1</sup>		Percent of Bank's Deposits by Dollar <sup>2</sup>		Percent Market Share <sup>2</sup>
			Bank	State	Bank	State	
<b><u>Kansas</u></b>		7	77.2	100.0	56.0	100.0	
Kansas City MSA AA	Full	5	64.4	82.7	45.5	79.5	2.2
Lawrence MSA AA	Limited	2	12.8	17.3	11.5	20.5	0.4
<b><u>New Mexico</u></b>		6	22.8	100.0	44.0	100.0	
Albuquerque MSA AA	Full	2	15.6	65.9	7.2	16.3	0.2
Taos County AA	Limited	4	7.2	34.1	36.8	83.7	37.0
<sup>1</sup> Based on bank's outstanding loan balances as of October 15, 2014							
<sup>2</sup> Based on June 30, 2014 FDIC's Summary of Deposits							

During the examination, two interviews with members of the communities within the bank's AAs were conducted to ascertain the credit needs of the communities, the responsiveness of area banks to those credit needs, the availability of CD opportunities, and local economic conditions. Eight additional community contacts recently conducted by the Reserve Bank or other regulatory agencies were also referenced. Community contacts represented organizations focused on economic development, small business development, and housing services.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank's overall rating and conclusions were based on its performance in each state and in each individual AA, with the greatest weight placed on the state of Kansas, specifically on the Kansas City MSA. The performance evaluation first discusses the bank's overall performances followed by more in-depth discussions of the bank's record of lending and CD activity in each state and specific AA.

## LENDING TEST

The bank's overall record of meeting its AAs' credit needs through its lending activities is considered satisfactory based on the bank's performance in all of its delineated AAs. The bank's NLTD ratio reflected a more than reasonable effort to extend credit, while the majority of the bank's loans were made outside the bank's AAs. The geographic distribution of HMDA-related and small business loans reflected a reasonable dispersion while the penetration of loans to borrowers of different income levels and to businesses of different revenue sizes was excellent.

**Net Loan-to-Deposit Ratio:**

The bank's NLTD ratio was considered more than reasonable, based on the bank's size, financial condition, the credit needs of the AAs, and in context of NLTD ratios of other local competitors and similarly situated banks. The bank's average NLTD ratio over the most recent eight-quarters ending September 30, 2014, equaled 88.2 percent. This ratio exceeded five of six local peers within the bank's AAs, whose ratios ranged from 53.3 percent to 90.5 percent over the same period. The bank's ratio also compared favorably to the composite average of all ISBs in the Kansas City MSA and Albuquerque MSA, which were 67.9 percent and 59.9 percent, respectively. The bank's NLTD ratio is augmented by the bank's significant volume of secondary market mortgage loans, which are off-balance sheet items and not generally included in the NLTD calculation.

**Assessment Area Concentration:**

As demonstrated in Table 3 below, the bank originated a majority of its loans both by dollar and number of loans outside its delineated AAs. Although the bank's distribution of small business loans clearly indicates a higher percentage inside, the bank's distribution of HMDA-related products are much lower, especially for home refinance loans. This is attributable to the bank's mortgage operations that receive applications nationwide through its LPO network across 12 states and its significant participation in Internet DTC home mortgage lending. These loans are sold to Fannie Mae, Freddie Mac, and other secondary market investors, residing only temporarily on the bank's balance sheet. While funded primarily by the bank's core deposits, there is a constant turnover of loans that produce a multiple effect on the total annual volume.

Moreover, the bank's mortgage presence in its AAs is still strong. In 2013, out of 593 HMDA reporters in the Kansas City market, the bank ranked 9<sup>th</sup> out of 201 reporters in the Lawrence MSA and 42<sup>nd</sup> out of 309 reporters in the Albuquerque MSA. Despite the low volume of loans inside the bank's AAs, the impact on the conclusion was tempered given the bank's business strategy and because there was a sufficient volume of home purchase and refinanced loans to provide a meaningful geographic and borrower analysis in each of the bank's AAs.

Bank Loans	Inside				Outside			
	#	\$(000)	#%	\$%	#	\$(000)	#%	\$%
Home Purchase	2,213	355,110	60.6	51.9	1,436	329,063	39.4	48.1
Refinancings	1,725	337,253	16.4	13.7	8,790	2,116,358	83.6	86.3
Home Improvement	74	4,585	83.1	66.5	15	2,308	16.9	33.5
Multifamily	12	6,306	92.3	66.5	1	1,080	7.7	14.6
<b>Total HMDA-related</b>	<b>4,024</b>	<b>703,254</b>	<b>28.2</b>	<b>22.3</b>	<b>10,242</b>	<b>2,448,809</b>	<b>71.8</b>	<b>77.7</b>
<b>Small Business</b>	<b>113</b>	<b>17,230</b>	<b>91.9</b>	<b>89.7</b>	<b>10</b>	<b>1,981</b>	<b>8.1</b>	<b>10.3</b>



Only loans within the bank's AAs are considered for the remaining loan distribution tests discussed within this performance evaluation.

**Geographic and Borrower Distribution:**

The geographic distribution of HMDA-related and small business loans reflected a reasonable dispersion of loans overall. Throughout each AA, each product had a reasonable dispersion except for small business loans originated in the KC MSA AA, which had an excellent dispersion.

The distribution of HMDA-related loans and small business loans by borrower characteristics revealed an overall excellent penetration. HMDA-related loans originated to borrowers of different income levels in the Kansas City MSA reflected an excellent dispersion, while the distribution of loans in the other AAs was reasonable. The level of lending to businesses of different revenue sizes was considered reasonable in both AAs in Kansas, but excellent in the two AAs in New Mexico.

The bank's performance within each state and AA are weighted according to relative loan and deposit volumes within each area as well as relative materiality of each lending product. A detailed analysis of the geographic distribution and borrower income distribution is provided with the analysis of each AA below.

**COMMUNITY DEVELOPMENT TEST**

The bank's performance under the CD test is satisfactory. Overall, the volume of CD loans, qualified investments, and CD services demonstrated an adequate responsiveness to CD needs of the bank's AAs, considering the bank's capacity and the needs and availability of such CD opportunities in its AAs. Table 4 illustrates the number and dollar volume of CD activities initiated by the bank since the last CRA evaluation.

Economic conditions have improved and opportunities for participation are available throughout the bank's AAs; however, the bank's level of CD activities has trended downward over the last two examinations. Furthermore, the bank did not have any investments and only a few donations. Nevertheless, the bank's performance was compared to other similarly situated banks within its markets, of which a few also had demonstrated weaker results yet were rated Satisfactory. Additional details of the bank's specific CD performance results are presented in the analysis of each state and AA below.

TABLE 4 COMMUNITY DEVELOPMENT ACTIVITIES BANKWIDE									
Purpose	Community Development Loans		Qualified Investments						Community Development Services
			Investments		Donations		Total Investments		
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#
Affordable Housing	0	0	0	0	2	0.7	2	0.7	0
Community Services	3	2,357	0	0	12	10.2	12	10.2	8
Economic Development	2	942	0	0	0	0.0	0	0.0	1
Revitalization and Stabilization	2	1,139	0	0	0	0.0	0	0.0	0
Neighborhood Stabilization	0	0	0	0	0	0.0	0	0.0	0
<b>Totals</b>	<b>7</b>	<b>4,438</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>10.9</b>	<b>14</b>	<b>10.9</b>	<b>9</b>

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

An institution in this group has a poor record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The bank's initial satisfactory CRA rating, based on its lending and community development performance, has been lowered to needs to improve based on identified substantive violations of Section 5(a) of the Federal Trade Commission Act. The bank's policies were insufficient to prevent these violations, and internal assessments did not identify these practices. However, prompt action was taken by the bank to discontinue the practices resulting in the violations. Absent these identified violations, the bank's overall CRA performance was satisfactory.

## STATE OF KANSAS

**COMMUNITY REINVESTMENT ACT RATING FOR KANSAS:** *Satisfactory*

*The Lending Test is rated:*

*Satisfactory*

*The Community Development Test is rated:*

*Satisfactory*

Major factors supporting the rating include:

### **Lending Test:**

- The geographic distribution of HMDA-related and small business lending reflects a reasonable dispersion throughout the AAs.
- The borrower distribution reflects an excellent penetration to individuals of different income levels and a reasonable penetration to businesses of different revenue sizes.

### **Community Development Test:**

- The level of qualified CD loans, investments, and services demonstrates an adequate responsiveness to community needs of the bank's AAs.

## **SCOPE OF EXAMINATION**

The scope of the review for the state of Kansas is consistent with the overall scope for the entire institution. The bank's performance in the Kansas City MSA AA was given more consideration than the other AA as it contained a greater percentage of the bank's lending and deposits. The Kansas City MSA AA received a full-scope review while a limited-review was conducted in the Lawrence MSA AA.

During the evaluation, seven previous interviews with community members from the past year, which were conducted by the Reserve Bank and another regulatory agency, were utilized to add perspective to this review. Six of the seven interviews were with community members in the Kansas City MSA AA while the other interview was with a member in the Lawrence MSA AA.

## **DESCRIPTION OF THE BANK'S OPERATIONS IN KANSAS**

The bank's branching network consists of seven locations in Kansas; five locations in the Kansas City MSA AA and two locations in the bank's Lawrence MSA AA. All facilities offer ATM and drive-through services. In addition, the bank has nine LPOs in the Kansas City MSA with four located in Kansas and five in Missouri, and a DPO in the Lawrence MSA AA. Loan

products offered in each AA mirror those discussed in the overall institution section of this report, with a primary emphasis on real estate and commercial lending.

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

### **LENDING TEST**

The bank's performance with respect to the lending test in the state of Kansas is satisfactory. The geographic distribution of loans reflected a reasonable distribution among geographies of different income levels while the bank's distribution of loans to borrowers of different incomes and businesses of different sizes was excellent. A more in-depth discussion of performance is contained in the Kansas City MSA AA, which received a full-scope review.

#### **Geographic and Borrower Distribution:**

The geographic distribution of HMDA-related loans and small business loans reflected reasonable penetrations throughout the state. In the full-scope review of the Kansas City MSA AA, the bank's HMDA-related loan originations, both by number and dollar volume, were generally similar to the performance by other aggregate lenders, but slightly lagged the percentage of owner-occupied units in LMI geographies, which reflected an overall reasonable dispersion. The distribution of small business loans was excellent with the bank's lending percentages above aggregate and the percentage of businesses in all tracts except in upper-income tracts. The bank's geographic distribution of loans in the limited-scope review of the Lawrence MSA AA was consistent with the full-scope review.

The borrower distribution of loans in the state of Kansas reflected an excellent penetration among borrowers of different income levels as the bank's HMDA-related lending exceeded aggregate lenders in the Kansas City MSA AA in lending to LMI borrowers. The bank's small business lending by revenue size showed a reasonable distribution to businesses of different revenue levels. The percentage of small business loans by number and dollar volume exceeded other aggregate lenders, but was slightly below the number of small businesses operating in the AA. The borrower distribution of loans in the limited-scope AA also revealed consistent performance to the Kansas City MSA AA.

### **COMMUNITY DEVELOPMENT TEST**

Mirroring the overall institution, the bank's performance under the CD test in the state of Kansas is satisfactory. Table 5 displays the number and dollar volume of CD activities initiated by the bank statewide. Three of the four CD loans, 7 of the 12 donations, and 7 of the 12 services were made in the Kansas City MSA AA, resulting in an adequate level of activities. The performance in the limited-scope review of the Lawrence MSA AA was consistent with the state rating. Community contacts in both AAs stated that opportunities to meet CD initiatives

are available, but that the competition for CRA credit and investment is vigorous.

