



# LARGE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## Public Disclosure

April 28, 2003

### Community Reinvestment Act Performance Evaluation

Los Alamos National Bank  
Charter Number: 15108

1200 Trinity Drive  
Los Alamos, New Mexico, 87544

#### Office of the Comptroller of the Currency

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**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, and should not 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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## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated **Satisfactory**.

The following table indicates the performance level of **Los Alamos National Bank (LANB)** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Los Alamos National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- The bank achieved an excellent volume of lending activity, and a high percentage of loans are made in the institution’s assessment area (AA).
- The distribution of home mortgage loans and small loans to businesses in low- and moderate-income geographies in the AA is good, given the mitigating factors of competitive and economic constraints.
- The distribution of home mortgage loans by income level of borrower is adequate. The penetration of small loans to businesses and lending to businesses of different sizes is excellent.
- LANB is a leader in making Community Development loans in its AA.
- The bank exhibited adequate responsiveness to the investment needs of the community through a modest level of cash donations to qualified organizations and individuals.
- LANB’s distribution of branches makes services readily accessible to geographies and individuals of all income levels. The bank’s level of community development services and involvement is good.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Block Numbering Area (BNA):** A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also

include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male household and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home Mortgage Loans:** such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

## Description of Institution

Los Alamos National Bank (LANB) is a community bank established as a national charter in 1963 by local investors to provide convenient, full-service banking to a unique community. It is an intrastate bank headquartered in the business district of Los Alamos, New Mexico, a small mountain community of 18,000 people which possesses a worldwide reputation for scientific and technological development. Los Alamos is the county seat of Los Alamos County in the north-central part of the state. Los Alamos County and Santa Fe County together comprise the Santa Fe MSA. LANB is a subsidiary of Trinity Capital Corporation, a local one-bank holding company formed in 1977. Currently the LANB ESOP owns 9.8% of the Trinity Capital stock. The stock is not publicly traded. Trinity Capital Corporation purchased Title Guaranty & Insurance Company in May 2000, making it one of the few title companies in New Mexico to be owned by a holding company of a financial institution.

LANB operates three full service branches in the Santa Fe MSA. Two of the branches are located in Los Alamos County. These include the main banking office and a branch in nearby White Rock. The other branch, opened in 1999, is located over 30 miles away in Santa Fe, New Mexico. In addition to the branches, LANB operates and services 27 Automated Teller Machines (ATMs): 13 in Los Alamos County, 10 in Santa Fe County, and four in an adjacent CT in Rio Arriba county. One of the latter is a deposit taking ATM and is included in the assessment area (AA). The AA delineations meet the legal requirements of the Community Reinvestment Act and do not arbitrarily exclude low- or moderate-income (LMI) geographies.

LANB is the largest independent community bank in the state of New Mexico. As of December 31, 2002, LANB had total assets of \$911 million, Tier 1 capital of \$72 million, net loans of \$660 million. LANB is a strong real estate and commercial lender as reflected by the composition of the loan portfolio: residential-related real estate loans 36%, commercial and commercial real estate loans 42%, and installment loans 6%. A large portion of the loans at LANB in Los Alamos and White Rock are made to businesses and individuals associated with or employed by Los Alamos National Laboratories.

LANB operates in a highly competitive environment. The Home Mortgage Disclosure Act (HMDA) peer mortgage data shows that there were 276 lenders that reported home mortgage loan activity in the Santa Fe MSA in 2001. One hundred two of these lenders made 10 or more loans during the year. The HMDA reporters include local and national banks, credit unions, and non-bank lenders. LANB is the leading mortgage lender in the MSA with an 18% market share in the number of loans (and a 15% market share in the dollar amount of loans). Its nearest competitor has just 6% market share in the number of loans. For small business loan activity, there were 66 lenders that reported small business loan activity in the MSA in 2001. LANB ranked "5" with a 6% market share in the number of loans. However, the four lenders ranking above the bank were all credit card or finance companies, with average loan size of less than \$10 thousand. By dollar amount LANB would rank "1" with 25% market share in the dollar amount of loans at \$44 million. Its nearest competitor in the dollar amount of loans to small businesses only had \$27 million.

The bank received a rating of "Satisfactory" at the prior evaluation dated January 31, 2000, under performance standards for large banks. There are no financial or legal impediments impairing the bank's ability to perform under the Community Reinvestment Act.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This Performance Evaluation (PE) assesses information since the previous examination dated January 31, 2000. The evaluation period for our review of LANB's HMDA and small business loan originations covers the period from January 1, 2000 through December 31, 2002. Our review of LANB's Community Development loans, investments and services and retail banking services covers the periods from February 1, 2000 through April 28, 2003. Appendix A contains additional details on the scope of the PE.

### Data Integrity

Data integrity was not a problem with this bank at the last CRA examination. Using a risk-based analysis to determine the accuracy of the bank's loan data, we reviewed the bank's processes for validating the HMDA and small business data. The HMDA data is validated daily, and tested monthly by the CRA officer. The CRA officer also validates the small business data monthly. The community development lending, investments, and services are also reviewed by the CRA officer. We determined that the information available for home mortgage, small business and community development lending, investments, and services was substantially accurate for use in our assessment of the bank's CRA performance.

