



**Comptroller of the Currency
Administrator of National Banks**

SMALL BANK

PUBLIC DISCLOSURE

November 9, 1998

COMMUNITY REINVESTMENT ACT Performance Evaluation

**VALLEY NATIONAL BANK
Charter Number 15395**

**333 Riverside Drive
Española, New Mexico 87532**

**OFFICE OF THE COMPTROLLER OF THE CURRENCY
Western District
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Note: 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.

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 **Valley National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **November 9, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “**satisfactory.**”

- The bank’s loan-to-deposit ratio is very good given the bank’s size, financial condition, and assessment area credit needs.
- A majority of the bank’s loans are originated within their assessment area.
- The bank’s lending to individuals of various income levels and businesses of different sizes is very good. Our analysis revealed that the bank lending profile reflects the demographics of their assessment area.
- The geographic distribution of loans is satisfactory.

DESCRIPTION OF INSTITUTION

Valley National Bank (VNB) is an independent bank with one office in Española, New Mexico. As of June 30, 1998, VNB had \$128 million in total assets. The main office offers full banking services. It has a drive-up facility and an ATM onsite.

The bank's lending focus is primarily to small businesses and consumers. Total outstanding loans as of June 30, 1998 were \$92 million. Of these, 40% were commercial loans, 23% residential real estate, 17% consumer, 16% commercial real estate, and 4% other. There are no legal or financial impediments preventing the bank from meeting the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

VNB's office is located in the city of Española, in Rio Arriba County. Española is situated at the extreme southern end of one of New Mexico's largest counties. Española is closer to the capital in Santa Fe (25 miles) than it is to the Rio Arriba county seat (60 miles), at Tierra Amarilla. The county is also divided down the middle by the continental divide. For these reasons, the bank has chosen to limit its assessment area to the bank's surrounding six Block Numbering Areas (BNAs) in Rio Arriba County and three census tracts in Santa Fe County. This assessment area includes the city of Española, and numerous small surrounding communities in southeastern Rio Arriba and northern Santa Fe counties. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Rio Arriba County is a nonmetropolitan statistical area. All of the BNAs in the assessment area are middle-income BNAs with the exception of one moderate-income area. Santa Fe County is a Metropolitan Statistical Area (MSA). Two of the three census tracts in Santa Fe County served by VNB are moderate-income and the third is designated as middle-income.

The MSA and nonmetropolitan data for these areas are combined to determine low-, moderate-, middle-, and upper-income *tracts*. These designations are based on the 1990 census weighted average median family income of \$28,159. This information is used to support the ***Geographic Distribution of Loans*** section of the CRA evaluation (tracts, rather than individuals).

DESCRIPTION OF ASSESSMENT AREA (Continued)

The MSA and nonmetropolitan updated 1998 data is also combined to determine low-, moderate-, middle-, and upper-income levels for *individuals*. These categories are based on the weighted average of MSA/non-metropolitan median family income per the updated 1998 Housing and Urban Development (HUD) figures, which is \$38,167. This data is used to support the ***Lending to Borrowers of Different Incomes and Businesses of Different Sizes*** section of the CRA evaluation.

Income designations are calculated as follows: low-income represents less than 50% of the base numbers previously mentioned; moderate- is between 50% and 79%; middle- is 80% to 119%; and, upper- is 120% and above.

The population of this blended assessment area is 41,872. The economy is driven by three main factors: Los Alamos National Laboratories (LANL), state government, and tourism. A substantial portion of Española residents commute to Santa Fe or Los Alamos for work. Several casinos in the immediate area have also provided jobs. Excluding LANL, which is in Los Alamos, and the state government, which is in Santa Fe, the largest employers in the Española area are the public schools, TSAY Corporation (the San Juan Pueblo operations including home construction, cabinet making, gravel production, and a casino), and city and county governments.

The banking environment within the assessment area includes a small community bank, three branches of regional or nation-wide banks, and two credit unions. Two community contacts rated VNB very highly in terms of supporting local credit needs, including housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank's record of lending to individuals of various income levels and businesses of different sizes exceeds the standards for satisfactory performance. The demographics of the bank's assessment area reflect a presence of all income levels within the population.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued):

The bank has collected data based on borrower’s income for consumer and real estate loans. However, the bank’s classification of income levels did not match the regulation. Therefore, we reviewed a 10% sample of the consumer loans and 100% of the real estate and mobile home loans originating between January 1, 1998 through September 30, 1998.

