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Comptroller of the Currency  
Administrator of National Banks

## **PUBLIC DISCLOSURE**

February 20, 1998

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

**The First National Bank in Artesia  
Charter Number 7043**

**303 West Main Street  
Artesia, New Mexico 88210**

**COMPTROLLER OF THE CURRENCY  
50 Fremont Street, Suite 3900  
San Francisco, California 94105-2292**

**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 **The First National Bank in Artesia** prepared by **Office of Comptroller of the Currency**, the institution's supervisory agency, as of February 20, 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 First National Bank in Artesia has a reasonable loan-to-deposit ratio. The majority of the bank's loans are made inside its assessment area. Lending to individuals of various income levels and businesses of different sizes is satisfactory. The distribution of loans within its geographic area is adequate. No complaints were noted regarding the bank's performance under the Community Reinvestment Act.

The following table indicates the performance level of *The First National Bank in Artesia* with respect to each of the five performance criteria.

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b><u>The First National Bank in Artesia</u></b>		
	<b>PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

## **DESCRIPTION OF INSTITUTION**

The First National Bank in Artesia (FNB) is owned by First Artesia Bancshares, Inc., a one-bank holding company. At December 31, 1997, bank assets totaled \$155 million. The loan-to-deposit ratio was 68.60%. FNB has two full-service locations in New Mexico, one in Artesia and the other in Hobbs. The primary focus of the Artesia office is to be a full-service bank to the community. The Hobbs office is focused on making commercial and commercial real estate loans. Products offered include deposit and time accounts, consumer, real estate, and commercial loans, and VISA and MasterCard credit cards. The bank also offers retail nondeposit investment products and trust services to their customers. In addition to the two locations, the bank operates a Loan Production Office (LPO) in Las Cruces, NM. There are no legal impediments to prevent the bank from lending to its community.

## **DESCRIPTION OF ASSESSMENT AREA**

FNB has designated census tracts surrounding and including the cities of Artesia and Hobbs as its assessment area. The assessment area is comprised of thirteen census tracts (CTs) which are located in three counties: Eddy, Chaves, and Lea. Five of the CTs are designated as moderate income, three as middle income, and five as upper income. There are no low income CTs in the assessment area. This is based on the statewide nonmetropolitan median family income (from 1990 census) within each individual county. If the CT is less than 50% of the statewide nonmetropolitan median income, it is categorized as low-income; moderate is 50% to 79%; middle is 80% to 119%; and upper is income of 120% and above the median family income. The assessment area meets the requirements of CRA and does not arbitrarily exclude any low- or moderate-income areas.

The population in the assessment area totaled 55,994 based on the 1990 census data. Approximately 65% of the population resides in Lea County, with 27% in Eddy County, and 8% in Chaves County. Per the 1990 census, the median family income for Lea County was \$26,620. The median family income for Eddy and Chaves Counties was \$27,310 and \$24,889, respectively. Approximately 26% of the population is considered low-to-moderate income. This is based on the New Mexico statewide nonmetropolitan median family income which was \$23,166 per the 1990 census. The Department of Housing and Urban Development median income in 1997 for the nonmetropolitan area is \$30,600.

The economy of the assessment area is centered around the oil and gas, agricultural, construction, transportation, and supporting services industries, and the Federal Law Enforcement Training Center. Economic growth and added employment opportunities are anticipated in the dairy, poultry, and trucking industries.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable. As of December 31, 1997, it was 68.5%. Over the last ten quarters, the evaluation period for this rating, the average ratio was 69.3%. The ratio of 183 similarly-sized banks nationwide was 65.1%. One local competitor had a loan-to-deposit ratio of 58% as of September 31, 1997. The competitor has substantially less assets than FNB and is not considered comparable to the bank.