### Selection of Areas for Full-Scope Review

LANB has one AA. The AA is the Santa Fe MSA (which comprises both Santa Fe and Los Alamos counties) plus one adjacent census tract (CT) in Rio Arriba County. We performed a full-scope review of this AA. Refer to Table 1 in Appendix A for more information.

### Ratings

The bank's overall rating is based on the full-scope review of the Santa Fe MSA. In general, the performance in each AA is weighted according to the percentage of deposits received from that area. As noted in Table 1 in Appendix C, 100 percent of the deposits came from the Santa Fe MSA. In arriving at LANB's overall record of performance, we assessed activities under the Lending, Investment and Service Tests in the AA. The rating methodology is structured such that the Lending Test weighs most heavily of the three tests in the final determination.

### Other

As part of our examination, we considered banking opportunities and information regarding the area's community needs. We contacted one organization that is a financial intermediary, and two that are housing-related organizations. We also reviewed recent interviews with organizations involved in small business lending. The most pressing identified need is affordable housing. However, the opportunity to make community development loans and investments is limited. Housing development is constrained due to environmental issues, public policy and costs. There is a lack of critical resources, such as water and vacant usable land supplied with utilities, and it is expensive to develop land for housing in the Santa Fe



MSA. Furthermore, the cost of real estate is prohibitive, making it difficult for LMI people to qualify for home loans.

Other emerging community development needs are child-care centers for LMI working families, health care for LMI and disabled people due to the increased cost of Medicaid, and the need for more flexible consumer loan underwriting.

## **Fair Lending Review**

An analysis of the most recent public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance in the AA comprising the Santa Fe MSA and CT 9540 of Rio Arriba County is good.

We focused on LANB's home mortgage loan products and small business lending. Both are identified needs in this AA. Home mortgage products (1 - 4 family plus multifamily) represent 36% of the bank's lending as of the December 31, 2002 Uniform Bank Performance Report. Commercial and commercial real estate lending comprise another 42%. LANB is a leader in mortgage lending. However, as reflected in the attached tables, residential home mortgage lending to LMI borrowers, and in moderate-income geographies, appears poor. Mitigating circumstances are discussed under the relevant sections of this report. Geographic distribution for small businesses is adequate. A strong record of borrower distribution in small business lending, and CD lending also offset the bank's relatively weak performance in residential home mortgage lending as reflected in the tables.

In arriving at the lending test rating, we gave consideration to the high cost of housing and the scarcity of affordable housing in the MSA. Per discussions with senior management and community contact representatives, housing prices in the MSA are disproportionately high compared to median family income (MFI). The median price of a home in Los Alamos County for 2002 was \$246 thousand, and in Santa Fe City/County was \$275 thousand. These are beyond the reach of nearly all LMI borrowers where the assessment area HUD adjusted median family income for 2002 is \$62,181.

#### Lending Activity

Refer to Table 1. Lending Volume in Appendix C for the facts and data used to evaluate the bank's lending activity.

In this section of the PE, market share is measured by dollar volume of accounts. This is done to make loan and deposit information comparable. Elsewhere in this document, market share refers to the number of transactions.

LANB's lending volume reflects an excellent responsiveness to credit needs in its AA. During the evaluation period, LANB originated 5,749 reportable HMDA loans, eight CD loans, and 1,037 small business loans in the AA. LANB is the number one lender of overall home mortgage products in the Santa Fe MSA. Based on Peer Mortgage Data in the southwest region in 2001, LANB ranked "1" in the market for number of home mortgage loans. LANB also ranked "1" in the home mortgage products by dollar amount. LANB ranked a "5" in the market for number of small business loans. However, the four lenders ranking above the bank were all credit card or finance companies, with average loan size of less than \$10 thousand.

By dollar amount LANB ranks “1” in small business loans, with 25% market share and an average loan size of \$130 thousand. LANB also ranked “1” for deposits in the MSA with a market share of 34%. These statistics are indicative of an excellent volume of lending in relation to LANB’s size and capacity. While we analyze the bank's performance in its entire AA as a whole, the deposit market share also points out the relative strengths and weaknesses between the two market places within the AA: in Los Alamos, where the bank has operated for 40 years, they have 87% of the deposit market share. In Santa Fe, where they have only operated for four years, they only have 11% of the deposit market share.

Market share by product analysis further supports a conclusion that the bank is responsive to the need for all types of home mortgage loans in its community. LANB’s market share for the three HMDA loan products do not reflect a significant difference between the market share based on number of loans versus market share based on dollar volume of loans. See table below for lending product comparison:

# Lenders &/ Type of Loan Product	Market Rank & Share % by #		Market Rank and Share % by \$	
	Rank	Share %	Rank	Share %
186/Home Purchase	1	14%	1	11%
37/Home Improvement	2	21%	1	21%
226/Refinancing	1	20%	1	18%
3/Multifamily	3	20%	3	8%
66/Small Business	5	6%	1	25%

As noted by the number of lenders, the market for the home purchase and refinance HMDA products is highly competitive. Many are also “nation-wide” lenders, but LANB still maintains its “1” ranking.

For small business loans, competition ranking is largely driven by out-of-area businesses. For example, the four banks ranked above LANB in SB lending by number of loans are all credit card or finance companies, with average loan size less than \$10 thousand. By dollar amount of total loans, LANB ranks number one with 25% of the market share. Performance for LANB’s small business lending activity should be framed in this context.