Purpose	Community Development Loans		Qualified Investments						Community Development Services
	#	\$(000s)	Investments		Donations		Total Investments		#
			#	\$(000s)	#	\$(000s)	#	\$(000s)	
Affordable Housing	0	0	0	0	1	0.3	1	0.3	0
Community Services	1	60	0	0	11	8.7	11	8.7	8
Economic Development	1	783	0	0	0	0.0	0	0.0	0
Revitalization and Stabilization	2	1139	0	0	0	0.0	0	0.0	0
Neighborhood Stabilization	0	0	0	0	0	0.0	0	0.0	0
<b>Totals</b>	<b>4</b>	<b>1,982</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>9.0</b>	<b>12</b>	<b>9.0</b>	<b>8</b>

**KANSAS CITY MISSOURI-KANSAS METROPOLITAN STATISTICAL AREA  
(KANSAS CITY MSA AA)  
(Full Review)**

**DESCRIPTION OF THE BANK'S OPERATIONS IN THE KANSAS CITY MSA AA**

The bank operates five full-service locations in the Kansas City MSA AA. According to the FDIC Market Share Summary as of June 30, 2014, the bank had a market share of 0.2 percent in the AA, ranking 68<sup>th</sup> out of 136 other depository institutions having 722 office locations. The bank faces significant competition for banking services within the MSA from large, regional, and local banks, as well as credit unions and other credit service organizations.

**DESCRIPTION OF THE KANSAS CITY MSA AA<sup>1</sup>**

*Census Tract Income Levels/Characteristics*

The bank's AA consists of all 15 counties in the Kansas City Missouri-Kansas MO-KS (MO-KS) MSA, including Franklin, Johnson, Leavenworth, Linn, Miami, and Wyandotte Counties in Kansas, and Bates, Caldwell, Cass, Clay, Clinton, Jackson, Lafayette, Platte, and Ray Counties in Missouri. The AA contains 535 census tracts, which include 67 low-, 130 moderate-, 180 middle-, 142 upper-, and 16 unknown-income census tracts.

Jackson and Wyandotte Counties, which make up the inner urban core of the Kansas City MSA, have the largest concentrations of LMI tracts and the highest concentration of LMI families within the bank's AA. In addition, the percentage of families below poverty of 11.9 percent and 16.5 percent, respectively, exceed the 7.9 percent poverty level for the entire AA. The LMI tracts have significantly older housing units equaling 58 years in the low-income tracts and 48 years in the moderate-income tracts; compared to 35 years in middle-income tracts and 22 years in the upper-income tracts. In addition, the housing stock in the LMI tracts has a small percentage of owner-occupied units and high concentrations of rental and multifamily housing units. In 2010, 25.2 percent of low-income and 18.3 percent of moderate-income tract housing units were multifamily units. In middle- and upper-income tracts, these figures equaled 11.9 percent and 12.4 percent, respectively. These demographic factors may create additional lending challenges for households and families living in LMI geographies with regard to their ability to qualify for credit.

As shown in Table 3, within the AA's low-income tracts, there is a small concentration of area families and businesses, a very low percentage of owner-occupied units, and nearly one-third of families living below poverty, indicating that lending opportunities will be modest. Moderate-income tracts contain more significant concentrations of area families, owner-occupied units,

<sup>1</sup> Sources of economic and demographic data include the Commerce Department's Bureau of Economic Analysis (BEA), the 2000 U.S. Census data, 2010 ACS Survey five-year average, FDIC Regional Economic (RECON) data, Kansas City Business Journal Book of Lists, and Moody's Economy.com.

and businesses; however, the same economic and housing characteristics may cause a somewhat restricted mortgage lending environment as well.

*Population Characteristics*

The Kansas City MSA AA population equaled 2,035,334 in 2010, an increase of 10.9 percent since 2000. Johnson County, Kansas, and Jackson County, Missouri, in the center of the MSA, have the largest populations, which account for 59.9 percent of all residents in the AA. The AA is much younger in the urban counties rather than the bordering rural counties with over 15.0 percent of residents older. The median age of the Kansas City MSA AA is 36.4 years, slightly below the nationwide median age of 36.9 years, with 12.0 percent of residents 65 and older and 25.6 percent under the age of 18. The breakdowns of households that are families of working age adults and seniors virtually mirror the statewide figures for Kansas and Missouri. The area does not contain large populations living in group quarters or institutionalized. The MSA's age, demographics, and concentration of families in the area are not likely to alter lending patterns in the area, except in the outlying counties where a larger senior population may have less demand for loans.

*Economic Conditions*

The Kansas City MSA has been in a modest recovery mode since 2010 with gain in health care, education, and construction. Job market conditions have improved and have attracted more workers back into the workforce. The unemployment rate continues to drop and fares better than the national average. In the urban core of the city, both Jackson County, Missouri, and Wyandotte County, Kansas unemployment figures continue to exceed both national and MSA rates. On the other hand, the area's second largest county, Johnson County, Kansas, compares favorably to other counties in the AA with a much lower unemployment rate.

<b>Area</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
KC MSA	8.0	6.7	6.4
State of Kansas	7.0	5.8	5.4
State of Missouri	8.4	7.0	6.5
United States	8.9	8.1	7.4

The economy in the Kansas City MSA is somewhat diversified, but is reliant on telecom and manufacturing. The area's geographically central location and well-developed transportation and distribution network are key advantages for continued growth. The construction of an ultra-high speed Internet network by Google Fiber has helped to attract high-tech companies to the area. The AA has about 20 universities in the area creating a highly educated and skilled workforce. The new Missouri Works legislation signed into law in 2013 has helped to draw new businesses into the area and has assisted established companies with expansion.

The largest industry sectors in the Kansas City MSA AA are government, professional business services, and health services. The top businesses in the area include HCA Midwest Health Systems, Cerner Corporation, Sprint Corporation, Saint Luke's Health System, Children's Mercy Hospital and Clinics, DST Systems, Inc. (information processing), Truman

Medical Center, Ford Motor Company Kansas City Assembly Plant, General Motors, and Hallmark Cards.

#### *Income Characteristics*

As of 2010, the MFI equaled \$68,636, which is well above the MFI for Kansas, at \$62,424, and Missouri, at \$57,661, respectively. In 2012, the Kansas City MSA had a per capita personal income (PCPI) of \$44,766 with an annual growth rate of 2.9 percent over the last ten years. The PCPI ranked 65<sup>th</sup> in the United States and was 102 percent of the national average.

In addition, the 2010 breakdown of low-, moderate-, middle-, and upper-income families generally mirrors the state figures for Missouri and Kansas. However, these percentages vary widely by county within the MSA. Wyandotte (34.8 percent), Bates (34.1percent), and Jackson (27.8 percent) have the highest concentration of low-income families while Johnson County, Kansas has the lowest, at 10.9 percent. Moreover, the percentages of AA families below the poverty level were also significantly higher in Wyandotte, Bates, and Jackson Counties than the MSA average of 7.9 percent, while Johnson County had the lowest at 3.6 percent. Overall, income characteristics in the AA may result in a more favorable suburban lending environment than the urban core of the city or in outlying rural MSA counties such as Bates County.

#### *Housing Characteristics*

The housing market has seen sporadic growth in the Kansas City market since the economy fell into the great recession. After strong results in 2011 and 2012, the housing market weakened due to higher mortgage rates and slower job growth in 2013. Single-family permit issuance has risen over the past several months along with growth in high-wage jobs that should lead to a demand in housing along with a boost in home prices in 2014.

The area housing stock is relatively young with a median age of 26 years, compared to 38 years and 35 years for Kansas and Missouri, respectively. Most of the newer homes are located in the suburban counties of Johnson and Cass to the south and Platte County to the northeast. Conversely, the older homes tend to be in Jackson and Wyandotte Counties in the urban core or in the rural counties such as Bates, Caldwell, and Franklin. Furthermore, these counties have a higher percentage of vacant units compared to the statewide figures in Kansas and Missouri, suggesting some dilapidation. As a result, the demand for home purchase loans may be low, but a greater need for home improvement loans in these counties may exist.

The Kansas City market has an equitable housing affordability ratio<sup>2</sup> compared to other Tenth District states, but it is also declining. The statewide affordability ratio equaled 35.3 percent while other states in the Tenth District ranged from 27.6 percent to 41.2 percent. The 2010 median household income within the Kansas City MSA was \$55,749 with a median home price of \$158,000. The affordability rate for most counties exceeds the statewide rates in Kansas

<sup>2</sup> The housing affordability ratio is calculated by dividing the median household income by the median housing value. A lower ratio reflects less affordable housing.



and Missouri and is driven by higher wages. The least affordable counties were Johnson County, given the higher home prices, and Jackson County, despite the number of older homes. As a consequence of lower affordability in these counties, LMI families may find it difficult to afford home ownership absent special programs.

Table 6 demonstrates additional income, housing, and census tract characteristics for the Kansas City MSA AA.

TABLE 6 KANSAS CITY MSA AA AA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	67	12.5	35,297	6.7	11,000	31.2	107,190	20.5
Moderate	130	24.3	113,045	21.6	15,602	13.8	93,480	17.8
Middle	180	33.6	206,682	39.5	10,990	5.3	113,579	21.7
Upper	142	26.5	168,720	32.2	3,904	2.3	209,495	40.0
Unknown	16	3.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>535</b>	<b>100.0</b>	<b>523,744</b>	<b>100.0</b>	<b>41,496</b>	<b>7.9</b>	<b>523,744</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	81,576	27,075	5.0	33.2	37,093	45.5	17,408	21.3
Moderate	219,468	107,773	19.8	49.1	83,225	37.9	28,470	13.0
Middle	329,584	220,594	40.6	66.9	84,185	25.5	24,805	7.5
Upper	242,634	188,007	34.6	77.5	41,470	17.1	13,157	5.4
Unknown	10	0	0.0	0.0	10	100.0	0	0.0
<b>Total AA</b>	<b>873,272</b>	<b>543,449</b>	<b>100.0</b>	<b>62.2</b>	<b>245,983</b>	<b>28.2</b>	<b>83,840</b>	<b>9.6</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	6,619	6.9	5,638	6.6	690	9.6	291	8.9
Moderate	19,976	20.7	17,451	20.3	1,790	25.0	735	22.5
Middle	34,614	35.9	31,414	36.5	2,040	28.5	1,160	35.6
Upper	33,985	35.2	30,802	35.8	2,156	30.1	1,027	31.5
Unknown	1,283	1.3	747	0.9	487	6.8	49	1.5
<b>Total AA</b>	<b>96,477</b>	<b>100.0</b>	<b>86,052</b>	<b>100.0</b>	<b>7,163</b>	<b>100.0</b>	<b>3,262</b>	<b>100.0</b>
<b>Percent of Total Businesses:</b>				<b>89.2</b>	<b>7.4</b>	<b>3.4</b>		

Based on 2010 American Community Survey 5-year estimate data, 2010 FFIEC census tract definitions, and 2013 D&B data.  
(NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)

### *Community Contacts*

Members of the community were contacted to gain a perspective of the area economic conditions and possible credit needs. Recent contacts included interviews with executives and directors at four economic development organizations, two local chambers, one housing agency, and one small business development center.

Most contacts indicated that their local economies within the Kansas City MSA have improved with low unemployment, good job growth, and rebounding housing prices, yet still slow and stagnant at times. One contact noted that the housing market is growing in downtown Kansas City with a significant number of multifamily developments being built. A few others stated that there has been a gradual improvement in the business and retail markets, with businesses beginning to hire new employees and conditions for small businesses recovering.