### Lending in the Assessment Area

The First National Bank in Artesia has done a good job of lending within its assessment area. A review of all loans originated in 1997 show that the majority of loans were made inside the bank's assessment area, as indicated by the following table:

Loan type as classified by FNB	Total Originated Loans		Dollar volume in Assessment Area		Number of loans in Assessment Area	
	\$ (000's)	#	\$ (000's)	%	#	%
Personal Loans	12,295	2,105	9,135	74.3%	1,632	77.5%
Business Loans	59,010	517	39,669	67.2%	366	70.8%
Real Estate Loans	14,173	136	5,325	37.6%	98	72.1%
<b>Total</b>	<b>\$85,478</b>	<b>2,758</b>	<b>\$54,129</b>	<b>63.3%</b>	<b>2,096</b>	<b>76.0%</b>

### Lending to Borrowers of Different Income and to Businesses of Different Sizes

The bank's distribution of loans to individuals of various income levels and businesses of different sizes is satisfactory. The bank does not conduct an internal analysis based on borrower's income or business revenues. Therefore, from the list of 1997 originated loans, we reviewed a sample of 94 personal loans, 18 personal real estate loans, and 30 business loans. The tables below illustrate our findings in these areas.

<b>Personal and Real Estate Loan Distribution by Income Categories</b>						
Income Designation	Families in Assessment Area		Dollar Volume of Loans to Borrowers in Assessment Area		Number of Loans to Borrowers inside Assessment Area.	
	#	%	\$ (000's)	%	#	%
Low	3,215	21%	\$14	1%	7	6%
Moderate	2,156	14%	\$61	5%	22	20%
Middle	2,584	17%	\$178	15%	27	24%
Upper	7,428	48%	\$952	79%	56	50%
<b>Total</b>	<b>15,383</b>	<b>100%</b>	<b>\$1,205</b>	<b>100%</b>	<b>112</b>	<b>100%</b>

We compared the bank's level of lending to different borrower's income with the percentage of families in the bank's assessment area. Based on the number of loans originated, our analysis reflected a lower penetration in the low income category. The penetration in the moderate, middle, and upper income categories are comparable to the area demographics for the corresponding income categories.

<b>Loans to Businesses and Farms of Different Sizes</b>				
Gross Annual Revenues (\$000's)	Dollar Volume of Originated Loans in Assessment Area		Number of Originated Loans in Assessment Area	
	\$	%	#	%
\$1 - \$250	222	3%	10	33%
\$251 - \$500	212	3%	5	17%
\$501 - \$750	68	1%	3	10%
\$751 - \$1,000	100	1%	1	3%
Over \$1,000	7,599	92%	11	37%
<b>Total</b>	<b>8,201</b>	<b>100%</b>	<b>30</b>	<b>100%</b>

The distribution of loans to businesses and farms of different sizes is good. A sample of 30 business and farm loans made in the assessment area in 1997 indicate that 50% of originated loans were made to businesses and farms with annual revenues of up to \$500,000. The bank's average business loan is \$108,385.

### Geographic Distribution of Loans

FNB's distribution of loans within its geographic area is reasonable. As discussed in the **Description of Assessment Area** section of this evaluation, there are thirteen CTs in the bank's assessment area: five moderate income, three middle income, and five upper income. The bank does not track their loan penetration by CTs, therefore, we analyzed the list of loans originated in 1997 by borrower's address to determine the bank's loan penetration and geographic distribution. Our analysis is presented in the following chart.

Census Tract Designation	Total Population of Designated Census Tracts		Volume of Personal Loans Originated in Assessment Area	
	#	%	#	%
Moderate Income	14,669	26%	94	6%
Middle Income	10,652	19%	899	56%
Upper Income	30,673	55%	609	38%
<b>Total</b>	<b>55,994</b>	<b>100%</b>	<b>1,602</b>	<b>100%</b>

Our review of the bank's originated loans in 1997 show that the bank's geographic distribution is highest in the middle income CTs. These CTs also have the least population in the assessment area. However, the three middle income CTs are all located around the Artesia-area, where the bank's lending activity is heavily concentrated. Of the personal loans originated in 1997 in the assessment area, 93% were in the Artesia-area CTs. The volume of loans to moderate income CTs reflects a significantly lower penetration than the total CT population. Only 7% of the total personal loans were originated in the Hobbs area, where four of the five moderate CTs are located.

These findings reflect the bank's plan wherein the primary focus of the Artesia office is to be a full-service commercial and retail community bank. The Hobbs office, which opened in October 1996, is focused on making commercial and commercial real estate loans.

### Response to Complaints

During this evaluation period, FNB did not receive any negative responses from the public regarding their CRA performance. Further, based on the fair lending portion of our examination, no violations of the substantive provisions of antidiscrimination laws and regulations were identified.