

# LARGE BANK

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Comptroller of the Currency  
Administrator of National Banks

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## Public Disclosure

January 31, 2000

## Community Reinvestment Act Performance Evaluation

Los Alamos National Bank  
Charter Number: 15108

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**NOTE:** 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.

## Table of Contents

|   |     |
|---|-----|
| <b>General Information</b> .....  | 1   |
| <b>Definitions and Common Abbreviations</b> .....                               | 2   |
| <b>Overall CRA Rating</b> .....   | 4   |
| <b>Description of Institution</b> .....   | 5   |
| <b>Scope of Evaluation</b> .....  | 6   |
| <b>Fair Lending Review</b> .....  | 8   |
| <b>Conclusions with Respect to Performance Tests</b>                            |     |
| Lending Test .....  | 9   |
| Investment Test .....   | 19  |
| Service Test.....   | 19  |
| <b>Appendix A: Scope of Evaluation</b> .....                                    | A-1 |
| <b>Appendix B: Market Profiles for Areas Receiving Full-Scope Reviews</b> ..... | B-1 |
| <b>Appendix C: Tables of Performance Data</b> .....                             | C-1 |

## 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 CRA performance of **Los Alamos National Bank (LANB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **January 31, 2000**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. 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 by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Block Numbering Area (BNA)** - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

**Census Tract (CT)** - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

**Community Development (CD)** - Affordable 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.

**Full-Scope Review** - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**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 statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

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

**Low-Income** - Income levels that are less than 50% of the median family income.

**Median Family Income (MFI)** - The median income determined by the United States 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 Statistical Area (MSA)** - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Middle-Income** - Income levels that are at least 80% and less than 120% of the MFI.

**Moderate-Income** - Income levels that are at least 50% and less than 80% of the MFI.

**Small Business Loans** - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

**Small Farm Loans** - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

**Tier 1 Capital** - The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income** - Income levels that are 120% or more of the MFI.

## Overall CRA Rating

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

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

| Performance Levels        | Los Alamos National Bank<br>Performance Tests |                 |              |
|---------------------------|---|-----------------|--------------|
|                           | Lending Test*                                 | Investment Test | Service Test |
| Outstanding               |   |                 |              |
| High Satisfactory         |   |                 | X            |
| Low Satisfactory          | X   | 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:

- < LANB's lending activity displays a good responsiveness to the credit needs of its assessment area (AA), as evidenced by the high volume of mortgage loans.
  
- < LANB has a good distribution of lending by income level of geography in Santa Fe County. Home mortgage loans closely approximate and small business loans match the demographic distribution of the moderate income geographies in Santa Fe County. Los Alamos County does not have low or moderate-income (LMI) geographies.
  
- < LANB has an adequate distribution of HMDA loans by income level of the borrower.
  
- < LANB's dispersion of small business loans by size of business is excellent.
  
- < The bank provides a relatively high level of Community Development (CD) lending in the AA.
  
- < The level of qualified CD investments is adequate based on the available opportunities within the bank's AA.

- < LANB demonstrates a good level of CD services. Retail banking services are reasonably accessible to geographies and individuals of different income levels.

### **Description of Institution**

Los Alamos National Bank (LANB), established as national charter in 1963, is an intrastate bank located in the business district of Los Alamos, New Mexico. Los Alamos is the county seat of Los Alamos County in the north-central part of the state. LANB is a subsidiary of Trinity Capital Corporation, a local one-bank holding company. Currently, eight percent of the Trinity Capital stock is owned by employees; the stock is not publicly traded. There are no other affiliates.

LANB operates three full service branches in the Santa FE MSA, its delineated AA. Two of the facilities are located in Los Alamos County. These include the main banking office and a branch in nearby White Rock. The other branch is located in Santa Fe, New Mexico. In addition to the branches, LANB operates and services 18 Automated Teller Machines (ATMs): nine in Los Alamos County and nine in Santa Fe County. During the evaluation period, LANB opened its Santa Fe branch (March 1999) and increased their ATM network by ten. The increase in ATMs consists of one at the Los Alamos office; one at the Los Alamos National Laboratory (LANL); two at the new Santa Fe branch; and six at various mini markets. The bank has an agreement with a convenience store to place cash dispensing ATMs in their stores. Of the six ATMs in the mini markets, four are located in Santa Fe and two in Espanola, New Mexico.