All contacts agreed that banks and other financial institutions in the area are supportive and involved in the communities in which they operate. One contact mentioned that there is high competition among banks for CRA credit. Most contacts felt there is a funding need for housing development and more availability of smaller-sized loans for small businesses, including loans for building purchases and improvements. A few contacts indicated that credit standards by banks are still tight and that banks should be incentivized to lend more. One contact also believed that there is a lack of affordable housing in the area. Many LMI individuals are unable to qualify for credit, and there are a significant number of landlords providing substandard housing in LMI areas. Two contacts noted that there are also significant needs and opportunities for banks to provide credit counseling, money management, financial literacy training, credit repair, and small business planning services.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE KANSAS CITY MSA AA**

### **LENDING TEST**

The bank's lending test performance in the Kansas City MSA AA was reasonable. Based on lending volume, more weight was accorded to the bank's HMDA-related loans in determining the bank's lending performance, especially home purchase loans and home refinance loans. The volume of home improvement and multifamily loans for each year was insufficient to result in a meaningful analysis; therefore, these products are not discussed under the forthcoming geographic and borrower distribution narratives.

### **Distribution by Income Level of Geographies:**

The geographic distribution of HMDA-related loans was considered reasonable, while the geographic distribution of small business loans was considered excellent when compared to aggregate lenders and demographic figures. Table 7 displays the bank's geographic HMDA-

related lending performance while Table 8 shows the bank's small business lending performance, both of which are compared to other aggregate lenders and demographic data.

TABLE 7 DISTRIBUTION OF 2013 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY KANSAS CITY MSA AA							
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	17	1,782	1.6	0.9	1.8	1.4	5.0
Moderate	146	15,473	13.6	8.1	13.1	8.2	19.8
Middle	404	57,589	37.7	30.1	39.2	33.2	40.6
Upper	505	116,368	47.1	60.9	45.9	57.2	34.6
<b>Home Purchase Loans</b>							
Low	14	1,355	2.0	1.2	1.6	0.9	5.0
Moderate	99	9,917	14.0	8.5	12.5	7.3	19.8
Middle	285	39,194	40.3	33.7	39.5	31.7	40.6
Upper	310	65,973	43.8	56.7	46.4	60.0	34.6
<b>Refinanced Loans</b>							
Low	3	427	0.8	0.6	1.9	1.1	5.0
Moderate	43	4,703	12.2	6.5	13.5	8.3	19.8
Middle	113	17,606	32.0	24.2	38.9	35.1	40.6
Upper	194	50,037	55.0	68.8	45.7	55.4	34.6
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	1.9	0.9	5.0
Moderate	1	58	12.5	4.8	13.2	5.8	19.8
Middle	6	789	75.0	65.5	40.5	30.9	40.6
Upper	1	358	12.5	29.7	44.3	62.3	34.6
<b>Multifamily Loans</b>							<b>% of Multifamily Units<sup>2</sup></b>
Low	0	0	0.0	0.0	17.4	12.7	15.8
Moderate	3	795	100.0	100.0	32.1	19.7	30.9
Middle	0	0	0.0	0.0	38.0	18.8	30.2
Upper	0	0	0.0	0.0	12.5	48.8	23.1

<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 5-year estimate data and 2010 FFIEC census tract designations.  
(NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)

Home Purchase Loans

The distribution of home purchase loans among geographies of different income levels was reasonable. The number and dollar volume of loans originated by the bank in both LMI tracts compared similarly with the percentage of loans originated by aggregate lenders, yet lagged

the percentage of owner-occupied units by a few percentage points. In the middle-income tracts, the number and dollar volume of loans was similar to aggregate lenders while in upper-income tracts, the percentages were lower than the aggregate. Economic factors, such as high unemployment rates and stagnant housing conditions, especially in Jackson and Wyandotte Counties where there is a higher concentration of LMI tracts, have generally affected loan demand for housing for both the bank and other lenders. The bank's 2012 home purchase lending revealed a consistent pattern.

#### Home Refinance Loans

The distribution of home refinance loans among geographies of different income levels was reasonable. The number and dollar volume of loans in low-income tracts was comparable to aggregate lenders, but lagged the percent of owner-occupied units in these geographies. The bank's lending in moderate-income tracts was also comparable to aggregate lenders, but below the percent of owner-occupied units. Comparatively, the lending performance in middle-income geographies was below the percentage of home refinance loans originated by aggregate lenders and was below the percentage of owner-occupied units in these geographies. A predominant number and dollar volume of loans were made in the upper-income tracts, where performance was above both aggregate lenders and the demographic figure.

Performance for home refinance loans is considered reasonable as the bank's branches and LPOs are located some distance from the AA's LMI geographies, which are concentrated near the urban core of Kansas City. In addition, most of the bank's refinancing activity was generated from Internet applications, resulting in a large number and amount of originations outside of the Kansas City MSA AA. The bank's 2012 performance under this product category was consistent with 2013.

**TABLE 8  
DISTRIBUTION OF 2013 SMALL BUSINESS LOANS  
BY INCOME LEVEL OF GEOGRAPHY  
KANSA CITY MSA AA**

Census Tract Income Level	Small Business Loans <sup>1</sup>				Aggregate CRA Data <sup>2</sup>		% of Businesses <sup>3</sup>
	#	\$(000)	# %	\$ %	# %	\$ %	
Low	2	740	4.3	8.6	5.4	6.1	6.9
Moderate	16	2,106	34.0	24.4	18.8	22.6	20.7
Middle	18	1,679	38.3	19.5	32.2	29.4	35.9
Upper	10	3,840	21.3	44.5	40.1	38.4	35.2
Unknown <sup>4</sup>	1	256	2.1	3.0	2.1	3.1	0.0

<sup>1</sup> CRA defines small business loans as loans in the amount of \$1 million or less.

<sup>2</sup> Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.

<sup>3</sup> The percentage of businesses in the AA is based on 2013 D&B data and 2010 FFIEC census tract designations.

<sup>4</sup> Includes only loans originated in tracts where the income level is unknown. It does not include loans for which tract locations were not reported, which is 1.4 % by number and 0.5 % dollar for aggregate business lenders.

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

### Small Business Loans

The geographic distribution of small business loans reflects an excellent dispersion throughout the Kansas City MSA AA. The bank's number and dollar volume of loans in low-income tracts was very similar to aggregate lenders and the numbers of businesses. Performance is considered excellent based on the volume of lending in the moderate-income tracts, which exceeded aggregate lenders, or large bank CRA reporters in the AA, and the percentage of businesses in these geographies. Lending by number of originations was particularly higher than aggregate lenders in these tracts.

The bank's performance in middle-income tracts also slightly exceeded aggregate lenders and the demographic figure by number, with lower performance by dollar volume. Comparatively, the bank's performance in upper-income tracts significantly trailed both aggregate lenders and the demographic figure by number, with higher performance by dollar volume.

### **Distribution by Borrower Income and Revenue Size of the Business:**

The distribution of HMDA-related loans revealed an excellent penetration among borrowers of different income levels and a reasonable distribution to businesses of different revenue sizes. Table 9 shows the bank's borrower distribution of HMDA-related loans, while Table 10 shows the bank's small business lending performance.

**TABLE 9**  
**DISTRIBUTION OF 2013 HMDA LOANS BY BORROWER INCOME LEVELS**  
**KANSAS CITY MSA AA**

Borrower 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	139	12,464	13.0	6.5	7.9	3.7	20.5
Moderate	244	30,261	22.8	15.8	17.4	11.2	17.8
Middle	257	40,957	24.0	21.4	21.4	17.3	21.7
Upper	386	90,318	36.0	47.2	35.1	42.0	40.0
Unknown	46	17,212	4.3	9.0	18.2	25.7	0.0
<b>Home Purchase Loans</b>							
Low	114	10,391	16.1	8.9	9.6	4.8	20.5
Moderate	190	23,971	26.8	20.6	21.1	15.1	17.8
Middle	177	28,907	25.0	24.8	22.4	20.8	21.7
Upper	211	50,906	29.8	43.7	33.3	47.4	40.0
Unknown	16	2,264	2.3	1.9	13.7	11.9	0.0
<b>Refinanced Loans</b>							
Low	24	2,072	6.8	2.8	6.8	3.2	20.5
Moderate	52	6,226	14.7	8.6	14.7	9.1	17.8
Middle	79	11,815	22.4	16.2	20.7	15.6	21.7
Upper	171	38,507	48.4	52.9	36.0	40.0	40.0
Unknown	27	14,153	7.6	19.4	21.8	32.0	0.0
<b>Home Improvement Loans</b>							
Low	1	1	12.5	0.1	6.8	2.6	20.5
Moderate	2	64	25.0	5.3	16.9	11.2	17.8
Middle	1	235	12.5	19.5	24.4	18.4	21.7
Upper	4	905	50.0	75.1	44.2	58.1	40.0
Unknown	0	0	0.0	0.0	7.7	9.7	0.0

<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 5-year estimate data.

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

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

Home Purchase Loans

The distribution of home purchase loans to borrowers of different income levels was excellent. The bank’s lending percentage by number and dollar volume to low-, moderate-, and middle-income borrowers exceeded the performance by aggregate lenders in the AA. Moreover, the bank’s lending percentages to moderate- and middle income borrowers also exceeded the percentage of moderate- and middle-income families residing in the AA. The slight gap between lending to low-income borrowers and the percent of low-income families is explained by higher poverty and higher unemployment rates for low-income households and families that preclude the availability of available housing credits. The bank’s 2012 home purchase lending performance revealed very similar patterns.

Home Refinance Loans

The distribution of home refinance loans to borrowers of different income levels was reasonable. The bank’s lending to LMI borrowers by both number and dollar volume was comparable to the performance of aggregate lenders; and both the bank and aggregate lenders trailed the percentage of LMI families residing in the AA. Home refinance lending to middle-income borrowers both by number and dollar volume was slightly above aggregate and slightly above the percent of middle-income families by number. In comparison, the bank’s lending to upper-income borrowers exceeded aggregate lenders and the demographic figure by both number and dollar volume of loans. The percentage of loans made by aggregate lenders to borrowers of different incomes was slightly skewed by originations where the income data was not captured as shown in the “unknown” income category. The lending percentage of both aggregate lenders and the bank in 2012 was slightly less, yet comparable, and had very similar percentages to the 2013 home refinance loans.

**TABLE 10**  
**DISTRIBUTION OF 2013 SMALL BUSINESS LOANS BY REVENUE SIZE**  
**KANSAS CITY MSA AA**

Business Revenue by Size	Small Business Loans <sup>1</sup>				Aggregate CRA Data <sup>2</sup>		% of Businesses <sup>3</sup>
	#	\$(000)	# %	\$ %	# %	\$ %	
\$1MM or less	36	7,115	76.6	82.5	44.2	34.6	89.2
Over \$1MM	11	1,506	23.4	17.5	Not Reported		7.4
Not Known	0	0	0.0	0.0			3.4

<sup>1</sup> CRA defines small business loans as loans in the amount of \$1 million or less.  
<sup>2</sup> Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.  
<sup>3</sup> The percentage of businesses and farms in the AA is based on 2013 D&B Data.  
(NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)

Small Business Loans

The distribution of lending to businesses of different revenue sizes was reasonable. Although the bank’s performance is below the demographic figure, or percent of small businesses with

gross annual revenues of \$1MM or less in the AA, the bank's percentage of loans by number was well above the aggregate figure and double the percentage of loans by dollar volume. The dollar size of loans to small businesses was also reviewed with 72.2 percent of the loans in the amounts of \$250,000 or less. Typically, smaller businesses do not have the need or the capacity to borrow large amounts, and as such, smaller loan amounts are used as a proxy to estimate the bank's support of smaller businesses.

