



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 01, 2004**

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

**The First National Bank of New Mexico  
Charter Number 15259**

**201 Main Street  
Clayton, New Mexico 88415**

**Comptroller of the Currency  
Arizona & New Mexico  
9633 South 48th Street Suite 265  
Phoenix, Arizona 85044**

**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, 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.**

## **INSTITUTION'S CRA RATING**

*This institution is rated Satisfactory.*

The First National Bank of New Mexico (FNB NM) is responsive in meeting its assessment area (AA) credit needs. The following summarizes the performance for each criterion upon which the CRA rating is based.

- The bank's quarterly average net loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and AA needs.
- FNB NM has an excellent record of lending to small farms and small businesses.

## **DESCRIPTION OF INSTITUTION**

FNB NM is a \$99 million bank located in the downtown business district of Clayton, New Mexico. FNB NM is a subsidiary of Union Bancshares, Inc., a one-bank holding company. As of December 31, 2003, Union Bancshares, Inc. owns 96% of FNB NM.

In addition to the main office, the bank operates four full-service New Mexico branches located in Raton, Tucumcari, Logan, and Angel Fire. All locations have a night depository. ATM services, including deposit taking, are available at all locations, except the Angel Fire location.

FNB NM's primary lending is centered in agricultural and commercial products. As of December 31, 2003, agriculture and commercial loans accounted for 75% of the bank's total loan portfolio. The remainder of the portfolio is comprised of residential real estate and consumer loans.

At our last CRA examination dated October 5, 1998, the bank received a "Satisfactory" rating. There are no legal or financial impediments preventing the bank from meeting the credit needs of its AA.

## **DESCRIPTION OF ASSESSMENT AREA**

FNB NM's board of directors has defined the AA as Union County, the City of Raton and Moreno Valley in Colfax County, and the City of Tucumcari and Village of Logan in Quay County. All areas are located in the northeastern corner of New Mexico. The AA is a non-metropolitan statistical area and includes seven middle-income census tracts with a median income of \$33.7 thousand. The information is derived from the 1990 census data. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Local economic conditions are stable. Agricultural and related businesses provide the mainstay of the local economy. Primary employers in the bank's AA include local school districts, hospitals and county governments. Angel Fire's primary employers include those businesses that operate within the realm of the tourist and construction industries. Based on the U.S. Bureau of Labor Statistics, unemployment rates over the past five years have remained stable. The 2002 unemployment rates for Colfax, Quay, and Union counties are 5%, 4.1% and 2.7%, respectively. All are below the New Mexico statewide unemployment rate of 5.4%.

During this examination, we interviewed one community contact to discuss economic conditions and credit needs of the AA. Our contact identified the AA's primary credit need as agricultural loans. The contact further stated that, for the most part, local financial institutions are supportive in meeting those credit needs.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

The evaluation period for this CRA examination focuses on the bank's lending activities in 2001 and 2002, except for the LTD ratios, which were calculated through September 2003. We used 2001 and 2002 loan originations in order to keep our analysis consistent with the 1990 census data. Through discussions with bank management and review of bank reports, we determined the bank's primary products to be agricultural and commercial loans. This was consistent with the bank's business strategy.

To evaluate the bank's lending performance, we took a sample of 20 agricultural loans and 20 commercial loans to determine the ratio of loan origination within the bank's AA. To evaluate the bank's performance of lending to farms and businesses of different sizes we replaced those loans made outside the AA with loans made within the AA. Based on these samples, the bank's lending performance is reasonable as supported below.

### **Loan-to-Deposit Ratio**

FNB NM's LTD ratio is reasonable given the bank's size, financial condition and credit needs of the AA. As of September 30, 2003, the bank's quarter average LTD ratio was 71%. Uniform Bank Performance Report LTD ratios over the last 21 quarters were used to compare FNB NM's LTD ratio with three similar financial institutions within their local market. The bank's LTD ratio is comparable to the other three banks within its AA.

### **Lending in Assessment Area**

With regard to FNB NM's primary loan products: agriculture and business loans, our sample revealed a majority of loans were outside of the bank's AA. Management reasonably explained the reasons for our findings. Agriculture loans were 29% in the AA and 71% out by dollar volume and 40% in the AA and 60% out by number of loans. Commercial loans were 45% in the AA and 55% out by dollar volume and 70% in the AA and 30% out by number of loans.

Clayton, New Mexico, Union County is next to Texas and Oklahoma. Bank loans outside of the AA are primarily in Texline and Dalhart, Texas, and Boise City, Oklahoma. Texline, Texas is on the border of New Mexico and Texas. These locations are closer to the main office location than the bank's branch locations. In addition to location, the bank has an agriculture loan officer that commutes daily from Boise City, Oklahoma. A long time bank director is also a primary Boise City contact.

**Lending to Borrowers of Different Incomes and Businesses of Different Sizes**

Given the business demographics of the AA, the distribution of farm and business loans reflects excellent penetration to farms and businesses of different sizes. The tables below demonstrate the bank's strong commitment to meeting the credit needs of both small farms and small businesses within its communities.

Agricultural Loans

As reflected in the table below, FNB NM's lending performance to small farms is good and compares favorably to AA demographics. Furthermore, sixteen of the loans in our sample benefited very small farms with gross annual revenues under \$250 thousand.

<b>Borrower Distribution of Agriculture Loans in FNB NM's AA</b>		
Farms Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Farms *	90%	8%
% of Bank Loans in AA by # **	95%	0%
% of Bank Loan in AA by \$	100%	0%

Source: Loan sample; Dunn and Bradstreet data; \*2% did not report revenues; \*\* 5% unknown revenue levels

Business Loans

As reflected in the table below, FNB NM's lending performance to small businesses is good and exceeds AA demographics. Thirteen of the loans in our sample were to very small businesses with gross annual revenues under \$250 thousand.

<b>Borrower Distribution of Business Loans in FNB NM's AA</b>		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	75%	4%
% of Bank Loans in AA by # **	85%	10%
% of Bank Loan in AA by \$	85%	15%

Source: Loan sample; Dunn and Bradstreet data; \*21% did not report revenues; \*\*5% unknown revenue levels

**Geographic Distribution of Loans**

An analysis of the geographic distribution of credit within the bank's AA by income level would not be meaningful because the AA only consists of only middle-income census tracts.

**Responses to Complaints**

FNB NM has not received any CRA related complaints since our last examination.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.