LANB is the largest independent community banks in the State of New Mexico. As of December 31, 1999, LANB had total assets of \$570 million, net loans of \$482 million, net income of \$7 million, and a return on assets of 1.25%. LANB is a strong real estate and commercial lender as reflected by the composition of the loan portfolio: residential-related real estate loans 59%, commercial and commercial real estate loans 36%, and installment loans 5%. 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 LANL.

LANB operates in a highly competitive environment. The Home Mortgage Disclosure Act (HMDA) aggregation tables show that there were 257 financial service providers that reported home mortgage loan activity in the Santa Fe MSA in 1998. Ninety-eight of these lending entities made 10 or more loans during the year. The HMDA and reporters include local banks, numerous credit unions, and non-bank lenders. LANB is the leading mortgage lender in the MSA with a 21% market share. There were 42 lenders that reported small business loan activity in the MSA in 1998. LANB ranked "3" with a 15% market share.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its AA.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This Performance Evaluation (PE) assesses information from the previous examination on December 18, 1997 through January 31, 2000. The evaluation period for our review of LANB's home mortgage loan and small business loan originations covers the period from January 1, 1998 through December 31, 1999.

Our review of LANB's retail banking services and CD loans, investments and services covers the periods from December 18, 1997 through January 31, 2000. Appendix A contains additional details on the scope of the PE.

### Data Integrity

We performed a data integrity review of 1998 and 1999 HMDA and CRA data the first week of January 2000. Our sample consisted of home mortgage purchase, home improvement, and refinance loans; small business loans; and, CD loans and investments. The error rate was insignificant and does not affect the accuracy of the information presented in the standardized tables. Overall, we determined the data to be reliable.

### Selection of Areas for Full-Scope Review

LANB has one identified AA. The AA is comprised of the Santa Fe MSA plus an adjacent census tract (CT) in Rio Arriba County. The additional tract in Rio Arriba County is a middle-income CT. We performed a full-scope review of the Santa Fe AA.

### Ratings

The bank's overall rating is based on the full-scope review of the Santa Fe AA. 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.

When looking at the tables for the entire AA, LANB reflects a poor performance. However, the bank operates in a unique environment. Los Alamos County and Santa Fe County comprise the Santa Fe MSA. Both of these counties are very distinct based on demographics, geographics, and economic conditions. To depict a more accurate representation of LANB's CRA performance, we gave consideration to the uniqueness of these two counties. As such, a different picture emerges when we analyze LANB's performance in the two counties separately.

In rendering an overall bank rating, both areas contributed to the evaluation of LANB's overall performance. But because LANB's presence in Los Alamos County contributed 79% of the deposits and 70% of the reported home mortgage and small business loans in 1998 and 1999, we gave more weight to the performance in Los Alamos County.

### **Other**

As part of our examination, we considered banking opportunities and information regarding the area's community needs obtained from five organizations. We spoke with representatives of a housing authority and reviewed recent contacts initiated by OCC and other regulatory agencies. The contacts were primarily with organizations involved in affordable housing, small business lending, and community and economic development. The individuals contacted identified low-income/affordable housing and small business lending as the most pressing needs in the MSA. They indicated that opportunities for participation by local financial institutions are limited in both Los Alamos and Santa Fe counties.

## Fair Lending Review

In conjunction with this CRA evaluation, we performed a fair lending examination of LANB. We reviewed policies and procedures, and utilized the loan terms approach to conduct a comparative file review of home mortgage refinance loans granted in 1999. The file review consisted of a comparative analysis of loan terms extended to Hispanic applicants versus white applicants. Our objective was to determine if LANB's policies and practices provide for consistent terms to applicants without regard to the borrower's race or national origin.

Based on the findings of this review:

- < LANB satisfactorily complies with the antidiscrimination laws. We found no evidence of illegal discrimination or disparate treatment being applied on a prohibited basis.
- < No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.
- < LANB has a satisfactory process in place to help ensure ongoing compliance with fair lending laws.

## Conclusions with Respect to Performance Tests

### LENDING TEST

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

We focused on LANB's home mortgage loan products and small business lending. Both are identified needs in this AA. Home mortgage products represent 86% of the bank's lending and is the bank's primary market niche. This product line carried significant weight in arriving at the lending test rating. Although LANB is a leader in mortgage lending, residential home mortgage lending to low- and moderate-income borrowers is poor. A strong record of small business lending and CD lending offset the bank's relatively weak performance in residential home mortgage lending.