### **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the CD test in the Kansas City MSA AA demonstrated an adequate responsiveness to CD needs of its AA considering the bank's capacity and the need and availability of such opportunities in the AA. The bank's level of CD activity was compared to the availability of such opportunities in the AA, as well as competition for qualified activities by other financial institutions. While adequate, the bank's CD activities were not particularly responsive to the area credit needs.

The bank originated three CD loans in the AA for \$1.9 million; a decline from the previous two examinations. Two of the loans were to small investors who purchased and rehabilitated small and older multifamily units that were in LMI geographies, as well as areas designated for revitalization and stabilization under a local government plan. Another loan for \$783,000 was originated under the Small Business Administration 504 Loan program. The bank did not have any qualified investments, but did have seven CD donations for \$6,010 and two community services where two loan officers provided a money management class to at-risk youth from LMI families.



**LAWRENCE, KANSAS METROPOLITAN STATISTICAL AREA  
(Limited Review)**

**DESCRIPTION OF THE BANK'S OPERATIONS IN LAWRENCE MSA AA**

The bank's presence in the Lawrence MSA AA consists of its headquarters, one full-service facility, and a DPO, all located in the city of Lawrence, Kansas. According to the 2014 FDIC Deposit Market Share Report, the bank has a 2.1 percent market share, which ranks 13<sup>th</sup> out of 23 FDIC-insured banks in the AA. The Lawrence MSA AA consists of Douglas County, which constitutes the entire MSA. The Lawrence MSA is located just west of the Kansas City, MO-KS MSA, and consists of 2 low-, 5 moderate-, 10 middle-, and 5 upper-income census tracts.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LAWRENCE MSA AA**

The bank's performance in the Lawrence MSA AA was reviewed using limited-scope examination procedures. Through these procedures, conclusions regarding the institution's CRA performance are drawn from the review of available facts and data, including performance figures, aggregate comparisons, and demographic information. Supporting loan information can be found in the tables in Appendix C.

The bank's performance in the Lawrence MSA AA under both the lending and CD tests was consistent with the overall state rating. Conclusions regarding performance in this AA did not affect the overall state of Kansas rating.

## STATE OF NEW MEXICO

**COMMUNITY REINVESTMENT ACT RATING FOR NEW MEXICO:** **Satisfactory**

*The Lending Test is rated:*

**Satisfactory**

*The Community Development Test is rated:*

**Satisfactory**

Major factors supporting the rating include:

### **Lending Test:**

- The geographic distribution of HMDA-related and small business loans reflects a reasonable dispersion of lending throughout the bank's AAs.
- The distribution of lending reflects a reasonable penetration to borrowers of different income levels and businesses of different revenue sizes.

### **Community Development Test:**

- The level of CD loans, qualified investments, and CD services demonstrates an adequate responsiveness to community needs of the bank's AAs.

## **SCOPE OF EXAMINATION**

The scope of examination for the state of New Mexico was consistent with the overall scope for the entire institution, including an evaluation under the lending and CD tests. The Albuquerque MSA AA received a full-scope review while a limited-review was conducted of the Taos County AA to determine whether the bank's performance in this area was consistent with the performance in the state.

During the evaluation, two current community contacts, both local housing directors, were conducted, with one located in the Albuquerque MSA AA and the other in the Taos County AA. In addition, a recent interview made by another regulatory agency in the Albuquerque MSA was reviewed.

## **DESCRIPTION OF THE BANKS OPERATIONS IN NEW MEXICO**

In New Mexico, the bank operates two full-service branches in the city of Albuquerque, three full-service branches in Taos, one full-service branch in Red River, and a DPO in a supermarket located in Questa. Both Albuquerque locations are in the Albuquerque MSA AA, while the remaining locations are located in the Taos County AA. The bank's subsidiary, PHL, also operates one LPO location outside the existing AAs in the city of Santa Fe. PHL also has

a few mortgage loan originators located in the bank's Albuquerque Journal Center office that provide secondary market mortgage loans within both of the bank's AAs. Loan products offered in the market mirror those discussed in the overall institution section of this report, with a primary focus on real estate lending and commercial purposes.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW MEXICO**

### **LENDING TEST**

The bank's performance with respect to the lending test in the state of New Mexico is rated satisfactory. The geographic and borrower distribution of loans reflected a reasonable penetration throughout the AA tracts and to borrowers of different income levels and businesses of different revenue sizes. A more in-depth discussion of performance is contained in the Albuquerque MSA AA section, which received a full-scope review.

#### **Geographic and Borrower Distribution:**

Overall, the dispersion of HMDA-related and small business loans reflects a reasonable distribution among geographies of different income levels in New Mexico. In the Albuquerque MSA AA, the number and dollar amount of HMDA-related loans lagged the performance by aggregate HMDA reporters as well as the percentage of owner-occupied units in LMI tracts, particularly for home refinance loans. The distribution of small business loans by tract income level was also reasonable, with the bank's lending percentages slightly below the percentage of small business loans originated by aggregate lenders and above the percentage of businesses in LMI geographies. The bank's lending performance in the limited-scope review of the Taos County AA was consistent with the full-scope review. This performance was considered reasonable given the overall low volume of loans evaluated and competition in the area, including two large national banks.

The distribution of HMDA-related loans to borrowers of different income levels reflected a reasonable dispersion across New Mexico, while the dispersion of small business loans to businesses of different revenue sizes was excellent. Primary emphasis was given to the volume of HMDA related-loans, resulting in a reasonable conclusion overall. In the Albuquerque MSA AA, the bank's HMDA-related lending to moderate-income borrowers generally exceeded aggregate lenders and the demographic figures, with lower performance to low-income borrowers. Economic conditions and demographic factors revealed some difficulty for low-income families to obtain homeownership in the AA. The bank's small business lending by both number and dollar volume vastly exceeded the lending by aggregate CRA lenders and compared similarly to the percentage of small businesses located in the AA by revenue size. The bank's distribution of loans in the limited-scope AA also revealed consistent performance to that in the Albuquerque MSA AA.

**COMMUNITY DEVELOPMENT TEST**

The CD test rating for the state of New Mexico is satisfactory. The number and dollar amount for CD loans and qualified investments and the number of CD services provided by the bank are shown below in Table 11. All of the activities except for one donation of \$1,500 were made in the Albuquerque MSA AA, resulting in an adequate responsiveness to the needs of the community. Accordingly, the performance in the limited-scope review area of the Taos County AA was below the overall state conclusion. Community contacts in both AAs indicated limited opportunities for credit and investments over the last few years, but did indicate a significant need for donations and services.

<b>Purpose</b>	<b>Community Development Loans</b>		<b>Qualified Investments</b>						<b>Community Development Services</b>
			<b>Investments</b>		<b>Donations</b>		<b>Total Investments</b>		
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>
Affordable Housing	0	0	0	0	1	0.4	1	0.4	0
Community Services	2	2,297	0	0	1	1.5	1	1.5	0
Economic Development	1	159	0	0	0	0.0	0	0.0	1
Revitalization and Stabilization	0	0	0	0	0	0.0	0	0.0	0
Neighborhood Stabilization	0	0	0	0	0	0.0	0	0.0	0
<b>Totals</b>	<b>3</b>	<b>2,456</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1.9</b>	<b>2</b>	<b>1.9</b>	<b>1</b>

**ALBUQUERQUE METROPOLITAN STATISTICAL AREA**  
(Full Review)

**DESCRIPTION OF THE BANK'S OPERATIONS IN ALBUQUERQUE MSA AA**

The bank has two locations in the Albuquerque market, both located in moderate-income tracts. One facility offers drive-through services and an on-site ATM while the other location only provides banking services in its lobby. The bank ranks 18<sup>th</sup> out of 25 other depository institutions in the AA with a 0.2 percent market share, according to the 2014 FDIC Deposit Market Share Report. The majority of deposits in the AA are dominated by two large national banks holding 60.5 percent of area deposits.

**DESCRIPTION OF THE AA<sup>3</sup>**

*Census Tract Income Levels/Characteristics*

The Albuquerque MSA is located in central New Mexico and consists of four counties, Bernalillo, Sandoval, Tarrant, and Valencia. Given the bank's small footprint, the bank has delineated only Bernalillo County as its AA. The AA contains 9 low-, 42 moderate-, 51 middle-, and 51 upper-income tracts.

As shown in Table 12, the AA's low-income tracts have a small concentration of area families and businesses, a very low percentage of owner-occupied units, and nearly one-third of families living below poverty, so lending opportunities may be constrained. Moderate-income tracts, in contrast, have a much larger concentration of families, businesses, and owner-occupied units, but also contain a high percentage of families living below the poverty level at 20.0 percent. Moderate-income tracts also have an unusually high number of mobile homes that account for 11.3 percent of housing units compared to 5.9 percent throughout the AA. The median housing value is also significantly lower at \$135,833. Given these conditions, home lending in LMI tracts may be diminished. Moreover, the presence of the University of New Mexico may affect residential loan demand in LMI areas surrounding and including the campus.

*Population Characteristics*

The Albuquerque MSA is the largest of the state's four metropolitan areas and had a total population of 729,649 in 2000. By 2010, the population grew by 21.6 percent to 887,077 total residents. Bernalillo County, the most populous county in the state, has 662,564 residents, which represents 74.7 percent of the entire MSA population. The average median age was

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<sup>3</sup> Sources of economic and demographic data include the Commerce Department's BEA, the 2000 U.S. Census data, 2010 ACS five-year average, FDIC RECON data, University of New Mexico Bureau of Business and Economic Research, Moody's Economy.com and Stats America

35.7 years, which was slightly younger than the national average of 36.9 years. The percent of residents 65 and older was 12.2 percent, while the percentage of those under 18 years of age was 24.0 percent. The MSA’s concentration of families was only slightly below the statewide figure of 69.2 percent, and Bernalillo County was slightly lower yet, equaling 64.3 percent. The AA’s population of residents over the age of 65 does not deviate significantly from MSA or statewide figures. The AA’s age composition and concentration of families as a percentage of total households were similar to that of the state, and the area contained no large group quarters or institutions. No anomalies were noted regarding population demographics that would substantially affect credit demand in the AA.

*Economic Conditions*

The Albuquerque economy remains stagnant and is growing at a below-average pace. The local economy is heavily dependent on the government and military sectors. Federal government cutbacks and a continued vulnerability to fiscal issues at the national level have resulted in significant reductions in spending, causing a drag on the economy and labor growth. The Albuquerque MSA has also lost several key manufacturing companies over the last few years, which has triggered a shortage of job opportunities that pay higher wages. The unemployment rate in Bernalillo County mirrors the state rate overall, with higher unemployment rates in the MSA. While area rates are slightly lower than the national average, the pace of decline has been much less so. The continuing forecast for the area is not all dire, as the area has a stable employment base in education and healthcare, it boasts a highly skilled workforce, and it offers a low business costs structure.

<b>EXHIBIT 2 ANNUAL UNEMPLOYMENT RATES</b>			
<b>Area</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Bernalillo County	7.7	7.3	6.9
Albuquerque MSA	8.0	7.5	7.2
State of New Mexico	7.6	7.1	6.9
United States	8.9	8.1	7.4

As previously mentioned, the government represents the largest industry sector, but is followed by transportation and public utilities, professional and business services, education and health services, and retail trade. Key industry clusters that are targeted include Aerospace and Aviation, Solar Technologies and Renewable Energy, Semiconductors and Electronics, Microsystems and Nanotechnology, and Directed Energy and Optics. The top employers in the metropolitan area are the University of New Mexico, Sandia National Laboratories, Presbyterian Healthcare Services, Kirtland Air Force Base, University of New Mexico Hospital, Lovelace Health System, and Intel Corp.