We did not evaluate LANB’s consumer loan activity, at the bank’s option. Banks are not required to collect and report data on consumer loan activity, and LANB did not provide such information for this evaluation since it is not a main product of the bank.

### Distribution of Loans by Income Level of the Geography

In order to provide a meaningful analysis, it is important to understand the performance context of this bank. A summary of the AA follows: There are 32 CTs: 0 Low, 9 Mod, 12 Middle, and 11 Upper income.

- There are *no* LMI tracts in the 5 Los Alamos County AA (the bank’s original AA). The county consists of 1 middle and 4 upper income tracts.
- Four years ago, the bank expanded its AA to include 26 CTs in Santa Fe County by establishing a branch. There are 0 Low, 9 Moderate, 10 Middle, and 7 Upper income tracts.

- The bank also has a deposit taking ATM in 1 contiguous CT in Rio Arriba County. It is a Middle income tract.

### **Home Mortgage Loans**

Refer to Tables 2, 3, 4 and 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The bank's primary lending focus for this evaluation period is home mortgage loan products. Together these account for 85% of the bank's total loan originations by number of loans and 87% of the dollar volume of loan originations.

While the volume of home mortgage lending activity is excellent, the lending activity in LMI geographies indicates a poor lending performance when looking at the tables for the AA. Our analysis shows this is mitigated by several factors. There are no low-income geographies, so the analysis focuses on the moderate-income geographies.

The bank activity in moderate-income geographies does not equal or exceed the demographic comparator of 24% of owner occupied housing units located in those geographies. All of the HMDA loans appearing in Tables 2 - 4 fall below the demographic comparator, with home purchase at only 7% and home improvement and refinance at 11% each. The bank's market share in moderate-income geographies for each loan product is also below its overall market share.

However, further investigation indicates lending in these moderate-income geographies is affected by several factors:

- There are no LMI CTs in Los Alamos County. Therefore, geographic distribution analysis is not meaningful in the original part of the AA where they have a longer presence and a greater volume of lending.
- The bank's geographic performance is diluted with the addition of the larger Santa Fe County's 26 CTs to their original 5 CTs in Los Alamos County. If Santa Fe County were analyzed separately, the bank would reflect a positive performance. For example, both home improvement and home refinance loans at LANB just exceed the 29% owner occupied demographic of moderate income geographies in Santa Fe County, while home purchase loans are close to the demographic at 26%.
- The Santa Fe market is saturated with strong competition for HMDA loans from significantly larger banks and non-bank institutions with extensive branch distribution. The bank also has a lower proportion of their staffing resources dedicated to the new market (at April 28, 2003, there were 230 employees in Los Alamos compared to only 55 in Santa Fe).
- Housing costs in both Los Alamos and Santa Fe counties are high. Santa Fe County is where the moderate-income tract opportunities occur, so that will be our focus in this analysis on the Geographic Distribution. (See more on high cost of housing in Appendix C.) According to the MLS Statistics for the fourth quarter 2002, the median price of a house in Santa Fe County was \$275 thousand (just slightly above the Santa Fe city

price of \$272 thousand). Even in the Southwest quarter of the city where there are projects that have affordable homes, such as Tierra Contenta, the median price is \$187 thousand. Based on an industry rule of thumb that you can afford a house that costs up to 2.5 times your annual gross income, it appears that the Santa Fe 2002 HUD adjusted median family income (MFI) of \$63,100 can only support a housing cost of \$158 thousand.

In conclusion, the bank's poor performance as reflected in the tables is considered good based on the timing, competitive, and economic constraints present in meeting the affordable housing needs of the community.

The bank originated only a small number of multifamily loans in the AA. Consequently, a geographical analysis of multifamily loans is not meaningful.

### ***Small Loans to Businesses***

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

As reflected in the tables, the geographic distribution of small business loans for the entire AA appears poor. The bank's 25% of small business loans that were made to borrowers in moderate-income geographies is less than the demographic of 39% of businesses located in these tracts. The bank's market share in moderate-income geographies is also below the overall market share.

Again, this apparent failure to meet both the demographic of the percentage of small business in the AA, and its own market share in the moderate-income geographies must be set in a performance context. As with housing loans, the bank's original AA (Los Alamos County) did not have any LMI tracts, and their lending is diluted by the combination of the smaller, existing County AA with the larger, newer Santa Fe County AA. In the portion of their AA where there are moderate-income tracts, the bank is still "building their presence" in Santa Fe County, with a lower proportion of their staffing dedicated to the new market. If Santa Fe County is analyzed separately, the bank's performance of 41% in moderate-income geographies is much closer to the demographic of 44%, and the bank actually exceeds its overall market share by its market share in moderate-income tracts.

### **Lending Gap Analysis**

There are no gaps in moderate-income tract lending on home purchase, or refinance loans. There are 4 of the 9 moderate income tracts with no lending activity for home improvement loans, but this is a much smaller product line at the bank (with only 326 loans in the evaluation period), which was also a time where most people were refinancing with low interest rates rather than taking out home improvement loans. (For example, the bank did 3,520 mortgage refinance loans during the same period.) LANB penetrated 100% of moderate-income geographies for small loans to businesses. The absence of unexplained gaps in the bank's lending activity had a positive effect upon our conclusion about the geographic distribution of LANB's lending activity.

