



PUBLIC DISCLOSURE

January 11, 1999

COMMUNITY REINVESTMENT ACT Performance Evaluation

**FIRST NATIONAL BANK IN LAS VEGAS
Charter Number 14636**

**515-517 Sixth Street
Las Vegas, New Mexico 87701**

**OFFICE OF THE COMPTROLLER OF THE CURRENCY
Western District
50 Fremont Street, Suite 3900
San Francisco, California 94105**

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 **First National Bank in Las Vegas** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **January 11, 1999**. 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 reasonable given the bank’s size, financial condition, and assessment area credit needs.
- A majority of the bank’s loans are originated within its assessment area.
- The bank’s lending to businesses of different sizes is satisfactory. Our analysis revealed that the bank’s lending to individuals of various income levels reflects the demographics of its assessment area in consumer loans, but falls short in residential real estate loans.
- The geographic distribution of loans is satisfactory overall. The dispersion of loans does not cover all areas, but there are mitigating circumstances explained in detail in this Evaluation.
- Management has not received any Community Reinvestment Act complaints.

DESCRIPTION OF INSTITUTION

First National Bank in Las Vegas (FNBLV) is an independent bank with two offices in Las Vegas, New Mexico. As of September 30, 1998, FNBLV had \$58 million in total assets. The main office, located downtown, offers full banking services and has a drive-up facility with an ATM across the street. There is also a deposit taking branch at the north end of town.

The bank's lending focus is primarily to small businesses and consumers. Total outstanding loans as of September 30, 1998 were \$31 million. Of these, 33% were residential real estate loans, 31% commercial real estate, 12% were commercial loans, 11% consumer, and 13% other. There are no legal or financial impediments preventing the bank from meeting the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

FNBLV's offices are located in the city of Las Vegas; the county seat of San Miguel County. The assessment area includes all of San Miguel County, Mora County, and one Block Numbering Area (BNA) in Guadalupe County. The entire area is a non-metropolitan statistical area (non-MSA) with a total of 11 BNAs (five middle-income, five moderate-income, one low-income). The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

San Miguel County has eight BNAs. Four are middle-income, three are moderate-income, and one is a low-income area. The moderate-income BNAs include the far southwestern and far eastern BNAs of San Miguel County, and the southern most BNA of the city of Las Vegas. The low-income BNA is in the near eastern half of the county and is largely an unpopulated area.

Mora County is north of San Miguel County. It is split into two BNAs. The eastern portion is middle-income, and the western portion is moderate-income.

Guadalupe County is south of San Miguel County. The entire county is moderate-income. Only one of the BNA's, in the northwestern portion of the county closest to Las Vegas, is in the bank's assessment area. The communities in this BNA are connected to Las Vegas by State Road 84.

These low-, moderate-, middle-, and upper-income *tract* designations are based on the 1990 census weighted average median family income for this area of \$23,166. This information is used to support the ***Geographic Distribution of Loans*** section of the CRA evaluation.

The low-, moderate-, middle-, and upper-income levels for *individuals* 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 \$30,600 for this area. This data is used to support the ***Lending to Borrowers of Different Incomes and Businesses of Different Sizes*** section of the CRA evaluation.

DESCRIPTION OF ASSESSMENT AREA (Continued)

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 30,548. The economy is largely driven by government agencies, including New Mexico Highlands University, Luna Vocational-Technical Institute, the Las Vegas Medical Center, and other government expenditures, including transfer payments. Because nearly one third of the families in the area are low-income, there is a need for low dollar amount consumer loans.

One of the community contacts made during this examination indicated that the most pressing financing need in the community is for affordable housing. The bank is aware of this need, and provides free office space as well as financing for some homes to the local Habitat for Humanity organization.

The banking environment within the assessment area includes one other independent bank, a branch of a regional bank, and a credit union.

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 meets the standards for satisfactory performance. The demographics of the bank’s assessment area reflect a presence of all income levels within the population.

The bank collects data based on borrower’s income for all residential real estate loans. We tested this data and found it to be accurate. The bank does not compile income information for other consumer loans. Therefore, we used 100% of the residential real estate and mobile home loans originating between October 1997 and December 31, 1998, and reviewed a sample of the consumer loans from November and December 1998. Our analysis revealed that the bank lends to borrowers of all income levels, as shown in the following table.

Loan Distribution by Borrower Income Level				
	LOW < 50%	MODERATE 50-79%	MIDDLE 80-119%	UPPER >= 120%
By Weighted average of MSA/Non-MSA <i>Updated</i> Median Family Income (\$30,600)	< \$15,300	\$15,300- 24,479	\$24,480 - 36,719	\$36,720+
% of Families within the assessment area by income level (1990 census data)	30%	18%	20%	32%
% of the number of 10/97- 12/98 Residential RE/Mobile Home Loan Originations (sample = total loans of 61)	15%	16%	33%	36%
% of the number of Nov-Dec 1998 Consumer Loan Originations (sample = 40)	37%	28%	15%	20%

In residential real estate loan originations, the number of loans the bank makes to individuals of a low- and moderate-income level falls short of the demographics of the area, as shown in the table above. Low- and moderate-income families comprise 48% of the area population. The bank’s residential real estate lending to low- and moderate-income individuals totals only 31% of their total loans of that type for the period under review.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA: (Continued)

Lending to Borrowers of Different Incomes and Businesses of Different Sizes (Continued)

For this reason, we increased our review to sample the bank's loans to individuals. As seen in the table above, the bank's lending pattern in consumer loan originations is actually more than equitable to low- and moderate-income individuals. Low- and moderate-income families comprise 48% of the area population. The bank's consumer lending shows 65% of the loan sample were to individuals in low- and moderate-income levels for the two-month period tested.