*Income Characteristics*

The MFI for the Albuquerque MSA in 2010 was \$59,381, which exceeded the state MFI of \$52,565 and mirrored the Bernalillo County MFI of \$59,809. The PCPI in the Albuquerque MSA as of 2012 was \$36,272, or 83.0 percent of the national average, ranking 248<sup>th</sup> out of 381 MSAs across the county, and suggesting a lower paying job market. The AA’s concentration of low-, moderate-, middle-, and upper-income families did not vary by MSA and mirrors the breakdown by state. The AA’s family poverty rate was 11.8 percent, nearly two basis points below statewide New Mexico, but higher than the national rate of 10.1 percent.

### *Housing Characteristics*

Housing demand in the Albuquerque MSA has been hindered by the area's weak job and population growth along with uncertainty of prolonged government sequestration. Total permits for single-family housing was down 23.3 percent in 2013 with a slight uptick in the first quarter of 2014. On the other hand, permits for multifamily housing have increased substantially over the same time frame. Home sale prices in 2013 have remained flat with a median price of \$173,900; still below pre-recessional levels. Most of the growth in housing is taking place outside of Bernalillo County in the communities just to the north in Sandoval County and the incorporated parts of Valencia County because of less-costly land and lower taxes. Consequently, the median age of housing stock in Bernalillo County is 31 years compared to 18 years for the entire MSA perhaps indicating a lower demand for home purchase and home refinance loans within the AA but more demand for home improvement loans.

The housing affordability ratio for the AA was low at 25.2 percent and only slightly better for the whole MSA. Overall affordability in the AA has declined by 19.5 percent since 2000. Again, given lower affordability ratios, LMI households and families may find it difficult to afford home ownership absent special mortgage programs.

### *Community Contacts*

Members of the community were contacted to gain a perspective of the area economic conditions and possible credit needs. Those contacted included the director of a government housing agency and a director of a local economic development authority. Both contacts indicated that the local economy is weak and lags the national economy in most economic indicators. The area unemployment rate is high and does not recognize the large number of individuals that have dropped out of the workforce. In addition, one contact indicated that the city is suppressed by low paying jobs, high rental housing rates, and a perceived poor educational system.

Both mentioned that access to credit for consumers and small businesses is still difficult to obtain with stringent lending guidelines and restrictions maintained by area banks. The housing contact stated that the largest needs in the Albuquerque MSA were rehabilitation of older housing stock, improved public transportation in LMI geographies, and access to affordable education, while the other contact noted that the small business sectors need access to capital. The housing director indicated that opportunities for bond initiatives and tax credits were limited, but did state that a new affordable housing project was slated to begin in 2015 that would provide banks with an opportunity to invest. The director also believed there are many opportunities for smaller community banks to be more involved, especially through active outreach and participation in community programs. Both contacts agreed that most financial institutions in the area have been generally responsive to area needs.

Table 12 demonstrates additional income, housing, and census tract characteristics for the Albuquerque MSA AA.

**TABLE 12  
ALBUQUERQUE MSA AA DEMOGRAPHICS**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	9	5.9	6,839	4.3	2,254	33.0	35,626	22.4
Moderate	42	27.5	48,458	30.4	9,701	20.0	27,785	17.4
Middle	51	33.3	50,807	31.9	4,667	9.2	30,164	18.9
Upper	51	33.3	53,234	33.4	2,144	4.0	65,763	41.3
<b>Total AA</b>	<b>153</b>	<b>100.0</b>	<b>159,338</b>	<b>100.0</b>	<b>18,766</b>	<b>11.8</b>	<b>159,338</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	2.7	25.5	10,853	61.6	2,272	12.9
Moderate	86,811	46,128	27.6	53.1	33,537	38.6	7,146	8.2
Middle	91,597	54,823	32.8	59.9	30,092	32.9	6,682	7.3
Upper	84,413	61,863	37.0	73.3	17,380	20.6	5,170	6.1
<b>Total AA</b>	<b>280,435</b>	<b>167,303</b>	<b>100.0</b>	<b>59.7</b>	<b>91,862</b>	<b>32.8</b>	<b>21,270</b>	<b>7.6</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	2,538	7.4	2,062	6.7	377	16.4	99	8.6
Moderate	9,416	27.4	8,113	26.3	913	39.7	390	33.9
Middle	11,332	33.0	10,366	33.6	615	26.8	351	30.5
Upper	11,043	32.2	10,340	33.5	394	17.1	309	26.9
<b>Total AA</b>	<b>34,329</b>	<b>100.0</b>	<b>30,881</b>	<b>100.0</b>	<b>2,299</b>	<b>100.0</b>	<b>1,149</b>	<b>100.0</b>
<b>Percent of Total Businesses:</b>				<b>90.0</b>	<b>6.7</b>	<b>3.3</b>		

Based on 2010 American Community Survey 5-year estimate data, 2010 FFIEC census tract designations, and 2013 D&B data.  
(NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE ALBUQUERQUE MSA AA**

**LENDING TEST**

The bank's lending test performance in the Albuquerque MSA AA was reasonable. Based on lending volume, more weight was accorded to the bank's HMDA-related loans in assessing the bank's lending performance conclusion, with most emphasis on refinance loans followed by home purchase loans. The volume of home improvement and multifamily loans for each year was insufficient to result in a meaningful analysis; therefore, these products are not discussed



under the forthcoming geographic and borrower distribution narratives.

### **Distribution by Income Level of Geographies:**

The bank's geographic distribution of HMDA-related loans and small business loans reflected a reasonable penetration throughout the Albuquerque MSA AA. Table 13 displays the bank's geographic HMDA-related lending performance while Table 14 shows the bank's small business lending performance, both of which were compared to other lenders and demographic data.

#### Home Purchase Loans

The distribution of home purchase loans among geographies of different income levels was reasonable. The bank made one home purchase loan in low-income geographies, but the percentage of loans by number and dollar volume was comparable to aggregate lenders and the percentage of owner-occupied units in these areas. The bank's lending performance in moderate-income tracts was also consistent with aggregate lenders by both number and dollar volume. Compared against the percentage of owner-occupied units, both the bank and aggregate lenders trailed this percentage by both number and dollar volume.

In middle-income tracts, the bank's lending by number and dollar volume was slightly below aggregate lenders and the percent of owner-occupied units. Comparatively, the majority of the bank's lending occurred in upper-income tracts, which exceeded both aggregate lenders and the demographic figure. The opportunity for home purchase lending in LMI tracts was constrained by the AA's high poverty rates, vacant and/or dilapidated housing, and a larger number of mobile homes on leased land. As noted previously, these economic and demographic conditions were confirmed by a local county housing director. The bank's 2012 lending was consistent with 2013, although slightly better.

#### Refinance Loans

The distribution of home refinance loans among geographies of different income levels was also reasonable considering the economic and demographic constraints. The bank did not originate any refinancings in low-income tracts and only made six loans in moderate-income tracts, which lagged the performance by aggregate lenders in LMI tracts by number and dollar volume. However, both aggregate lenders and the bank's lending performance were below the percentage of owner-occupied units in LMI geographies. In addition, the percent of owner-occupied units in the AA's low-income tracts was low at only 2.7 percent, indicating limited opportunities to lend in these geographies.

The bank's dispersion in middle-income tracts was better when compared to the aggregate and demographic data, yet the bulk of home refinance loans by number and dollar volume was still in upper-income tracts. The bank's volume of home refinance loans declined significantly from the volume of loans in 2012. Consideration was given to the bank's 2012 performance, which was more aligned with the percentage of aggregate lending in LMI tracts; although it still

lagged the demographic comparator of owner-occupied units.

TABLE 13 DISTRIBUTION OF 2013 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY ALBUQUERQUE MSA AA							
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	1	209	0.8	0.9	2.5	2.1	2.7
Moderate	15	1,660	11.4	7.3	20.0	15.5	27.6
Middle	47	6,189	35.6	27.1	34.1	34.4	32.8
Upper	69	14,752	52.3	64.7	43.3	48.0	37.0
<b>Home Purchase Loans</b>							
Low	1	209	2.2	3.0	2.5	1.6	2.7
Moderate	9	803	20.0	11.6	20.0	13.5	27.6
Middle	13	1,654	28.9	23.9	32.6	28.6	32.8
Upper	22	4,242	48.9	61.4	44.9	56.4	37.0
<b>Refinanced Loans</b>							
Low	0	0	0.0	0.0	2.5	1.4	2.7
Moderate	6	857	7.2	5.5	19.8	16.2	27.6
Middle	32	4,333	38.6	27.6	35.0	37.5	32.8
Upper	45	10,486	54.2	66.9	42.7	44.9	37.0
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	1.9	1.4	2.7
Moderate	0	0	0.0	0.0	22.5	16.3	27.6
Middle	1	14	33.3	36.8	34.7	31.3	32.8
Upper	2	24	66.7	63.2	40.9	51.0	37.0
<b>Multifamily Loans</b>							<b>% of Multifamily Units<sup>2</sup></b>
Low	0	0	0.0	0.0	23.9	29.2	14.0
Moderate	0	0	0.0	0.0	37.3	21.8	34.6
Middle	1	188	100.0	100.0	26.9	31.6	33.3
Upper	0	0	0.0	0.0	11.9	17.5	18.1

<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 5-year estimate data and 2010 FFIEC census tract designations.  
(NOTE: Total percentages may vary by 0.1% due to automated rounding differences.)

### Small Business Loans

The distribution of small business loans among geographies of different income levels was reasonable. As illustrated in Table 14, the bank had only one loan in the low-income geographies with the percentage of loans by number and dollar volume slightly below the aggregate and the percent of businesses operating in these areas. The bank's lending in

moderate-income geographies was also below aggregate lenders and the percent of businesses in these areas. The majority of loans were made in middle- and upper-income tracts, with the percentage of loans exceeding the aggregate and percent of businesses in these areas by number. The bank's lending by dollar volume in middle-income tracts was significantly above aggregate lenders, while lending by dollar volume in upper-income tracts was more comparable. The performance is considered reasonable given the overall low volume of loans evaluated and competition in the area, including two large national banks.

**TABLE 14**  
**DISTRIBUTION OF 2013 SMALL BUSINESS LOANS**  
**BY INCOME LEVEL OF GEOGRAPHY**  
**ALBUQUERQUE MSA AA**

Census Tract Income Level	Small Business Loans <sup>1</sup>				Aggregate CRA Data <sup>2</sup>		% of Businesses <sup>3</sup>
	#	\$(000)	# %	\$ %	# %	\$ %	
Low	1	514	3.3	10.8	7.6	12.7	7.4
Moderate	6	833	20.0	17.5	26.9	32.3	27.4
Middle	12	2,306	40.0	48.4	29.7	27.7	33.0
Upper	11	1,108	36.7	23.3	32.5	25.0	32.2
Unknown <sup>4</sup>	0	0	0.0	0.0	3.4	2.3	0.0

<sup>1</sup> CRA defines small business loans as loans in the amount of \$1 million or less.

<sup>2</sup> Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.

<sup>3</sup> The percentage of businesses in the AA is based on 2013 D&B data and 2010 FFIEC census tract designations.

<sup>4</sup> Includes only loans for which tract locations were not by aggregate lenders.