### ***Inside/Outside Ratio***

LANB achieved a high percentage of loans in its AA during this evaluation period. Of the reported loan originations and purchases, the bank made 82% of the number of its home mortgage loans and 78% of the number of its small loans to businesses to borrowers inside the AA. The dollar percentages inside the AA for HMDA are similarly high, at 86%. The dollar amount of small loans to business are still primarily inside the AA, at 53%, but the total is lower due to a small number of very large loans. This performance was positively factored into the overall analysis of the geographic distribution of lending by income level of geography.

### **Distribution of Loans by Income Level of the Borrower**

#### ***Home Mortgage Loans***

Refer to Tables 8, 9, and 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The overall distribution of loans by borrower income is adequate.

LANB's pattern of lending activity for home mortgage loan products to LMI borrowers is poor when compared to the percentage of LMI families in the Santa Fe MSA as reflected in the tables. All of the HMDA loans are below the comparators of the percentage of families who are LMI. Compared to the 22% of families in the AA who are low-income, the bank only makes 2% of its home purchase loans, 3% of its home improvement, and 2% of its refinance loans to low-income families. Compared to the 17% of families in the AA who are moderate-income, the bank only makes 8% of its home purchase loans, 10% of its home improvement loans, and 8% of its home refinance loans to moderate-income families. The bank's market share of loans to all borrowers in the AA for each loan product is also below its market share by low and moderate income individuals.

However, this apparent failure to meet both the percentage of LMI families in the AA, and the market share of LMI borrowers must be set in a performance context.

- Over 11% of households in the bank's AA are below the poverty level, which also impacts the ability to own a home. These families generally rent because they cannot afford to purchase a house.
- Housing costs in the AA are high compared to the MFI. According to the 4<sup>th</sup> quarter 2002 multiple listing services the median-price of a single-family home in Santa Fe County is \$275 thousand, and for Los Alamos County \$246 thousand.
- The 2002 Housing and Urban Development (HUD) adjusted MFI for the AA was \$62,181. Based on 1990 census data, nearly 22% of the families in the bank's AA have an MFI of less than 50% or below \$31 thousand. Moderate income families, with an MFI of at least 50% and less than 80% (between approximately \$31 thousand and \$50 thousand) represent 17% of the families according to 1990 census data.

- Based on an industry rule of thumb that you can afford a house that costs up to 2.5 times your annual gross income, it appears that the AA 2002 HUD adjusted median family income (MFI) of \$62,181 can only support a house costing \$155 thousand. A low-income family at the upper end of the low-income range could only afford a house costing \$78 thousand and a family in the upper range of moderate-income could only afford a house costing \$125 thousand. As reported above under the Distribution of Loans by the Income Level of the Geography, the lowest median price range of a home in Santa Fe County was \$187 thousand.

### ***Small Loans to Businesses***

Refer to Table 11 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The borrower income level distribution of small business loans in the bank's AA is excellent. LANB's percentage of small loans to small businesses (businesses with annual revenues \$1 million or less) exceeds the percentage of small businesses in the MSA. The market share of small loans to small businesses exceeds their overall market share of small loans to businesses by almost double. In addition, a substantial majority of the bank's small loans to businesses are for amounts of \$100 thousand or less.

### **Community Development Lending**

Refer to Table 1. Lending Volume in Appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans.

LANB is a leader in making community development loans in the AA. We evaluated CD lending since the previous examination on February 2000 through April 28, 2003. LANB's dollar volume of CD loans totaled slightly under \$24 million representing 33% of net Tier 1 Capital. This volume is high and demonstrates an excellent responsiveness to CD lending needs in the AA.

CD loans for affordable housing purposes comprise 59% of the bank's dollar volume of CD loans. The bank played a major role in providing financing to two large affordable housing projects in Santa Fe, where affordability is a significant issue. The bank extended loans for the land development and construction of all three phases of Colonia Prisma, an affordable housing subdivision. The 73 homes in Phases I and II have been completed and the infrastructure for the 51 lots of Phase III is in the process of completion. Several of the homes were sold to a local community organization whose primary purpose is securing affordable housing for families earning 80% or less than the area median income. LANB worked with the organization to fund qualified applicants. LANB also provided financing for a mobile home park with 85 units. Mobile home units are the "most affordable" segment in the area, where demand outstrips supply. The bank also worked with another community housing organization in assisting LMI families acquire single-wide mobile lots and homes. Sixteen loans were made through the organization for a total of \$943 thousand.

In Los Alamos County, LANB granted a loan to a non-profit housing organization whose purpose is to facilitate the building and promotion of affordable housing. As such, the funds were used for the purchase and development of 24 acres in White Rock to be known as the Pinon Trails subdivision. The affordable housing project of 121 lots consists of 50 affordable housing units, 24 market rate units, and 47 mid-range units, of which an additional 12 are designated affordable in accordance with area median income requirements. This is the first White Rock subdivision developed in the past 15 years and Los Alamos Schools employees will have first priority on 25% of the affordable homes built.