The bank does not collect data based on business size. Therefore, we reviewed loan originations for all of 1998. Based on our sample of the origination of commercial and agricultural loans from January 1, 1998 through December 31, 1998, the bank is making loans to businesses of all sizes.

Of the 42 business loan originations in the sample, 86% were made to "small businesses," and of the 7 agricultural loans, 100% were made to "small farms." This compares favorably to the area demographics which indicate 86% of businesses are considered "small businesses" and 86% of farms are considered "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 (42)	34%	14%	12%	26%	14%
Agriculture (7)	100%	-	-	-	-

Lending in the Assessment Area

FNBLV has a substantial majority of its loans within its assessment area. The bank does not track this data on an ongoing basis for loan originations. We tested the bank's zip code tracking for loans outstanding as of January 12, 1999, and analyzed the portfolio. We found that 89% of the dollar amount of loans were inside and 11% outside the assessment area. For the number of loans at the same date, 93% of loans were inside and 7% were outside the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA: (Continued)

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio for the 12 quarters since the last examination is 53%. As of September 30, 1998, it was 61%. By comparison, a local area competitor, twice this bank's size, had an average loan-to-deposit ratio of 59% over the last 12 quarters, and a ratio of 68% at September 30, 1998. Information on other local financial institutions are not available, as one is a branch of a regional bank, and the other is a credit union.

Geographic Distribution of Loans

The bank does not track their loans by BNAs. We tested residential real estate loans for October 1997 through December 1998, and sampled consumer loans for November and December of 1998 to determine whether there were any low- and moderate-income geographies with little or no loan penetration, and to see how the loans were distributed in the BNAs.

Our sample of 49% of the residential real estate loans from October 1997 through December 1998 showed that the distribution of loans did not reflect a reasonable dispersion throughout the assessment area. The moderate-income tracts comprise 45% of the number of tracts in the assessment area. For the bank, only 29% of the dollar amount and 34% of the number of sampled residential real estate loans for the period were in the moderate-income tracts.

Our sample of 44% of the consumer loans for November and December 1998 showed that the distribution of loans did reflect a reasonable dispersion throughout the assessment area. The moderate income tracts comprise 45% of the number of tracts in the assessment area. For the bank, 49% of the dollar amount and 42% of the number of sampled consumer loans for the period were in moderate-income tracts.

There is a single low-income BNA in San Miguel County, numbered 9571, and known as "Trementina." None of the residential real estate or consumer loans in our sample were in this BNA. For all loans outstanding as of January 12, 1999, only 3 loans totaling \$21,332 were in this low-income BNA. However, only 1% of the households in the assessment area reside in this sparsely populated area, so it is not unusual that the sample did not include any loans there.

One of the moderate-income BNAs in San Miguel County, numbered 9570, is known as "Conchas Dam." None of the residential real estate or consumer loans in our sample were in this BNA. This tract is situated in far eastern San Miguel County. It is farther from Las Vegas than any of the other BNAs, is also sparsely populated, and is very close to Tucumcari, New Mexico, which offers other banking opportunities. We did not find this unusual.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA: (Continued)

Geographic Distribution of Loans (Continued)

In conclusion, while the sample of residential real estate loans did not reflect a satisfactory dispersion of loans in the area, a review of a sample of consumer loans does. We included consumer loans because although they only represent 11% of dollar amount for all loans in November and December 1998, they represent 73% of the number of loans for that period. FNBLV has a history of making small consumer loans available to the community.

To further test this conclusion, we looked at the dispersion in the overall loan portfolio. The bank tracks their loans by zip code, so we were only able to test loans outside the City of Las Vegas. However, since most of the low- and moderate-income tracts are outside the city, the data is still useful. The following table illustrates our findings, which support the conclusion that the bank's geographic dispersion of loans is adequate overall.

Dispersion of loans outstanding January 12, 1999 (excluding loans in the city of Las Vegas)	\$000 Loans/ % of Total	# Loans/ % of Total	Tract Characteristics	
			% Tracts	% Households
Low-Income Tract	\$155 / 3%	#15 / 6%	9.0%	1%
Moderate-Income Tracts	\$2,293 / 43%	#162 / 59%	45.5%	41%
Middle-Income Tracts	\$2,871 / 54%	#96 / 35%	45.5%	58%
TOTAL	\$5,319 / 100%	#273 / 100%	100%	100%

Response to Complaints

During the evaluation period, FNBLV did not receive any complaints from the public regarding its Community Reinvestment Act 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.