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, there is an anomaly of housing prices in the MSA. There are virtually no houses available for less than \$150,000 and the most affordable lots start at \$45,000. These are beyond the reach of most low- and moderate-income borrowers where the HUD adjusted median family income for 1999 is \$56,006.

### Lending Activity

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

LANB's lending volume reflects a good responsiveness to credit needs in its AA. LANB originated 4,114 reportable HMDA, small business, and CD loans in the AA during the evaluation period. LANB is the number one lender of home mortgage products in the Santa Fe MSA where they have the majority of the overall market share. In 1998, LANB ranked "1" in the market for home mortgage loans, its primary product, and "3" in the market for small business loans. LANB also ranked "1" for deposits in the MSA with a market share of 28%. The bank's loan-to-deposit ratio averaged 94% for the last eight reporting periods ending September 30, 1999. This is a comparatively high percentage for banks in the Santa Fe MSA with total assets of less than \$1 billion. These statistics are indicative of a good volume of lending in relation to LANB's size and capacity.

Market share analysis further supports a conclusion that the bank is responsive to the need for home mortgage loans in its community. LANB's market share for the three HMDA loan products do not reflect a significant difference between the

bank's market share for number of loans versus market share for dollar volume of loans. However, the market share by loan numbers for home purchase loans, at 18% in 1998 is below its market share for total deposits at 28%. The market for this product is highly competitive, with 152 reporting lenders in 1998. The market share by number of loans for home improvement at 34% and for home mortgage refinance loans at 23% are closer to the overall deposit market share. LANB ranked "1" in the market for all three HMDA products.

Market share for small business loans shows a significant difference between the market share by number of loans (15%) and market share by dollar volume of loans (41%). LANB ranked "3" in the market by number of loans and "1" in the market by dollar volume. In this AA, seven large financial service providers dominate the market with 82% of the market share by loan volume in 1998 and 86% of the market share by dollar volume. The two institutions with the largest number of small business loans in the AA are credit card companies that do not take FDIC insured deposits. Performance expectations 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.

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

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

*Refer to Tables 2, 3 and 4 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 is home mortgage loan products. Together these account for 86% of the bank's total loan originations by number of loans and 81% of dollar volume of loan originations.

While the volume of home mortgage lending activity is good, the lending activity in LMI geographies indicates a poor lending performance when looking at the tables for the entire AA. The activity in LMI geographies does not equal or exceed the percentage of owner-occupied housing units located in those geographies (referred to as demographics). However, further investigation indicates lending to low- and moderate-income geographies is affected by several factors: first, the lack of low income CTs in Santa Fe County and lack of LMI CTs in Los Alamos County; second, LANB's relatively short time the Santa Fe branch has been opened (nine months); and third, the saturation of the market and strong competition for HMDA loans in Santa Fe, where significantly larger financial institutions with extensive

branch distribution and/or nonbanks exist.

To depict a more meaningful representation of the bank's performance concerning the distribution of home mortgage lending in LMI CTs, we carved out Los Alamos County from the AA. We did this because this geographically small county does not have any LMI CTs. As such, a geographic distribution analysis of lending in this county would be meaningless. By contrast, Santa Fe County is larger and has more diversity in its geography, with nine moderate-income CTs. For all three home mortgage loan products, we analyzed the bank's performance of geographic distribution of lending by income level of CTs using only the Santa Fe County portion of the AA. By doing this, a good distribution of lending by income level of geography became apparent.

### ***Home Purchase Loans***

Table 2 in Appendix C indicates the geographic distribution of home purchase loans for the entire AA is poor. The percentage of home purchase loans made in the moderate-income geographies is substantially less than area demographics. The market share analysis reflects a poor performance as well. LANB's market share of home purchase loans to borrowers in moderate-income geographies is significantly below the overall market share.

However, by limiting the analysis to Santa Fe County, where moderate-income geographies exist, LANB's performance reflects excellent characteristics for lending in moderate-income areas. The percentage of home purchase loans made in moderate-income areas exceed the percentage of owner occupied housing units that are within the county's moderate-income geographies. Of the 233 home mortgage loans originated in Santa Fe County, 30% were made in moderate-income geographies compared to 29% of owner occupied units in these geographies. Overall, LANB was successful in distributing home purchase loan products to the moderate-income geographies in its AA.

Market share data demonstrates equally excellent results. LANB ranked 9<sup>th</sup> in the market in Santa Fe County with an overall 3.2% market share. The market share in moderate-income geographies at 4.6% exceeds the overall market share. LANB did an excellent job at penetrating its market share in moderate-income geographies. Within the context of the highly competitive banking environment in the county, LANB's performance is notable.