As indicated above, LANB participated with non-profit housing organizations to facilitate affordable residential needs. During the evaluation period, in addition to funding the 16 loans to LMI people or areas through the Santa Fe Community Housing Trust for a total of \$943 thousand and 43 loans through the Mortgage Finance Authority and Guaranteed Rural Housing for a total of \$5.7 million. The number and dollar volume of the 43 loans are reflected in the bank's HMDA loan information and corresponding tables.

The remaining 41% of CD loans were extended to a non-profit, inter-tribal organization and to an individual borrower providing health programs and other community health services targeted to LMI people. In both cases, the funds were used for the purchase, acquisition and rehabilitation of treatment centers that would have closed had LANB not facilitated the purchases.

### **Product Innovation and Flexibility**

The bank has not used innovative loan products during the evaluation period. This had a neutral impact on the Lending Test rating. As indicated in the CD Lending section above, LANB continues to work with affordable housing agencies that offer flexible underwriting programs to increase affordable housing opportunities for LMI homebuyers.



## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Investment Test is rated Low Satisfactory. Based on this full-scope review, the bank's performance in the Santa Fe MSA is adequate.

Refer to Table 14 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

LANB invested a relatively small amount in its AA during the evaluation period. The bank made a total of \$295 thousand in qualified investments to 88 qualified organizations and individuals, representing a relatively modest 0.41% of the bank's net Tier 1 Capital. The investments, which were all in the form of grants or donations, were neither innovative nor complex.

Nonetheless, LANB's level and nature of community development investments reflect an adequate responsiveness to the overall identified community needs in the AA. Based on our contacts, we determined that a continuing need in the community is for affordable housing in the LMI range, small business development, and for the provision of community services. The bank's grants and donations had a direct impact on the community by providing assistance to LMI families through organizations serving or facilitating affordable housing and community food banks (36%), healthcare to LMI individuals (7%), small business economic development (27%), and other community services (30%).

Information gathered from bank management, performance evaluations of similarly situated local financial institutions, and the Community Reinvestment Development database at the OCC indicated that investment opportunities that specifically target CD needs in the assessment area are limited. Furthermore, competition for the few available mortgage bonds and investments is strong. LANB has mitigated this situation by focusing their CD involvement on meeting the affordable housing needs as evidenced by their strong CD lending activity.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Service Test is rated High Satisfactory. Based on a full-scope review, the bank's performance in the Santa Fe MSA is good.

### **Retail Banking Services**

Refer to Table 15 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

LANB's retail banking services are accessible to geographies and individuals of different income levels within the AA. The bank has three branches located in three distinct communities within their AA. Two of the branches are located in Los Alamos County: the main banking office in city of Los Alamos and a facility in nearby White Rock. The other branch is located in Santa Fe, New Mexico.

The Los Alamos County branches are both in upper-income CT's. There are no LMI CT's in Los Alamos County, so the distribution of the branches approximates the demographics of that portion of the AA. The downtown area location of the main office makes it readily accessible to the business community, as well as residential customers. The White Rock branch is approximately five miles away and adequately serves the primarily residential community.

The Santa Fe branch is in a middle-income CT. However, the location does not have a negative impact on the community. The branch is located in a corner of that CT, closest to an adjacent moderate-income tract and a nearby cluster of five other moderate-income tracts. This location has served to increase accessibility to more LMI individuals and small businesses in the AA. No full-service branches were opened or closed during the evaluation period.

LANB has a wide geographic distribution of 27 ATMs making them easily available to anyone in the AA. Of the 27 ATM locations, 14 ATMs are in Los Alamos County, 4 in the Rio Arriba CT, and 9 in Santa Fe County. The Los Alamos ATMs are located in upper-income CT. The ATMs in Rio Arriba are in middle-income CT.

Of the nine ATMs in Santa Fe, two located in moderate-income tracts (22%), six in middle CT's (67%), and one in an upper-income CT (11%). The ATMs in the moderate-income CT's represent 7% of the total number of the bank's ATMs compared to 31% of the population, which resides in moderate-income areas. To make it more meaningful, we compared the moderate-income ATMs only to Santa Fe County, which has the only moderate-income tracts in the AA. The two ATMs located in moderate-income CT's represent 22% of the nine ATMs located in Santa Fe County. While this is still below the 31% demographics, this is mitigated by the proximity of the Santa Fe branch to several moderate-income tracts. Eleven of the ATM locations are new since the last examination. LANB closed and removed two ATMs during the evaluation period: one located Los Alamos High School, in an upper-income CT and one in a middle-income CT in Santa Fe County at the request of the market owner due to vandalism.

LANB offers a wide range of services that do not vary in a way that inconveniences its AA, particularly LMI individuals. The products, services and business hours are reasonable. LANB provides commercial and residential financing that includes construction, bridge, real estate, term, business, mortgage loan products for purchase, improvement, refinance and consumer loans. The bank sells residential mortgage loan products into the secondary market, but retains servicing rights. Deposit accounts offered include checking, savings, NOW, retirement, and time deposits. Among other standard services, the bank provides escrow, government check cashing for customers and non-customers at no cost, and merchant card services. The bank also provides trust, fiduciary and investment management services, as well as through a third party brokerage firm. With the exception of the provision of trust services through a third party brokerage firm, these products and services are available at the main office and Santa Fe branch. The White Rock branch, located in a "bedroom community" nine miles from the main office, has a much smaller staff and refers larger loans and fiduciary activities to the main office.

