



COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION  
PUBLIC DISCLOSURE

Zia New Mexico Bank

RSSD #655455/ Institution #11-35-0250

102 East Main / P. O. Box 1248  
Tucumcari, New Mexico 88401

As of  
June 8, 1998

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.

Federal Reserve Bank of Dallas

P. O. Box 655906, Dallas, Texas 75265-5906

## CRA PERFORMANCE ASSESSMENT

### GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Zia New Mexico Bank, Tucumcari, New Mexico**, prepared by **Federal Reserve Bank of Dallas, Dallas, Texas**, the institution's supervisory agency, as of June 8, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

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

The bank's record of lending to low- and moderate-income individuals in its assessment area continues to be strong. In addition, the bank's loan-to-deposit ratio is comparable to other banks located in its area, though those institutions are larger in asset size. Bank management and representatives are active in the community and support programs which address the needs of low- and moderate-income individuals and geographies, specifically through their participation in a program which provides affordable housing.

### DESCRIPTION OF INSTITUTION

Zia New Mexico Bank is a locally-owned financial institution in New Mexico, with its main office located in Tucumcari. The bank also has one branch located in Logan, New Mexico. Both the main office and the branch are located in Quay County.

As of December 31, 1997, the bank reported total assets of \$14.9 million. Loans represented 73.41 percent of deposits as of the same date. The bank's primary lending focus continues to be commercial and consumer type loans, accounting for 44.15% and 25.32%, respectively, of the bank's loan portfolio as of December 31, 1997.

The bank's ability to meet various community credit needs has not been hampered by its capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment area, demographic and economic factors present in the assessment area, or the lending opportunities available in the institution's assessment area.

At the previous CRA Assessment, conducted as of June 3, 1996, the bank received an Outstanding rating.

The asset distribution by loan type is as follows as of December 31, 1997:

<b>LOAN TYPE</b>	<b>DOLLAR AMOUNT (THOUSANDS)</b>	<b>PERCENT OF TOTAL LOANS</b>
Real Estate:		
Construction	\$ 0	0.00%
Residential	1,507	18.86
Open-End Home Equity	18	0.23
Multifamily	0	0.00
Commercial	1,504	18.83
Agricultural	1,019	12.75
Total Real Estate	4,048	50.67
Consumer:		
Open-end credit	0	0.00
All other	2,023	25.32
Commercial and Industrial	1,377	17.24
Agricultural	541	6.77
State and Political Obligations	0	0.00
Other	0	0.00
Total	\$7,989	100.00%

## **DESCRIPTION OF QUAY COUNTY**

The bank has defined its Assessment Area (AA) as Quay County, New Mexico. Quay County is located in the northeastern corner of New Mexico, lying adjacent to the Texas border. With a population of 10,823 people, the county represents slightly less than 1% of the state's population.

The United States Census Bureau divides nonmetropolitan counties into statistical subdivisions called block numbering areas (BNAs). Various information, including population, race, household composition, education, employment and income statistics, are available from the Census Bureau for each BNA. Based upon 1990 US Census data, Quay County consists of four middle-income BNAs. There are 4,355 households residing in Quay County, of which 3,183, or 73%, are families (as defined by the US Census Bureau). Since the family-based numbers exclude more than a quarter of the AA population, the population demographics in this analysis will reference household-based numbers. As detailed in the chart below, approximately 29% and 15% of the households are designated low- and moderate-income, respectively.

NUMBER OF HOUSEHOLDS	LOW-INC	MODERATE-INC	MIDDLE-INC	UPPER-INC
Quay Co: 4,355	29.4%	15.4%	18.6%	36.6%
NM: 543,825	24.2%	16.1%	18.5%	41.2%

The comparison illustrates that the county is less affluent with 5% fewer upper-income households and 5% more low-income households than the state. Further illustrating this point, the county's 1990 median family income (MFI) of \$22,330 is considerably less than the state's 1990 MFI of \$27,623. Quay County's MFI is also 4% lower than the 1990 MFI for nonmetropolitan areas within the state of New Mexico (\$23,166).

Quay County has a large elderly population. Approximately 17% of the population is 65 years old or over, compared to 11% for the state of New Mexico. It is also noted that Census data for Quay County reflects an unemployment rate of 7.4%. The county's unemployment rate tracks the state's overall rate of 7.9%, but is considerably lower than the average of 9.6% for nonmetropolitan areas in New Mexico. Also possibly impacting credit demand, approximately 24% of the households live below the poverty level, compared to the state average of 19%. Oftentimes, very low-income individuals are not bankable without government assistance programs. All of these elements characterizing the AA may adversely impact the level of application activity and number of lending opportunities for the bank.

There are 5,576 housing units, with 55% being owner-occupied. Quay County has significantly more vacant units (24%) compared to the state (14%). When vacant and boarded-up units are deducted from available units, the supply tracks fairly closely to the number of households residing in the county. There are 4,238 units available for 4,355 households, providing an occupancy rate of approximately 102%.

Homes appear to be more affordable in Quay County than in other parts of the state. On average, Quay County residents spend twice their income to purchase a home. This affordability ratio compares favorably to the state's average figure of 2.9 times. It is also favorable when compared to the average for nonmetropolitan areas throughout the state (2.38X). The table below demonstrates that there is more variance in the price of housing than in the income component of the ratio.

<b>HOUSING AFFORDABILITY</b>			
	Quay County	State of New Mexico	New Mexico Nonmetropolitan Areas
Median Housing Value	\$38,812	69,772	48,466
Median Household Income	18,717	24,087	20,369
Affordability Ratio*	2.07X	2.90X	2.38X

\* The Affordability Ratio is calculated by dividing Median Housing Value by Median Household Income.