### ***Home Improvement Loans***

Per Table 3, the geographic distribution of home improvement loans is poor. The percentage of home improvement loans in the AA that were made in moderate-income geographies is substantially less than area demographics. Furthermore,

the market share analysis reflects a poor performance. LANB's market share of home improvement loans to borrowers in moderate-income geographies is significantly below the overall market share.

Focusing only on the Santa Fe County portion of the AA reflects an adequate performance. The percentage of home improvement loans made in moderate-income areas substantially approximates the percentage of owner occupied housing units that are within the county's moderate-income geographies. The bank extended 27% of their home improvement loans in moderate-income geographies versus the 29% owner occupied units in moderate-income geographies in Santa Fe County. LANB ranked 2<sup>nd</sup> in the Santa Fe County market with an overall 12.2% market share. LANB's market share in moderate-income geographies at 10.3% was less than the overall market share.

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

Per Table 4, the geographic distribution of home mortgage refinance loans is poor. The percentage of home mortgage refinance loans in the AA that were made in moderate-income geographies is significantly lower than area demographics. Furthermore, the market share analysis reflects a poor performance. LANB's market share of home mortgage refinance loans to borrowers in moderate-income geographies is half of the overall market share.

LANB's geographic distribution of home mortgage refinance loans in the Santa Fe County is overall good based on the combination for the two performance indicators. LANB's percentage of home mortgage refinance loans extended in moderate-income areas at 23% was less than the demographics. However, the bank's market share of loans made in moderate-income geographies at 9.5% exceeds the overall market share of 6.9%. LANB ranked 3<sup>rd</sup> in the Santa Fe County market.

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

*Refer to Table 5 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.*

The geographic distribution of small business loans for the entire AA is poor. The percentage of small business loans that were made to borrowers in moderate-income geographies is substantially less than the percentage of businesses located in these tracts. Furthermore, the bank's market share in moderate-income geographies is less than half of the overall market share.

While this conclusion appears to support that LANB has not been successful in distributing small business loan products to the economically disadvantaged

geographies most in need of the stabilizing and revitalizing efforts of small business lending, this is not the case. Per community contacts, there are few retail businesses in Los Alamos County but LANB does a good job of serving their credit needs. They stated that it is very difficult to attract retail businesses and consultants have been hired to no avail. Given the fact that Los Alamos County has no LMI CTs and very few retail businesses, we again carved out Los Alamos County from the AA to depict a more meaningful representation of the bank's performance.

Considering the factors indicated earlier, especially the saturation in the market and strong competition from significantly larger financial institutions with extensive branch distribution systems, LANB's performance in Santa Fe County was adequate. Overall, the bank did a good job of matching its percentage of loans in moderate-income geographies to the area demographics. However, the bank's market share in moderate-income geographies at 6.5% was less than the overall 8.2% market share. LANB ranked 5<sup>th</sup> in the market which is considered adequate within the content of the county's highly competitive banking environment and the bank's limited number of branches in the county.

### ***Lending Gap Analysis***

No unexplained gaps in lending exist. During the two years evaluated, we did not identify any pattern of lending that arbitrarily excluded LMI segments of the delineated community. LANB penetrated 100% of its moderate-income and middle-income CTs in the AA. It failed to penetrate one upper-income CT that is largely comprised of a state penitentiary. There are no low-income CTs in the AA.

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

LANB has a high concentration of loan originations within its AA. The bank originated 82% of their reportable home mortgage and small business loans to borrowers in the AA. The CD loans were also extended in the Santa Fe MSA. This demonstrates a good focus on meeting the credit needs of the delineated community.

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

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

*Refer to Tables 7, 8 and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.*

Overall, Tables 7, 8, and 9 in Appendix C reflect that 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. However, lending to LMI families in the MSA is affected by the high cost of housing compared to the median family income (MFI). The average cost of homes is \$214,000 in Los Alamos and \$200,000 in Santa Fe. The 1999 Housing and Urban Development (HUD) adjusted MFI for the MSA was \$56,006. While it appears that the MFI can support the housing costs, the affordability issue becomes readily apparent when analyzing the data closely. Based on 1990 Census data, 25% of the families in Santa Fe County and 6% in Los Alamos County had an MFI of less than 50% or \$28,003. These are considered low-income. Per community representatives, these families rent because they can not afford to purchase a house. Moderate-income families or with an MFI of at least 50% and less than 80% (\$44,805) represent 19% of the families in Santa Fe County and 8% in Los Alamos County. Community representatives contacted indicated that home ownership is basically beyond the reach of moderate-income families as well. In some cases, community representatives work to assist middle-income families qualify for home ownership programs. They stated that there is virtually no housing available in LMI categories and the high demand and low supply of housing keeps the cost of housing high.