Business hours have been structured to accommodate customer's needs and vary slightly among the branches. The Los Alamos and Santa Fe branches are opened from 9:00am – 5:00pm Monday through Thursday and until 6:00pm on Fridays. The White Rock facility is opened until 6:00pm every weekday. The Santa Fe branch is the only location opened until noon on Saturdays in order to remain competitive in that segment of its AA.

LANB offers alternative delivery systems including bank by mail, telephone (Data Banking), and computer (Access Banking) at no charge. The bank also provides check cashing and deposit taking banking services every Thursday to a local retirement center in Santa Fe. The bank did not have any information on how LMI individuals are affected by their alternative systems. Therefore, in drawing our conclusions for the bank's CRA performance, we did not place significant weight on these delivery systems.

### **Community Development Services**

LANB's performance in providing community development services in the AA is good. This had a positive impact on the services test rating. Bank employees have donated a substantial amount of service time through their involvement in providing technical assistance in financial matters to various community organizations and programs within the AA.

The financial services are directly related to identified community credit needs: affordable housing and small business development. Two officers served on the board of four organizations that promote economic development by financing small businesses that support permanent job creation and retention for LMI persons. In this capacity, they provided technical assistance about financial matters in all aspects of their operations. Two other officers provided technical assistance and financial expertise by serving on the board of the Los Alamos Housing Partnership (LAHP) and Tierra Contenta, the non-profit corporation for the development of property and affordable housing in the City of Santa Fe. Other bank loan officers were involved in providing financial guidance to Habitat for Humanity, an organization that builds houses for LMI individuals and in providing technical assistance by reviewing financial information for the United Way of Northern New Mexico.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): (01/01/00 to 12/31/02) Investment and Service Tests and CD Loans: (02/01/00 to 04/28/03)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Los Alamos National Bank (LANB) Los Alamos, New Mexico	Home Mortgage Loans, Small Business Loans, CD Loans, CD Investments, Retail Banking Services, and CD Services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Santa Fe MSA #7490, + 1 Rio Arriba County CT #9540	Full-Scope	

# Appendix B: Market Profiles for Full-Scope Areas

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## Table of Contents

### Market Profiles for Areas Receiving Full-Scope Reviews

Santa Fe MSA + Rio Arriba County CT #9540

**Santa Fe MSA #7490 plus one Rio Arriba County CT #9540**

Demographic Information for Full Scope Area: LANB - Santa Fe MSA + Rio Arriba County CT # 9540						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	32	0.00	28.13	37.50	34.38	0.00
Population by Geography	122,890	0.00	27.11	46.19	26.69	0.00
Owner-Occupied Housing by Geography	32,655	0.00	24.36	45.73	29.91	0.00
Business by Geography	13,239	0.00	39.80	36.37	23.83	0.00
Farms by Geography	223	0.00	30.94	46.64	22.42	0.00
Family Distribution by Income Level	32,069	21.61	17.18	21.14	40.08	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	12,439	0.00	42.44	46.07	11.49	0.00
Median Family Income		37,678	Median Housing Value		115,921	
HUD Adjusted Median Family Income for 2002		62,181	Unemployment Rate (2002)		2.90%	
Households Below Poverty Level		11.46%				

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census and 2002 HUD updated MFI

The bank's AA is the Santa Fe MSA 7490, which is comprised of Santa Fe and Los Alamos Counties, and the cities of the same names, plus one adjacent CT in Rio Arriba County (9540) where the bank has a deposit taking ATM. Of the 122,890 total population in the MSA, 81% or 98,928 reside in Santa Fe County with the remainder in Los Alamos County and the one Rio Arriba CT. There are 32 CT's within the demographic area of the MSA. Santa Fe County contains 26 CT's designated as follows: nine moderate-income, ten middle-income, and seven upper-income tracts. Los Alamos County is comprised of five CT's, with one middle-income CT and four upper-income tracts. The Rio Arriba County CT is a middle-income. There are no low-income tracts in the AA.

LANB operates in a competitive financial environment in the Santa Fe MSA. LANB's market share of total bank deposits in the MSA is 34%. Other financial institutions in the MSA include 17 branches of two large nation-wide banks; 19 offices and branches of other regional and local banks and thrifts, as well as numerous other non-bank financial institutions. LANB operates three of its own offices and ATMs and 21 stand-alone ATMs in the Santa Fe MSA. It has no offices outside the Santa Fe MSA. LANB is a full service bank, focusing on residential mortgage loans, and small business commercial and commercial real estate loans.

The primary employment base in the Santa Fe MSA is government (including federal, state, and local) followed by services, and wholesale/retail trade. The area is economically stable with a 2.9% unemployment rate. Numerous very small businesses and a few large employers dominate the Los Alamos and Santa Fe economy. Of course, the major employer in Los Alamos is the Los Alamos National Laboratories, operated by the University of California for the U.S. Department of Energy. Not counting local, state, and federal employees, 57% of businesses in the Santa Fe MSA had four or fewer employees in 2002. Just over 2% of businesses had over 50 employees. As of 1999, local, state and federal government agencies employed 25,600 persons or almost 35% of the workforce. The service sector, which includes tourism, runs a close second with nearly 30%. These numbers illustrate a workforce split between a large number of small companies, and a few businesses and government.