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

### Distribution by Borrower Income and Revenue Size of the Business:

The distribution of HMDA-related loans among borrowers of different income levels was reasonable, while the distribution of loans to businesses of different revenues sizes was excellent. Table 15 shows the bank's borrower distribution of HMDA-related loans, while Table 16 illustrates the allocation of small business loans by revenue size.

### Home Purchase Loans

The distribution of home purchase loans reflects an excellent dispersion to borrowers of different income levels. The bank's percentage of lending to low-income borrowers slightly lagged the aggregate by number and dollar volume and was below the percent of low-income families in the AA. Conversely, the bank's lending to moderate- and middle-income borrowers was well above other aggregate lenders by both number and dollar volume as well as above the percent of moderate- and middle-income families, respectively. In addition, the bank's lending to upper-income borrowers lagged both aggregate lenders and the demographic figure. The bank's distribution of loans in 2012 was consistent with this conclusion. The bank's performance was also considered in context with the barriers of home mortgage

lending, especially to LMI borrowers. A local leader of housing initiatives in the area stated that high unemployment rates, low wages, and low affordable housing stock prevent low-income families from attaining home ownership.

#### Home Refinance Loans

The distribution of home refinance loans to borrowers of different income levels was reasonable. The bank's lending to low-income borrowers slightly lagged aggregate and was well below the percent of low-income families by number, but was more comparable to aggregate lenders by dollar volume. The bank's lending to moderate-income borrowers was slightly above the aggregate by both number and dollar volume. Both the bank and aggregate lenders were slightly below the percent of moderate-income families. Comparatively, the bank's lending to middle-income borrowers was slightly above aggregate and the percent of middle-income families, while lending to upper-income borrowers more significantly exceeded both aggregate and demographic figures.

The majority of the bank's lending was to upper-income borrowers. The analysis is somewhat skewed as aggregate lenders did not report borrower income for a significant number of originations. The demand for home refinance loans was also affected by local economic conditions and demographic factors discussed above. The bank's 2012 performance was consistent, yet slightly better than 2013 performance.

**TABLE 15  
DISTRIBUTION OF 2013 HMDA LOANS BY BORROWER INCOME LEVELS  
ALBUQUERQUE MSA AA**

Borrower 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	758	5.3	3.3	7.7	3.8	22.4
Moderate	27	3,404	20.5	14.9	16.8	10.4	17.4
Middle	34	5,305	25.8	23.3	20.0	15.2	18.9
Upper	59	12,347	44.7	54.1	38.4	40.2	41.3
Unknown	5	996	3.8	4.4	17.1	30.4	0.0
<b>Home Purchase Loans</b>							
Low	3	256	6.7	3.7	8.3	4.5	22.4
Moderate	12	1,207	26.7	17.5	20.4	14.8	17.4
Middle	16	2,473	35.6	35.8	21.8	20.3	18.9
Upper	14	2,972	31.1	43.0	38.0	49.8	41.3
Unknown	0	0	0.0	0.0	11.6	10.6	0.0
<b>Refinanced Loans</b>							
Low	4	502	4.8	3.2	7.4	3.6	22.4
Moderate	13	2,173	15.7	13.9	14.6	8.6	17.4
Middle	17	2,818	20.5	18.0	18.9	13.1	18.9
Upper	45	9,375	54.2	59.8	38.5	36.6	41.3
Unknown	4	808	4.8	5.2	20.6	38.0	0.0
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	8.9	5.9	22.4
Moderate	2	24	66.7	63.2	19.1	11.8	17.4
Middle	1	14	33.3	36.8	24.3	21.4	18.9
Upper	0	0	0.0	0.0	44.4	54.2	41.3
Unknown	0	0	0.0	0.0	3.3	6.7	0.0

<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 5-year estimate data.

<sup>3</sup> Multifamily loans are not considered in the borrower analysis.

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

### Small Business Loans

The distribution of loans to businesses of different revenue sizes was excellent. The bank's number and dollar volume of loans surpassed the lending performance by other aggregate lenders and compared closely to the percent of small businesses, or those with gross annual revenues of \$1MM or less, in the AA. Furthermore, when stratifying loans by loan amount, 75.0 percent of bank loans were in amounts of \$250,000 or less. Again, smaller loan amounts are used as a proxy to estimate the bank's support of smaller businesses.

**TABLE 16**  
**DISTRIBUTION OF 2013 SMALL BUSINESS LOANS BY REVENUE SIZE**  
**ALBUQUERQUE MSA AA**

Business Revenue by Size	Small Business Loans <sup>1</sup>				Aggregate CRA Data <sup>2</sup>		% of Businesses <sup>3</sup>
	#	\$(000)	# %	\$ %	# %	\$ %	
\$1MM or less	24	4,535	80.0	95.3	52.0	35.7	90.0
Over \$1MM	6	225	20.0	4.7	Not Reported		6.7
Not Known	0	0	0.0	0.0			3.3

<sup>1</sup> CRA defines small business loans as loans in the amount of \$1 million or less.

<sup>2</sup> Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.

<sup>3</sup> The percentage of businesses and farms in the AA is based on 2013 D&B Data.

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

## COMMUNITY DEVELOPMENT TEST

The bank's CD performance demonstrates an adequate responsiveness to CD needs of its AA, considering the bank's capacity and the needs and availability of CD opportunities. The bank's level of CD activity was compared to the availability of such opportunities in the AA as well as competition for qualified activities by other financial institutions. While adequate, the bank's CD activities were not particularly responsive to the area credit needs, except in one instance.

In the Albuquerque MSA AA, the bank originated three CD loans for \$2.5 million. One loan in the amount of \$2.1 million was particularly responsive to the community as the funds were to purchase a facility for a charter school that educates at-risk youth. The school is designated as a Title I school with 175 of the 178 students eligible for free lunch according to the National Center for Education Statistics. The remaining two loans were refinancings; one in the amount of \$167,056 for a community service organization that provides workforce development to at-risk youth and the other loan was for \$159,500 for a concrete contractor that qualified as "Disadvantaged Business Enterprise" by the New Mexico Department of Transportation. The bank did not have any qualified investments in the AA, but did have one CD donation (\$400) and one CD service whereby a bank loan officer served on a loan fund committee of an organization that provided loans to start-up businesses. In addition, both the bank's locations in the Albuquerque MSA AA are in moderate-income tracts, earning CD service credit as well.

**TAOS COUNTY NONMETROPOLITAN STATISTICAL AREA  
(Limited Review)**

**DESCRIPTION OF THE BANK'S OPERATIONS IN TAOS COUNTY AA**

The Nonmetropolitan New Mexico AA consists of Taos County, which is located approximately 70 miles north of the capital, Santa Fe, New Mexico. The county is situated in the north central part of the state, abutting the Colorado border and located in the Taos Mountains of the Sangre de Cristo Mountain Range with the highest elevation in New Mexico. The area has a large number of residents that are of Pueblo Native American descent. Because of its Native American Culture and outdoor recreational opportunities, the area attracts tourists and vacationers. The AA consists of one moderate-, four middle-, and one upper-income census tract.

The bank operates three full-service facilities in Taos, another facility in Red River, and one DPO in a local supermarket located in Questa. On-site ATMs and drive-through services are offered at two of the three locations in Taos. In addition, the bank has two off-site ATMs with one in a local Taos convenience store and another at the Taos Ski Valley resort. The bank does not have significant competition in the area, with one local bank with two locations and another national chain that has three offices in the area. Based on the 2014 FDIC Deposit Market Share Report, the bank ranks second out of three banks with a 30.3 percent market share.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LAWRENCE MSA AA**

The bank's performance in the Taos County AA was reviewed using limited-scope examination procedures. Through these procedures, conclusions regarding the institution's CRA performance are drawn from the review of available facts and data, including performance figures, aggregate comparisons, and demographic information. Supporting loan information can be found in the tables in Appendix C.

The bank's performance in the Taos County AA under the lending tests was consistent with the overall state rating, while the conclusion under the CD test was below that of the state. Conclusions regarding performance in this AA did not affect the overall state of New Mexico rating.

COMMUNITY REINVESTMENT ACT

APPENDIX A

SCOPE OF EXAMINATION			
<b>FINANCIAL INSTITUTION</b>		<b>PRODUCTS/SERVICES REVIEWED</b>	
Peoples Bank Lawrence, Kansas		<ul style="list-style-type: none"> <li>• Home Purchase Loans</li> <li>• Home Refinance Loans</li> <li>• Home Improvement Loans</li> <li>• Multifamily Loans</li> <li>• Small Business Loans</li> <li>• Community Development Loans, Investments, and Services</li> </ul>	
<b>TIME PERIODS REVIEWED</b>			
<u>HMDA LAR Loans:</u>		January 1, 2012 through December 31, 2013	
<u>Sampled Small Business Loans:</u>		January 1, 2013 through December 31, 2013	
<u>Community Development Activities:</u>		August 6, 2012 through December 31, 2014	
LIST OF AFFILIATES CONSIDERED IN THIS EVALUATION			
AFFILIATES	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED	
Winter Trust of 12/3/74	Bank Holding Company	None	
Peoples, Inc.	Bank Holding Company	None	
Peoples Bank Home Loans, LLC	Subsidiary of Bank	Home purchase and home refinance loans	
Interbank 1 LLC	Subsidiary of Bank	None	
Peoples National Bank	Subsidiary of Bank Holding Company	None	
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAM	BRANCHES VISITED	COMMUNITY CONTACTS
<u>Kansas</u>			
MSA 28140 Kansas City, MO-KS	Full Review	13180 Metcalf Avenue, Overland Park, Kansas 66213	3 current, 5 prior
MSA 29940 Lawrence, KS	Limited Review	None	1 current
<u>New Mexico</u>			
MSA 10740 Albuquerque, NM	Full Review	None	1 current, 1 prior
MSA 99999 Taos County, NM	Limited Review	None	1 current



COMMUNITY REINVESTMENT ACT

APPENDIX B

ADDITIONAL 2012 AA LENDING ANALYSIS TABLES FOR FULL-SCOPE REVIEWS:

KANSAS CITY MSA AA

TABLE B-1 DISTRIBUTION OF 2012 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY KANSAS CITY MSA AA							
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	18	1,589	0.9	0.5	1.4	0.9	5.0
Moderate	184	21,149	9.5	6.2	11.3	7.0	19.8
Middle	709	100,802	36.7	29.5	37.0	30.2	40.6
Upper	1,020	218,082	52.8	63.8	50.3	61.9	34.6
<b>Home Purchase Loans</b>							
Low	16	1,340	1.5	0.8	1.6	0.9	5.0
Moderate	126	12,994	12.1	7.7	13.3	7.8	19.8
Middle	449	59,816	43.0	35.7	39.5	31.6	40.6
Upper	452	93,627	43.3	55.8	45.5	59.6	34.6
<b>Refinanced Loans</b>							
Low	2	249	0.2	0.1	1.2	0.7	5.0
Moderate	51	4,785	5.9	2.8	10.2	6.3	19.8
Middle	251	40,235	29.1	23.9	35.7	29.5	40.6
Upper	560	123,041	64.8	73.1	52.8	63.3	34.6
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	1.8	0.7	5.0
Moderate	5	122	23.8	7.5	15.6	8.1	19.8
Middle	8	90	38.1	5.5	37.9	26.4	40.6
Upper	8	1,414	38.1	87.0	44.5	64.6	34.6
<b>Multifamily Loans</b>							% of Multifamily Units <sup>2</sup>
Low	0	0	0.0	0.0	14.0	3.6	
Moderate	2	3,248	66.7	83.1	28.7	15.5	30.9
Middle	1	661	33.3	16.9	42.0	33.5	30.2
Upper	0	0	0.0	0.0	15.3	47.4	23.1