To present a more meaningful depiction of the bank's performance, we analyzed loan production in the Los Alamos and Santa Fe counties separately. Overall, the pattern of lending activity to low-income borrowers is poor in each county for each product, but the pattern of lending to moderate-income borrowers reflects an adequate performance, particularly in Los Alamos County where LANB has a stronger presence. Because the borrower distribution is more representative of the bank's established lending patterns for HMDA loans, we gave more weight to Los Alamos County in our analysis to arrive at our conclusion for this section. Less weight was given to the bank's performance in Santa Fe County due to the fact that the branch facility in Santa Fe has been opened less than nine months and the bank has not achieved an adequate market penetration. In the final analysis, LANB's lending performance was significantly below the demographics. But due to the mitigating factor of the high cost of housing in both counties, we determined the performance to be adequate.

### ***Home Purchase Loans***

Home purchase loans are the bank's focus and LANB is the number one lender in the MSA with an 18% market share. However, this good market share is not indicative of strong performance in lending to low- and moderate-income borrowers. Table 7 indicates the bank's lending is very poor for low-income borrowers and poor for moderate-income borrowers. Its market share for low- and moderate-income borrowers was significantly lower for both low- and moderate-income borrowers than its overall market share.

However, the analysis for the separate counties reflects a somewhat better performance, particularly for moderate-income borrowers. LANB's distribution of home purchase loans in Los Alamos County reflects an adequate distribution among moderate-income borrowers. LANB exceeded the demographics for moderate-income borrowers, but its market share at 67% was less than its overall market share at 73%. LANB ranked "1" in the county. In Santa Fe County, its performance was poor. The percentage of loans extended to low and moderate-income borrowers was significantly below the comparative demographics and did not meet the overall market share. LANB ranked "9" in this county.

### ***Home Improvement Loans***

A very poor performance is reflected in Table 8 for the entire AA, particularly for low-income borrowers. The distribution of bank loans to low- and moderate-income borrowers was significantly less than the demographics and the overall market share.

A different picture emerges when we analyze the two counties separately. In Los Alamos County, the distribution of home improvement loans to low-income borrowers remains poor, but its distribution of loans among moderate-income borrowers reflects an excellent penetration. In Los Alamos County, the bank exceeded the demographics by 4% and matched the overall market share. The bank ranked "1" in Los Alamos County. In Santa Fe County, the bank's performance is very poor. For low-income borrowers, LANB does not meet the comparative demographics of 25% versus loan originations of 1%. The market share to low-income borrowers represents a 2% market share that is below its overall market share of 12%. For moderate-income borrowers, the bank's performance was better, but below the demographics and overall market share. The bank's percentage of loans to moderate-income borrowers at 12% is substantially less than the percentage of moderate-income families at 19%. Its market share at 9.5% is less than the bank's overall 12% market share.

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

LANB's home mortgage refinance lending performance in the entire AA is poor. The bank's percentage of home mortgage refinance loans to low- and moderate-income borrowers did not meet the demographics. Furthermore, the market share to LMI borrowers was significantly below the bank's overall market share.

The poor performance did not change when analyzing the two counties separately. Both counties did not match the demographics for low-income borrowers and the market share was less than the bank's overall market share. In Los Alamos County, the bank originated 2% of their loans, which is considerably below the 6% of low-income families in that portion of the AA. In Santa Fe County, the performance was very poor with 3% of the loans extended to low-income

borrowers compared to 25% of the low-income families in that portion of the AA.

The distribution of loans to moderate-income borrowers reflects an adequate performance in Los Alamos County, where the bank has a stronger presence. LANB matched the demographics and exceeded the overall market share. The market share for moderate-income borrowers was 87%, which compared favorably to the bank's overall 76% market share.

A very poor performance is reflected in Santa Fe County. LANB extended 9% of its refinance loans to moderate-income borrowers which is significantly less than the 19% of families in that portion of the AA. The market share to moderate-income borrowers was 3.7% or half of the overall market share of 6.9%.

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

*Refer to Table 10 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 distribution of small business loans by income level of the borrower in the Santa Fe MSA is excellent. LANB did well based on the two different measures of this lending activity.