Housing costs in both Los Alamos and Santa Fe counties are high. According to the MLS Statistics for 2002 in Los Alamos County, the median price of a home was \$246 thousand. According to the MLS Statistics for the fourth quarter 2002, the median price of a house in Santa Fe County was \$275 thousand (just slightly above the Santa Fe city price of \$272 thousand). Even in the Southwest quarter of the city where there are projects that have affordable homes, such as Tierra Contenta, the median price is \$187 thousand. Based on an industry rule of thumb that you can afford a house that costs up to 2.5 times your annual gross income, it appears that the 2002 HUD adjusted median family income (MFI) of 62,181 can only support a housing cost of \$155 thousand. This confirms that affordability is a significant issue, particularly in Santa Fe.

This affordable housing issue becomes even more apparent when analyzing the two counties separately. In Santa Fe, 25% of families are considered low-income compared to 6% in Los Alamos County. These are families with a MFI of less than 50% or \$31 thousand. Moderate-income families (with an income of at least 50% and less than 80% of the MFI, or \$50 thousand) represent 19% in Santa Fe and 8% in Los Alamos. These low- and moderate-income levels cannot support the cost of housing in the MSA.

Several factors have contributed to high land prices, a lack of affordable housing and high cost of living for Santa Fe MSA residents. In Los Alamos County, land-locked on top of a mesa, there is a shortage of available land for development, as most adjacent areas are owned by the U.S. government or tribal governments. Within Santa Fe city limits, housing development is constrained due to lack of two critical resources: water and vacant usable land supplied with utilities. It is expensive to develop land for housing in Santa Fe. The lack of diversification in business investments with most investment being made in tourism businesses and high-end residential developments, do not serve to create the higher paying jobs which might have created a stronger demand for moderately priced homes.

We have made contacts with community organizations to determine the needs and opportunities in the assessment area. The organizations contacted included financial intermediaries and community development housing organizations. The contacts provided information to determine the opportunities for community development loans and investments in the AA as well as barriers to community development investment and lending in the AA. Based on our contacts, we determined that a continuing need in the community is for affordable housing in the low- and moderate-income range. The primary barriers to meeting this need are water and land use issues. The contacts thought the local financial institutions were doing a good job of meeting the needs within the constraints of these public policy and

environmental issues. Emerging community development need was cited for child-care centers for low- and moderate-income working families, healthcare for LMI and disabled people due to the increased cost of Medicaid, and the need for more flexible consumer loan underwriting.



## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.

- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.

**Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL)** - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

**Table 14. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

Charter Number: 15108 LOS ALAMOS NATIONAL BANK

Table 1. Lending Volume

LENDING VOLUME												
Geography: NEW MEXICO												
Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002												
MSA/Assessment Area (2002):	% of Rated Area Loans (#) in MSA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MSA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>												
LANB - Santa Fe MSA + Rio Arriba County CT 9540	100.00	5,749	810,650	1,037	122,410	0	0	24	23,580	6,810	956,640	100.00

\* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is From February 01, 2000 to April 28, 2003.

\*\*\* Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE		Geography: NEW MEXICO				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002						Market Share (%) by Geography*				
MSA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
LANB - Santa Fe MSA + Rio Arriba County CT #9540	1,900	100.00	0.00	0.00	24.36	6.74	45.73	24.05	29.91	69.21	14.14	0.00	4.39	6.95	30.33	

\* Based on 2001 Peer Mortgage Data: Southwest Region.

\*\* Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

\* Based on 2001 Peer Mortgage Data: Southwest Region.

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT		Geography: NEW MEXICO				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002						Market Share (%) by Geography*				
MSA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
<b>Full Review:</b>																
LANB - Santa Fe MSA + Rio Arriba County CT #9540	326	100.00	0.00	0.00	24.36	11.04	45.73	30.06	29.91	58.90	21.41	0.00	10.71	9.80	48.55	

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE		Geography: NEW MEXICO				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002					
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\* Based on 2001 Peer Mortgage Data: Southwest Region.

\*\* Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

MSA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography <sup>*</sup>				
	#	% of Total <sup>**</sup>	% Owner Occ Units <sup>***</sup>	% BANK Loans	% Owner Occ Units <sup>***</sup>	% BANK Loans	% Owner Occ Units <sup>***</sup>	% BANK Loans	% Owner Occ Units <sup>***</sup>	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
LANB - Santa Fe MSA + Rio Arriba County CT #9540	3,520	100.00	0.00	0.00	24.36	10.68	45.73	26.82	29.91	62.50	20.41	0.00	11.71	10.52	40.21

<sup>\*</sup> Based on 2001 Peer Mortgage Data: Southwest Region.