<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 5-year estimate data and 2010 FFIEC census tract designations.  
(NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)

KANSAS CITY MSA AA

TABLE B-2 DISTRIBUTION OF 2012 HMDA LOANS BY BORROWER INCOME LEVELS KANSAS CITY MSA AA							
Borrower 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	237	21,328	12.3	6.2	7.9	4.0	20.5
Moderate	439	55,470	22.7	16.2	16.4	11.5	17.8
Middle	438	72,762	22.7	21.3	20.0	17.5	21.7
Upper	763	175,567	39.5	51.4	35.0	44.8	40.0
Unknown	54	16,495	2.8	4.8	20.7	22.2	0.0
<b>Home Purchase Loans</b>							
Low	194	17,699	18.6	10.5	12.4	6.5	20.5
Moderate	308	38,628	29.5	23.0	22.3	16.8	17.8
Middle	231	37,598	22.1	22.4	20.5	20.1	21.7
Upper	305	71,659	29.2	42.7	28.3	41.6	40.0
Unknown	5	2,193	0.5	1.3	16.6	15.0	0.0
<b>Refinanced Loans</b>							
Low	40	3,620	4.6	2.2	5.7	3.1	20.5
Moderate	126	16,748	14.6	10.0	13.7	9.5	17.8
Middle	202	34,794	23.4	20.7	19.7	16.9	21.7
Upper	454	103,699	52.5	61.6	38.0	47.7	40.0
Unknown	42	9,449	4.9	5.6	22.9	22.9	0.0
<b>Home Improvement Loans</b>							
Low	3	9	14.3	0.6	10.0	4.3	20.5
Moderate	5	94	23.8	5.8	17.6	11.3	17.8
Middle	5	370	23.8	22.8	24.2	19.6	21.7
Upper	4	209	19.0	12.9	41.6	57.6	40.0
Unknown	4	944	19.0	58.1	6.6	7.2	0.0
<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 5-year estimate data. <sup>3</sup> Multifamily loans are not considered in the Borrower Analysis. (NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)							

ALBUQUERQUE MSA AA

TABLE B-3 DISTRIBUTION OF 2012 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY ALBUQUERQUE MSA AA							
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	10	1,055	2.1	1.4	2.0	2.4	2.7
Moderate	82	8,803	17.1	11.3	17.9	13.0	27.6
Middle	187	25,290	39.0	32.6	33.2	28.0	32.8
Upper	201	42,531	41.9	54.8	46.9	56.6	37.0
<b>Home Purchase Loans</b>							
Low	7	675	2.9	2.1	1.9	1.2	2.7
Moderate	54	4,870	22.0	14.9	20.2	13.7	27.6
Middle	100	11,505	40.8	35.2	34.7	29.9	32.8
Upper	84	15,664	34.3	47.9	43.2	55.2	37.0
<b>Refinanced Loans</b>							
Low	3	380	1.3	0.9	2.0	1.3	2.7
Moderate	27	3,926	11.6	8.8	16.7	12.2	27.6
Middle	87	13,785	37.3	31.0	32.6	28.2	32.8
Upper	116	26,358	49.8	59.3	48.8	58.2	37.0
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	2.3	1.3	2.7
Moderate	1	7	100.0	100.0	19.2	13.7	27.6
Middle	0	0	0.0	0.0	33.8	27.1	32.8
Upper	0	0	0.0	0.0	44.7	57.8	37.0
<b>Multifamily Loans</b>							<b>% of Multifamily Units<sup>2</sup></b>
Low	0	0	0.0	0.0	34.9	27.8	14.0
Moderate	0	0	0.0	0.0	37.2	20.3	34.6
Middle	0	0	0.0	0.0	14.0	11.9	33.3
Upper	1	509	100.0	100.0	14.0	39.9	18.1

<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 5-year estimate data and 2010 FFIEC census tract designations.  
(NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)

ALBUQUERQUE MSA AA

TABLE B-4 DISTRIBUTION OF 2012 HMDA LOANS BY BORROWER INCOME LEVELS ALBUQUERQUE MSA AA							
Borrower 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	54	4,654	11.3	6.0	6.5	3.4	22.4
Moderate	118	11,711	24.6	15.1	15.2	10.4	17.4
Middle	113	17,400	23.5	22.4	19.1	16.3	18.9
Upper	175	39,238	36.5	50.5	39.5	46.9	41.3
Unknown	20	4,676	4.2	6.0	19.7	23.0	0.0
<b>Home Purchase Loans</b>							
Low	41	3,310	16.7	10.1	8.2	4.4	22.4
Moderate	85	7,334	34.7	22.4	20.9	15.3	17.4
Middle	59	8,115	24.1	24.8	21.5	20.9	18.9
Upper	60	13,955	24.5	42.7	35.5	47.9	41.3
Unknown	0	0	0.0	0.0	13.9	11.5	0.0
<b>Refinanced Loans</b>							
Low	13	1,344	5.6	3.0	5.6	3.2	22.4
Moderate	33	4,377	14.2	9.8	12.5	8.8	17.4
Middle	54	9,285	23.2	20.9	17.9	15.2	18.9
Upper	115	25,283	49.4	56.9	41.1	49.2	41.3
Unknown	18	4,160	7.7	9.4	22.9	23.6	0.0
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	9.4	4.9	22.4
Moderate	0	0	0.0	0.0	19.7	14.9	17.4
Middle	0	0	0.0	0.0	23.1	18.9	18.9
Upper	0	0	0.0	0.0	44.8	55.7	41.3
Unknown	1	7	100.0	100.0	3.0	5.6	0.0

<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 5-year estimate data.  
<sup>3</sup> Multifamily loans are not considered in the Borrower Analysis.  
(NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)

COMMUNITY REINVESTMENT ACT

APPENDIX C

AA LENDING ANALYSIS TABLES FOR LIMITED-SCOPE REVIEWS:

LAWRENCE MSA AA – 2013

TABLE C-1 DISTRIBUTION OF 2013 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY LAWRENCE MSA AA							
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	3	553	2.2	2.1	3.4	3.4	2.2
Moderate	20	3,343	14.9	13.0	14.7	11.1	16.1
Middle	59	9,982	44.0	38.8	51.5	47.6	51.0
Upper	52	11,862	38.8	46.1	30.3	37.9	30.7
<b>Home Purchase Loans</b>							
Low	3	553	3.9	3.6	3.7	2.9	2.2
Moderate	9	1,322	11.8	8.5	15.1	11.5	16.1
Middle	30	5,342	39.5	34.4	51.4	47.5	51.0
Upper	34	8,319	44.7	53.5	29.8	38.1	30.7
<b>Refinanced Loans</b>							
Low	0	0	0.0	0.0	3.1	2.1	2.2
Moderate	8	1,033	14.8	11.4	14.2	11.1	16.1
Middle	28	4,447	51.9	49.3	51.9	45.3	51.0
Upper	18	3,543	33.3	39.3	30.8	41.5	30.7
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	1.3	0.8	2.2
Moderate	1	260	50.0	57.4	14.3	17.9	16.1
Middle	1	193	50.0	42.6	50.0	40.6	51.0
Upper	0	0	0.0	0.0	34.4	40.7	30.7
<b>Multifamily Loans</b>							<b>% of Multifamily Units<sup>2</sup></b>
Low	0	0	0.0	0.0	22.6	15.5	19.7
Moderate	2	728	100.0	100.0	38.7	7.1	18.2
Middle	0	0	0.0	0.0	32.3	67.0	43.0
Upper	0	0	0.0	0.0	6.5	10.4	19.2

<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 5-year estimate data and 2010 FFIEC census tract designations.  
(NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)

LAWRENCE MSA AA – 2013

TABLE C-2 DISTRIBUTION OF 2013 HMDA LOANS BY BORROWER INCOME LEVELS LAWRENCE MSA AA							
Borrower 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	11	1,183	8.2	4.6	7.5	4.2	21.6
Moderate	20	3,181	14.9	12.4	19.1	12.9	16.2
Middle	36	6,465	26.9	25.1	21.7	17.8	21.9
Upper	56	12,283	41.8	47.7	38.1	41.3	40.3
Unknown	11	2,628	8.2	10.2	13.7	23.9	0.0
<b>Home Purchase Loans</b>							
Low	9	974	11.8	6.3	7.6	4.6	21.6
Moderate	15	2,500	19.7	16.1	23.3	17.7	16.2
Middle	21	4,311	27.6	27.7	21.4	20.1	21.9
Upper	30	7,501	39.5	48.3	37.0	47.4	40.3
Unknown	1	250	1.3	1.6	10.7	10.1	0.0
<b>Refinanced Loans</b>							
Low	2	209	3.7	2.3	7.5	4.4	21.6
Moderate	5	681	9.3	7.5	16.6	11.4	16.2
Middle	14	1,961	25.9	21.7	22.1	18.4	21.9
Upper	26	4,782	48.1	53.0	38.7	41.8	40.3
Unknown	7	1,390	13.0	15.4	15.0	24.0	0.0
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	7.1	3.0	21.6
Moderate	0	0	0.0	0.0	13.0	6.1	16.2
Middle	1	193	50.0	42.6	22.7	20.4	21.9
Upper	0	0	0.0	0.0	49.4	55.9	40.3
Unknown	1	260	50.0	57.4	7.8	14.5	0.0

<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 5-year estimate data.  
<sup>3</sup> Multifamily loans are not considered in the Borrower Analysis.  
(NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)

LAWRENCE MSA AA – 2013

**TABLE C-3  
DISTRIBUTION OF 2013 SMALL BUSINESS LOANS  
BY INCOME LEVEL OF GEOGRAPHY  
LAWRENCE MSA AA**

Census Tract Income Level	Small Business Loans <sup>1</sup>				Aggregate CRA Data <sup>2</sup>		% of Businesses <sup>3</sup>
	#	\$(100)	# %	\$ %	# %	\$ %	
Low	0	0	0.0	0.0	3.4	3.5	5.6
Moderate	4	471	22.2	16.2	21.9	29.0	23.9
Middle	8	964	44.4	33.2	46.2	43.7	43.9
Upper	6	1,468	33.3	50.6	27.0	23.7	26.6
Unknown <sup>4</sup>	0	0	0.0	0.0	1.6	0.1	0.0

<sup>1</sup> CRA defines small business loans as loans in the amount of \$1 million or less.

<sup>2</sup> Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.

<sup>3</sup> The percentage of businesses in the AA is based on 2013 D&B data and 2010 FFIEC census tract designations.

<sup>4</sup> Includes only loans for which tract locations were not reported.

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

**TABLE C-4  
DISTRIBUTION OF 2013 SMALL BUSINESS LOANS BY REVENUE SIZE  
LAWRENCE MSA AA**

Business Revenue by Size	Small Business Loans <sup>1</sup>				Aggregate CRA Data <sup>2</sup>		% of Businesses <sup>3</sup>
	#	\$(100)	# %	\$ %	# %	\$ %	
\$1MM or less	13	1,509	72.2	52.0	49.8	51.3	90.3
Over \$1MM	5	1,394	27.8	48.0	Not Reported		6.2
Not Known	0	0	0.0	0.0			3.5

<sup>1</sup> CRA defines small business loans as loans in the amount of \$1 million or less.

<sup>2</sup> Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.

<sup>3</sup> The percentage of businesses and farms in the AA is based on 2013 D&B Data.