LANB's percentage of small business loans made to businesses with revenues of \$1 million or less exceeded the aggregate percentage for all other reporting lenders in the AA. Its lending activity also exceeded the demographics for that size of business in the AA.

The majority of LANB's small business loans were of relatively low dollar amounts. More than half of the loans were in amounts of \$100,000 or less. More than three-fourths were in amounts of \$250,000 or less. To the extent that the size of a loan is indicative of the size of the business, LANB did well in distributing most of its small business loan products to fairly small businesses.

LANB's market share of small business loans to firms with revenues of \$1 million or less exceeded its overall market share for all small business loans. This is a good indication that the bank focused a proportional amount of effort towards satisfying the credit needs of small businesses, where community groups tell us the one of the greatest needs exists.

### **Community Development Lending**

*Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.*

LANB committed a significant dollar amount to CD lending since the previous examination on December 18, 1997 through January 31, 2000. LANB's dollar volume of CD loans totaled slightly over \$5 million representing 12.03% of net Tier 1 capital. This volume is high and demonstrates a good responsiveness to CD lending needs in the AA. Its CD lending focus has been on affordable housing projects, which community contacts identified as the most pressing community need.

In response to affordable housing needs, the bank:

- Issued a qualifying CD stand-by letter of credit totaling \$3 million to support the second phase of a subdivision master plan whose stated purpose was to provide affordable housing. The letter of credit was issued to back bonds for infrastructure improvements of a housing and retail development in the City of Santa Fe. The infrastructure was necessary to open up new land for the construction of affordable housing. There are 699 units comprised of 539 single family residences and 160 apartment units. Of these, 40% were designated "most affordable homes." This means that the sales of these homes are restricted to individuals or families earning 80% or less of area median income. LANB played a leadership role in initiating the project and a key role in facilitating it through the SLOC. Although the monies have not been extended, the project would not have proceeded without this support.
- Extended a \$2 million loan for the construction of a 40 unit subsidized rental property complex. Of these, 31 units are restricted to less than 50% of area median income and 9 units to 60% of area median income. The complex is located in the City of Los Alamos.
- < Granted a loan for the full purchase price to a non-profit housing organization. The proceeds were used for the purchase of 3 vacant lots upon which the borrower plans to build affordable residential houses. To further help this non-profit organization facilitate affordable housing needs, LANB extended the loan at zero percent interest.

LANB has actively extended credit for several other multi-family affordable housing projects throughout the state. These projects included a 100-unit housing project, a 60-unit apartment complex, and a 44-unit affordable housing project backed with a performance stand-by letter of credit for the New Mexico Mortgage Finance Authority. Although the projects met the definition of CD, the loans did not benefit the bank's AA.

### **Product Innovation and Flexibility**

While the lending programs offered by LANB are not considered innovative or flexible, LANB participates with other agencies that offer flexible underwriting criteria targeted to LMI individuals within its AA. Programs offered to service the affordable housing needs of LMI individuals within its AA include the following:

- ◆ A 100% loan-to-value mortgage loan product with the lowest cost mortgage insurance is available to low and very low-income borrowers. This is the Guaranteed Rural Housing (GRH) program that is offered through the United States Department of Agriculture/Rural Housing Services (RHS). The GRH program is restricted to rural areas with populations under 20 thousand. There are no maximum mortgage loan limits and no mortgage insurance is required. RHS also offers an assistance payment plan where RHS pays a portion of the monthly loan payment for the life of the loan based on the borrower's yearly tax returns.

Bank officers counsel and refer applicants that do not qualify under LANB's standard guidelines to the RHS for assistance. Over the evaluation period, LANB originated 19 GRH loans for a total of \$2,012,677. These were included in the bank's HMDA loans.

- ◆ Several programs for first time homebuyers targeted to low- and moderate-income borrowers are offered through the New Mexico Mortgage Finance Authority (MFA). These programs, which are available statewide and on Indian Reservations, include the following:
  - MortgageSaver, which originates 30-year fixed rate loans at one of two interest rates: one well below the conventional market rate and one just about even with the conventional market rate.
  - HELP" Program, which gives assistance with down payments and closing costs to LMI borrowers who have qualified to purchase a home under the MFA's MortgageSaver homeownership program. The maximum "HELP" loan amount is \$4,000 with a 10-year amortization at a 6% interest rate. There is a minimum 1% down payment requirement from borrower funds or from gift funds, if allowed by the lender. Homebuyer education must be completed prior to reservation of MFA "HELP" funds.