<sup>\*\*</sup> Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

<sup>\*\*\*</sup> Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

**Table 5. Geographic Distribution of Multifamily Loans**

Geographic Distribution: MULTIFAMILY			Geography: NEW MEXICO				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002									
MSA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography <sup>*</sup>					
	#	% of Total <sup>**</sup>	% of MF Units <sup>***</sup>	% BANK Loans	% MF Units <sup>***</sup>	% BANK Loans	% MF Units <sup>***</sup>	% BANK Loans	% MF Units <sup>***</sup>	% BANK Loans	Overall	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
LANB - Santa Fe MSA + Rio Arriba County CT #9540	3	100.00	0.00	0.00	29.91	33.33	28.76	33.33	41.33	33.33	20.00	0.00	33.33	0.00	0.00	

<sup>\*</sup> Based on 2001 Peer Mortgage Data: Southwest Region.

<sup>\*\*</sup> Multifamily loans originated and purchased in the MSA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

<sup>\*\*\*</sup> Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

**Table 6. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES			Geography: NEW MEXICO				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002					Market Share (%) by Geography*				
MSA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans						
<b>Full Review:</b>																
LANB - Santa Fe MSA + Rio Arriba County CT #9540	1,037	100.00	0.00	0.00	39.80	25.36	36.37	26.42	23.83	48.22	6.44	0.00	4.93	5.08	14.60	

\* Based on 2001 Peer Small Business Data: US&PR.

\*\* Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2002).

**Table 7. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS			Geography: NEW MEXICO				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002					Market Share (%) by Geography*				
MSA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans	% of Farms**	% BANK Loans						
<b>Full Review:</b>																
LANB - Santa Fe MSA + Rio Arriba County CT #9540	0	0.00	0.00	0.00	30.94	0.00	46.64	0.00	22.42	0.00	0.00	0.00	0.00	0.00	0.00	

\* Based on 2001 Peer Small Business Data: US&PR.

\*\* Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet (2002).

**Table 8. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE		Geography: NEW MEXICO					Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002					Market Share <sup>*</sup>				
MSA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total <sup>**</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>						
<b>Full Review:</b>																
LANB - Santa Fe MSA + Rio Arriba County CT #9540	1,900	100.00	21.61	2.23	17.18	7.72	21.14	19.78	40.08	70.27	16.25	5.35	6.78	13.78	23.80	

<sup>\*</sup> Based on 2001 Peer Mortgage Data: Southwest Region.

<sup>\*\*</sup> As a percentage of loans with borrower income information available. No information was available for 3.16% of loans originated and purchased by BANK.

<sup>\*\*\*</sup> Percentage of Families is based on the 1990 Census information.

<sup>\*\*\*\*</sup> Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT		Geography: NEW MEXICO					Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002					Market Share <sup>*</sup>				
MSA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total <sup>**</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>						
<b>Full Review:</b>																
LANB - Santa Fe MSA + Rio Arriba County CT #9540	326	100.00	21.61	2.82	17.18	9.72	21.14	16.93	40.08	70.53	21.63	7.94	9.64	19.57	31.16	

<sup>\*</sup> Based on 2001 Peer Mortgage Data: Southwest Region.

<sup>\*\*</sup> As a percentage of loans with borrower income information available. No information was available for 2.15% of loans originated and purchased by BANK.

<sup>\*\*\*</sup> Percentage of Families is based on the 1990 Census information.

<sup>\*\*\*\*</sup> Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.



**Table 10. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE		Geography: NEW MEXICO					Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002					Market Share <sup>*</sup>				
MSA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total <sup>**</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>	% Families <sup>***</sup>	% BANK Loans <sup>****</sup>						
<b>Full Review:</b>																
LANB - Santa Fe MSA + Rio Arriba County CT #9540	3,520	100.00	21.61	2.28	17.18	8.08	21.14	15.54	40.08	74.10	23.79	7.61	11.56	16.16	33.35	

<sup>\*</sup> Based on 2001 Peer Mortgage Data: Southwest Region.

<sup>\*\*</sup> As a percentage of loans with borrower income information available. No information was available for 5.11% of loans originated and purchased by BANK.

<sup>\*\*\*</sup> Percentage of Families is based on the 1990 Census information.

<sup>\*\*\*\*</sup> Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**Table11. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: NEW MEXICO			Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002				
MSA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share *	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
LANB - Santa Fe MSA + Rio Arriba County CT #9540	1,037	100.00	73.55	82.26	67.31	19.86	12.83	6.44	11.64

\* Based on 2001 Peer Small Business Data: US&PR.

\*\* Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2002).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 0.00% of small loans to businesses originated and purchased by the bank.

**Table12. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS		Geography: NEW MEXICO			Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002				
MSA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share *	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
<b>Full Review:</b>									
LANB - Santa Fe MSA + Rio Arriba County CT #9540	0	0.00	93.27	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2001 Peer Small Business Data: US&PR.

\*\* Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2002).

\*\*\*\* Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0.00% of small loans to farms originated and purchased by the bank.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS									
Geography: NEW MEXICO									
Evaluation Period: FEBRUARY1, 2000 TO APRIL 28, 2003									
MSA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
LANB - Santa Fe MSA + Rio Arriba County CT #9540	0	0	88	295	88	295	100.00	0	0

**Table 15. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS																	
Geography: NEW MEXICO																	
Evaluation Period: FEBRUARY1, 2000 TO APRIL 28, 2003																	
MSA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
LANB - Santa Fe MSA + Rio Arriba County CT #9540	100.00	3	100	0.00	0.00	33.33	66.67	0	0	0	0	0	0	0.00	27.11	46.19	26.69

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.