Our analysis revealed that the bank lends to borrowers of all income levels. Its lending pattern in consumer loan originations is actually more than equitable in the low- and moderate-income levels compared to the demographics of the area. In residential real estate loan originations, the number of loans the bank makes to individuals of a moderate-income level exceeds the demographics of the area. However, residential loan originations to individuals at the low-income level is substantially less than the percentage of low-income people in the area population.

Loan Distribution by Borrower Income Level				
	LOW	MODERATE	MIDDLE	UPPER
By Weighted average of MSA/Non-MSA <i>Updated</i> Median Family Income	< \$19,084	\$19,085-30,534	\$30,535 - 45,799	\$45,800 +
% of Families within the assessment area by income level (1990 census data)	28%	19%	19%	34%
% of the number of 1998 Consumer Loan Originations (sample = 120)	42%	31%	20%	7%
% of the number of 1998 Residential RE/Mobile Home Loan Originations (sample = 24)	12%	46%	21%	21%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued):

The bank has also collected data based on business size. Based on their origination of commercial and agricultural loans from January 1, 1998 through September 30, 1998, the bank is making loans to businesses of all sizes. Of the 147 business loan originations, 86% were made to “small businesses”, and of the 7 agricultural loans, 100% were made to “small farms.” The regulation defines “small business” as a business with gross revenues less than one million dollars, and “small farms” with gross revenues less than 500 thousand dollars. As the following table shows, the bank’s distribution of commercial loans to businesses of different sizes is very good. Agricultural loans are not a significant part of the bank’s lending function (approximately 1% of gross loans), but all the bank’s loans in that category were to “small farms” with gross revenues less than 100 thousand dollars.

Lending to Businesses of Different Sizes					
Loan Type (# of loans in sample)	Business Gross Revenues (\$ 000s)				
	< 100	100-250	251-499	500-1,000	> 1,000
Commercial (147)	23%	31%	20%	12%	14%
Agriculture (7)	100%	-	-	-	-

Lending in the Assessment Area

VNB has done a good job of lending within its assessment area. The bank has collected data from January 30, 1995 through September 30, 1998. Of the 2,493 originations during that period, 2,149 or 86% of the total number of originations were in the bank’s assessment area. This translates to approximately \$53 million or 62% of the bank’s dollar loan volume originated inside the assessment area. We verified the accuracy of this information by testing data in the bank’s report.

Loan-to-Deposit Ratio

The bank’s loan-to-deposit ratio is very good given the bank’s size, financial condition, and assessment area credit needs. As of June 30, 1998 it was 76.43%. Over the last 13 quarters, the data available for the evaluation period for this rating, VNB’s average ratio was 87.60%. By comparison, local area competitors had a loan-to-deposit ratio of 70.23% at June 30, 1998, and an average of 67.16% over the last 13 quarters.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued):

Geographic Distribution of Loans

There are only three BNA or Census Tracts in the bank's assessment area which are designated as moderate-income tracts, and there are no tracts designated low-income. The bank does not track their loans by BNA or census tract numbers, but by zip codes. This data provided the base for a limited analysis of the geographic distribution of loans.

For all BNAs and census tracts, *excluding the city of Española*, loans inside the bank's assessment area originated between January 30, 1995 and September 30, 1998 were analyzed. Of the \$53 million in 2,149 loan originations, 34% of the dollar volume, and 28% of the number of loans were to borrowers in moderate-income tracts. This is comparable to the 28% of families in the assessment area which are designated as moderate-income.

For an analysis of loans within the town of Española, we sampled street addresses of borrowers with loans originated between January 1, 1998 and September 30, 1998. However, not all addresses were found in the geocoding data base. As of the 1990 census, some of the streets in Española were not named and some of the streets have been re-numbered. Of the 22 addresses found, 32% of the number and 16% of the dollar volume were to borrowers in moderate-income tracts. This compares favorably to the 28% of families in the assessment area which are moderate-income.

Response to Complaints

During the evaluation period, VNB did not receive any complaints from the public regarding its CRA performance. The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations. Our fair lending review did not indicate any evidence of apparent disparate treatment or other illegal credit practices.