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

LAWRENCE MSA AA – 2012

TABLE C-5 DISTRIBUTION OF 2012 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY LAWRENCE MSA AA							
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	5	704	2.8	2.2	3.3	2.9	2.2
Moderate	18	1,808	10.1	5.8	13.3	10.1	16.1
Middle	79	12,958	44.1	41.4	50.2	46.9	51.0
Upper	77	15,829	43.0	50.6	33.2	40.1	30.7
<b>Home Purchase Loans</b>							
Low	2	277	2.4	2.0	3.7	2.6	2.2
Moderate	8	985	9.8	7.2	14.3	11.0	16.1
Middle	42	6,367	51.2	46.5	51.2	46.6	51.0
Upper	30	6,066	36.6	44.3	30.8	39.8	30.7
<b>Refinanced Loans</b>							
Low	3	427	3.3	2.5	2.9	2.0	2.2
Moderate	9	787	10.0	4.6	12.5	9.5	16.1
Middle	36	6,541	40.0	38.2	50.2	46.2	51.0
Upper	42	9,387	46.7	54.8	34.4	42.3	30.7
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	5.0	4.5	2.2
Moderate	1	36	14.3	7.8	14.5	7.5	16.1
Middle	1	50	14.3	10.8	46.5	42.0	51.0
Upper	5	376	71.4	81.4	34.0	46.0	30.7
<b>Multifamily Loans</b>							<b>% of Multifamily Units<sup>2</sup></b>
Low	0	0	0.0	0.0	21.4	14.4	19.7
Moderate	0	0	0.0	0.0	42.9	13.6	18.2
Middle	0	0	0.0	0.0	25.0	61.3	43.0
Upper	0	0	0.0	0.0	10.7	10.7	19.2

<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 5-year estimate data and 2010 FFIEC census tract designations.  
(NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)



LAWRENCE MSA AA – 2012

TABLE C-6 DISTRIBUTION OF 2012 HMDA LOANS BY BORROWER INCOME LEVELS LAWRENCE MSA AA							
Borrower 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	12	1,264	6.7	4.0	6.9	3.9	21.6
Moderate	42	5,696	23.5	18.2	18.5	13.1	16.2
Middle	38	6,888	21.2	22.0	22.3	19.5	21.9
Upper	83	16,505	46.4	52.7	40.0	46.0	40.3
Unknown	4	946	2.2	3.0	12.4	17.5	0.0
<b>Home Purchase Loans</b>							
Low	10	1,051	12.2	7.7	10.5	6.1	21.6
Moderate	28	4,024	34.1	29.4	25.2	20.3	16.2
Middle	15	2,538	18.3	18.5	21.0	20.7	21.9
Upper	26	5,519	31.7	40.3	31.7	41.5	40.3
Unknown	3	563	3.7	4.1	11.6	11.5	0.0
<b>Refinanced Loans</b>							
Low	2	213	2.2	1.2	5.3	3.2	21.6
Moderate	14	1,672	15.6	9.8	15.6	11.0	16.2
Middle	22	4,325	24.4	25.2	23.2	20.5	21.9
Upper	51	10,549	56.7	61.5	43.4	51.2	40.3
Unknown	1	383	1.1	2.2	12.5	14.1	0.0
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	7.5	3.7	21.6
Moderate	0	0	0.0	0.0	18.5	11.2	16.2
Middle	1	25	14.3	5.4	21.0	18.7	21.9
Upper	6	437	85.7	94.6	49.0	54.0	40.3
Unknown	0	0	0.0	0.0	4.0	12.5	0.0

<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 5-year estimate data.  
<sup>3</sup> Multifamily loans are not considered in the Borrower Analysis.  
(NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)

TAOS COUNTY, NEW MEXICO AA – 2013

TABLE C-7 DISTRIBUTION OF 2013 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY TAOS COUNTY AA							
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	0.0	0.0	0.0
Moderate	1	24	1.5	0.3	1.8	1.0	6.0
Middle	46	6,426	70.8	70.8	72.1	74.9	70.7
Upper	18	2,622	27.7	28.9	26.2	24.2	23.3
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.5	0.2	6.0
Middle	5	783	45.5	43.7	69.9	72.0	70.7
Upper	6	1,007	54.5	56.3	29.7	27.8	23.3
<b>Refinanced Loans</b>							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	1	24	2.9	0.4	2.3	1.2	6.0
Middle	26	5,344	74.3	78.4	71.9	75.5	70.7
Upper	8	1,446	22.9	21.2	25.7	23.2	23.3
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0	0.0	6.0
Middle	13	122	76.5	41.9	82.6	79.7	70.7
Upper	4	169	23.5	58.1	17.4	20.3	23.3
<b>Multifamily Loans</b>							<b>% of Multifamily Units<sup>2</sup></b>
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0	0.0	1.1
Middle	2	177	100.0	100.0	100.0	100.0	43.0
Upper	0	0	0.0	0.0	0.0	0.0	55.9

<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 5-year estimate data and 2010 FFIEC census tract designations.  
(NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)

TAOS COUNTY, NEW MEXICO AA – 2013

TABLE C-8 DISTRIBUTION OF 2013 HMDA LOANS BY BORROWER INCOME LEVELS TAOS COUNTY AA							
Borrower 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	4	150	6.2	1.7	4.5	2.0	21.8
Moderate	6	811	9.2	8.9	10.2	6.0	19.2
Middle	17	1,483	26.2	16.3	17.6	12.3	21.5
Upper	26	5,374	40.0	59.2	59.3	57.5	37.5
Unknown	12	1,254	18.5	13.8	8.3	22.2	0.0
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	1.0	0.2	21.8
Moderate	1	124	9.1	6.9	7.2	4.2	19.2
Middle	4	738	36.4	41.2	14.4	10.8	21.5
Upper	5	694	45.5	38.8	71.8	74.1	37.5
Unknown	1	234	9.1	13.1	5.7	10.7	0.0
<b>Refinanced Loans</b>							
Low	2	148	5.7	2.2	5.3	2.4	21.8
Moderate	4	682	11.4	10.0	10.9	6.5	19.2
Middle	7	538	20.0	7.9	18.3	12.6	21.5
Upper	19	4,651	54.3	68.3	57.2	52.6	37.5
Unknown	3	795	8.6	11.7	8.4	25.9	0.0
<b>Home Improvement Loans</b>							
Low	2	2	11.8	0.7	10.9	4.9	21.8
Moderate	1	5	5.9	1.7	15.2	9.2	19.2
Middle	6	207	35.3	71.1	23.9	20.9	21.5
Upper	2	29	11.8	10.0	34.8	58.6	37.5
Unknown	6	48	35.3	16.5	15.2	6.3	0.0

<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 5-year estimate data.  
<sup>3</sup> Multifamily loans are not considered in the Borrower Analysis.  
(NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)

TAOS COUNTY, NEW MEXICO AA – 2013

**TABLE C-9  
DISTRIBUTION OF 2013 SMALL BUSINESS LOANS  
BY INCOME LEVEL OF GEOGRAPHY  
TAOS COUNTY AA**

Census Tract Income Level	Small Business Loans <sup>1</sup>				Aggregate CRA Data <sup>2</sup>		% of Businesses <sup>3</sup>
	#	\$(000)	# %	\$ %	# %	\$ %	
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	1.5	6.1	1.5
Middle	15	855	83.3	90.4	66.9	63.8	82.9
Upper	3	90	16.7	9.5	11.7	18.9	15.6

<sup>1</sup> CRA defines small business loans as loans in the amount of \$1 million or less.

<sup>2</sup> Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.

<sup>3</sup> The percentage of businesses in the AA is based on 2013 D&B data and 2010 FFIEC census tract designations.

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

**TABLE C-10  
DISTRIBUTION OF 2013 SMALL BUSINESS LOANS BY REVENUE SIZE  
TAOS COUNTY AA**

Business Revenue by Size	Small Business Loans <sup>1</sup>				Aggregate CRA Data <sup>2</sup>		% of Businesses <sup>3</sup>
	#	\$(000)	# %	\$ %	# %	\$ %	
\$1MM or less	17	916	94.4	96.8	44.6	51.1	91.8
Over \$1MM	1	30	5.6	3.2	Not Reported		4.1
Not Known	0	0	0.0	0.0	Not Reported		4.1

<sup>1</sup> CRA defines small businesses loans as loans in the amount of \$1 million or less.

<sup>2</sup> Aggregate loan data reflects all loan originations in the bank's AA reported by all CRA filers.

<sup>3</sup> The percentage of businesses and farms in the AA is based on 2013 D&B Data.

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

TAOS COUNTY, NEW MEXICO AA – 2012

**TABLE C-11  
DISTRIBUTION OF 2012 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY  
TAOS COUNTY AA**

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	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.7	0.3	6.0
Middle	24	2,859	77.4	74.8	78.7	76.8	70.7
Upper	7	961	22.6	25.2	20.6	22.9	23.3
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	1.2	0.6	6.0
Middle	1	11	33.3	4.4	77.8	74.6	70.7
Upper	2	240	66.7	95.6	21.0	24.7	23.3
<b>Refinanced Loans</b>							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.4	0.2	6.0
Middle	9	2,349	69.2	76.6	78.7	76.7	70.7
Upper	4	717	30.8	23.4	20.9	23.0	23.3
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	2.1	1.1	6.0
Middle	14	499	93.3	99.2	81.3	79.9	70.7
Upper	1	4	6.7	0.8	16.7	19.0	23.3
<b>Multifamily Loans</b>							<b>% of Multifamily Units<sup>2</sup></b>
Low	0	0	0.0	0.0	0.0	0.0	0.0
Moderate	0	0	0.0	0.0	0.0	0.0	1.1
Middle	0	0	0.0	0.0	100.0	100.0	43.0
Upper	0	0	0.0	0.0	0.0	0.0	55.9

<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 5-year estimate data and 2010 FFIEC census tract designations.

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

TAOS COUNTY, NEW MEXICO AA – 2013

TABLE C-12 DISTRIBUTION OF 2012 HMDA LOANS BY BORROWER INCOME LEVELS TAOS COUNTY AA							
Borrower 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	2	32	6.5	0.8	3.5	1.8	21.8
Moderate	4	353	12.9	9.2	9.1	5.6	19.2
Middle	3	387	9.7	10.1	15.6	12.3	21.5
Upper	16	2,562	51.6	67.1	62.1	68.9	37.5
Unknown	6	486	19.4	12.7	9.9	11.5	0.0
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	1.8	0.6	21.8
Moderate	0	0	0.0	0.0	10.2	6.2	19.2
Middle	1	11	33.3	4.4	15.0	10.8	21.5
Upper	2	240	66.7	95.6	67.7	75.7	37.5
Unknown	0	0	0.0	0.0	5.4	6.8	0.0
<b>Refinanced Loans</b>							
Low	2	32	15.4	1.0	4.3	2.2	21.8
Moderate	3	348	23.1	11.4	8.2	5.4	19.2
Middle	2	376	15.4	12.3	16.3	13.0	21.5
Upper	5	1,941	38.5	63.3	60.7	68.5	37.5
Unknown	1	369	7.7	12.0	10.5	10.8	0.0
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	0.0	0.0	21.8
Moderate	1	5	6.7	1.0	14.6	9.7	19.2
Middle	0	0	0.0	0.0	10.4	11.4	21.5
Upper	9	381	60.0	75.7	58.3	68.8	37.5
Unknown	5	117	33.3	23.3	16.7	10.1	0.0
<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 5-year estimate data. <sup>3</sup> Multifamily loans are not considered in the Borrower Analysis. (NOTE: Total percentages shown may vary by 0.1% due to automated rounding differences.)							