Economic data from 1994 indicates that the Quay County labor force has been steadily increasing with an overall growth rate of 3.7% since 1990. The dominant industries include retail trade, services, government, and agriculture. Each industry, with the exception of services, experienced a growth rate in excess of 5% between 1990 and 1994. Retail trade grew the most during that period at 12.2%. Services declined by less than 1% over the same time period. Between 1993 and 1994, the transportation and public utilities industry experienced a significant decline of approximately 13%, while construction grew by almost 17%. The vast majority of businesses operating in Quay County employ fewer than 50 employees. Only 5 of 313 business establishments employ more than 50 people.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

**LOAN TO DEPOSIT RATIO**

The bank’s loan-to-deposit ratio is reasonable in light of its performance context, which includes the institution’s capacity to lend in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the bank’s assessment area.

The bank’s average loan-to-deposit ratio since the previous examination is 67.64%. While the ratio has decreased from that calculated at the previous examination (70.41%), it was noted that the ratio of the other banks located in Quay County and those of the banks located in surrounding counties had also decreased over the same time period. This suggests that loan demand decreased during that period.

As of March 31, 1998, the bank’s net loans represented 57.57% of total deposits. The national peer ratio for the same period was 66.21%. Other local banks, which are much larger in asset size, had ratios ranging from 57% to 64%.

**LENDING IN ASSESSMENT AREA**

A review of sampled loans indicated a majority were located inside the assessment area. Examiner analysis included a review of 56 motor vehicle loans and 28 commercial loans originated in a 12 month period from April 1997 through March 1998. As summarized in the chart below, 69% of the loans were originated to borrowers living or operating inside the bank's assessment area.

<b>LENDING IN/OUT OF ASSESSMENT AREA ANALYSIS ON NUMBER-BASIS</b>				
<b>LOAN TYPE</b>	<b># OF LOANS IN</b>	<b>% OF LOANS IN</b>	<b># OF LOANS OUT</b>	<b>% OF LOANS OUT</b>
Motor Vehicle Loans	46	82%	10	18%
Commercial Loans	12	43%	16	57%
Total Loans	58	69%	26	31%

## LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The consumer loan analysis consisted of analyzing borrower income as a percentage of the 1998 New Mexico Non-metropolitan Median Family Income (MFI). The following chart details income limits for low- moderate-, middle-, and upper-income individuals.

<b>1998 NEW MEXICO NON-METROPOLITAN MEDIAN FAMILY INCOME \$30,600</b>		
<b>INCOME CATEGORY</b>	<b>INCOME RANGE AS A PERCENT OF</b>	<b>UPPER LIMIT OF RANGE</b>
<b>LOW-INCOME</b>	0 - 49%	\$14,994
<b>MODERATE</b>	50 - 79%	\$24,174
<b>MIDDLE-INCOME</b>	80 - 119%	\$36,414
<b>UPPER-INCOME</b>	120% and over	Over \$36,720

<b>Commercial Loan Sample</b>		
<b>Gross Revenues of Business (Thousands)</b>	<b>Number of Loans by Income of Applicant</b>	<b>Percent of Loan Sample</b>
\$0 – 100	1	8.33
\$100 – 250	2	16.67
\$250 – \$1,000	8	66.67
Over \$1,000	1	8.33
<b>Total</b>	<b>12</b>	<b>100</b>

A review of the bank's distribution of loans in its assessment area by business revenue and borrower income was performed on the sampled loans. The loan distribution among the various businesses was reasonable. As expected, the majority of the loans were made to businesses with gross revenues of less than one million dollars.

<b>Motor Vehicle Loans By Income Level of Borrower</b>		
<b>INCOME CATEGORY</b>	<b>NUMBER OF LOANS BY INCOME OF BORROWER</b>	<b>PERCENT OF TOTAL LOANS</b>
<b>LOW-INCOME</b>	13	29.00
<b>MOD-INCOME</b>	13	29.00
<b>MID-INCOME</b>	4	9.00
<b>UPPER-INCOME</b>	15	33.00
<b>TOTAL *</b>	<b>45</b>	<b>100.00</b>

\*Total does not include 1 consumer loan for which income information was not available.

Of the motor vehicle loans originated 29 percent were made to low- income individuals. According to the demographics for Quay County 29 percent of the households are characterized as low income. This percentage reflects the bank’s commitment to provide auto loans to low- income members of the community. The bank’s motor vehicle lending to low – income individuals is considered excellent.

Motor vehicle originations revealed 29 percent were made to moderate - income individuals. According to the demographics for Quay County, 15 percent are moderate-income. The bank’s motor vehicle lending to moderate-income individuals in its assessment area is considered excellent.

### **GEOGRAPHIC DISTRIBUTION OF LOANS**

Because the bank’s assessment area is composed of four middle-income block numbering areas (BNAs), it was not possible to conduct a meaningful analysis of the distribution of loans among varying income geographies.

<b>Income Category</b>	<b>Number of Block Numbering Areas</b>	<b>Percent of Total BNA’s</b>
Low-Income	0	0
Moderate-Income	4	100
Middle-Income	0	0
Upper-Income	0	0
Total	4	100%

### **RESPONSE TO COMPLAINTS**

The institution has not received any written complaints about its CRA performance since the last examination.

### **COMPLIANCE WITH ANTIDISCRIMINATION LAWS (ECOA, FHA, OR HMDA)**

No violations involving illegal discrimination or discouragement were noted.