LANB has originated 63 MFA loans for a total of \$5,977,441 since 1995 when they entered the program. The majority of the originations, however, were made over the evaluation period with 47 loans totaling \$4,536,022. These were included in the HMDA loans.

## **INVESTMENT TEST**

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

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

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Although LANB actively contributes to the support of various community organizations throughout its AA, the actual "qualified donations" for 1998 and 1999 totaled \$26,400. This amount was distributed to 22 community and economic development organizations that met the definition of CD purposes.

Mitigating circumstances have prevented LANB from being able to be more proactive in this field. Within the areas of Los Alamos and Santa Fe there are minimal investment opportunities that specifically target CD needs. Instead of investing in the few MFA bonds available in the area, LANB has devoted its resources to real estate related lending whose primary purpose meets the definition of CD contained in the CRA regulation. Approximately 95% of their loan portfolio are comprised of real estate related loans. Their deposit to loan ratio is presently at 98% and has averaged 94% over the last nine quarters.

## **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 13 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.

As indicated earlier, the bank's AA (Santa Fe MSA) is made up of two fairly different counties so some explanations are required to understand how services are made accessible.

LANB has three branches located in three distinct communities within their AA. The Los Alamos and White Rock branches are both in upper-income CTs. There are no low- and moderate-income CTs in Los Alamos or White Rock, so the distribution of the branches approximates the demographics of that portion of the AA. The new Santa Fe branch is in a middle-income CT. However, it is located in the far corner of that CT closest to an adjacent moderate-income tract, and is readily accessible to a nearby cluster of five other moderate-income tracts. The distribution of the branches does not approximate the moderate-income demographics of the AA (28% of the population in moderate-income geographies and no branches are in moderate-income geographies) but as noted above, this is mitigated by the proximity of the Santa Fe branch to several moderate-income tracts.

LANB has 18 ATM locations. There are no low-income tracts in the AA. There are two ATMs (or 11% of the total ATMs) in moderate-income areas compared to 28% of the population, which resides in moderate-income areas. Two of the ATMs in a middle-income tract are at the new Santa Fe branch described above, which is readily accessible to several moderate-income tracts. There is also a wide geographic dispersion of the bank's ATMs, making them readily accessible to anyone in the AA. Ten of the ATM locations are new since the last examination. The bank has an agreement with a convenience store to place cash dispensing ATMs in their stores. Five of the 18 ATMs are in those convenience stores.

The bank offers a wide range of banking products and services. The types of credit products offered include: 1 - 4 family residential, commercial real estate, construction, commercial, and individual loans. The bank also sells residential mortgage loan products into the secondary market, but retains the servicing on them. The types of deposit accounts offered include: checking, NOW, savings, and time deposits. LANB also offers deposit and investment products through a third party brokerage firm. All of these products and services are available at the Los Alamos and Santa Fe branches. The White Rock branch, located in a "bedroom community" 15 minutes away from the main office, has a much smaller staff, and refers larger loans and specialized international transactions to the main office.

Business hours are reasonable and structured to accommodate customer needs. The new branch in Santa Fe offers Saturday morning hours in addition to the regular weekly hours in order to remain competitive in that segment of the market place. Customers may also access banking services by mail, telephone, and computer. The computer "internet banking" product is also made available to customers who do not have their own home computers by providing an accessible computer in the lobby of the Los Alamos and Santa Fe branches. Employees are also available to provide technical assistance when required. The bank did not have any information on how LMI individuals and geographies are affected by their alternative systems. Therefore, we could not place significant weight on these

delivery systems.

## **Community Development Services**

LANB provides financial and technical assistance to a variety of community organizations that are responsive to the community credit needs of the AA. The following are examples of the services they rendered:

- < Several bank officers serve or have served on the board of a non-profit low-income housing organization. The organization's primary purpose is to provide housing for low- and moderate-income individuals. The officers provide mortgage finance expertise and guidance on feasibility for projects. The organization is currently working on a housing project in White Rock that will provide housing for teachers, law enforcement, and other salaried positions that fall substantially below the median income of the area.
- < A bank officer was the President and a board member for several years and assisted in the development of a subsidiary of the non-profit low-income housing organization. This subsidiary has several functions. It has successfully developed a low- and moderate-income apartment project. It runs a program funded with state monies, to cover down payment and closing costs on Rural Housing loans. This program requires the subsidiary to raise 15% of the project funds. The subsidiary also established a program to provide rental assistance vouchers to low- and moderate-income individuals in a Section 8 program. The officer provided assistance by serving on the Board and developing these programs based on his lending, fund raising, and underwriting expertise.
- < A bank officer volunteers at a non-profit low income housing organization. Applicants must be first time homebuyers and meet low- and moderate-income criteria. The officer has participated in training that helps clients understand the application process and what is required to qualify for the loans. The officer has also recently joined the internal loan review committee for the organization to analyze loan applications and ensure the buyers meet financial standards and other underwriting parameters of the organization.
- < A bank officer was a board member of an organization funded by a governmental agency that provides a revolving loan funds for small businesses that typically do not qualify for bank loans. One of the major criteria is that the business must create at least one job to qualify for the loan funds. Bank officers participated in training which helps identify and refer potential candidates for this fund, and serve as financial and technical mentors for the

small business owner.

## 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 nonmetropolitan areas that received comprehensive examination review (designated by the term **AFull-Scope@**) and those that received a less comprehensive review (designated by the term **ALimited-Scope@**).

|   |  |                          |
|---|--|--------------------------|
| <b>Time Period Reviewed</b>                             | Lending Test: January 1, 1998 to December 31, 1999<br>Investment Test: December 18, 1997 to January 31, 2000<br>Service Test: December 18, 1997 to January 31, 2000      |                          |
| <b>Financial Institution</b>                            | <b>Products Reviewed</b>   |                          |
| Los Alamos National Bank<br>Los Alamos, New Mexico      | HMDA Loans, Small Business Loans,<br>Community Development Loans,<br>Community Development Investments,<br>Retail Banking Services and Community<br>Development Services |                          |
| <b>Affiliate(s)</b>                                     | <b>Affiliate Relationship</b>  | <b>Products Reviewed</b> |
| NA  | NA   | NA                       |
| <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  | Full-Scope   | MSA                      |

## Appendix B: Market Profiles for Full-Scope Areas

### Santa Fe MSA

| Demographic Information for Full-Scope Area: Santa Fe MSA  |                                     |   |                    |                  |                 |                        |
|--|-------------------------------------|---|--------------------|------------------|-----------------|------------------------|
| Demographic Characteristics  | #                                   | Low<br>% of #                             | Moderate<br>% of # | Middle<br>% of # | Upper<br>% of # | NA*<br>% of #          |
| Geographies (Census Tracts/BNAs)   | 32                                  | 0   | 28                 | 38               | 34              | 0                      |
| Population by Geography  | 124,765                             | 0   | 27                 | 47               | 26              | 0                      |
| Owner-Occupied Housing by Geography  | 33,069                              | 0   | 24                 | 46               | 30              | 0                      |
| Businesses by Geography  | 8,264                               | 0   | 38                 | 37               | 25              | 0                      |
| Farms by Geography   | 136                                 | 0   | 33                 | 40               | 27              | 0                      |
| Family Distribution by Income Level  | 32,634                              | 22  | 17                 | 21               | 40              | 0                      |
| Distribution of Low- and Moderate-Income Families throughout AA Geographies                              | 12,628                              | 39  | 23                 | 22               | 16              | 0                      |
| Median Family Income<br>HUD Adjusted Median Family Income for 1998<br>Households Below the Poverty Level | = \$ 37,675<br>= \$ 56,006<br>= 12% | Median Housing Value<br>Unemployment Rate |                    |                  |                 | = \$115,870<br>= 3.07% |

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census, and 199X HUD updated MFI.

The bank's AA is the Santa Fe MSA 7490 which is comprised of Los Alamos and Santa Fe Counties. This region has the cities of Los Alamos (which includes White Rock), Santa Fe (the state capital), and Espanola. Of the total population in the MSA, 15% or 18,115 reside in Los Alamos County with the remainder in Santa Fe County. Previously LANB did not have any low or moderate income areas. With the opening of the Santa Fe office in March 1999 there are now some moderate income areas.

There are 32 CTs within the demographic area of the MSA. Santa Fe County contains 26 CTs designated as follows: nine moderate-income, ten middle-income, and seven upper-income tracts. Los Alamos County is comprised of one middle-income CT and four upper-income CTs. An additional moderate-income tract, which is adjacent to Santa Fe County, is located in the town of Espanola in Rio Arriba County.

The primary economic base in Los Alamos as well as of the rural area within the triangle and in the immediate area outside is employment at Los Alamos National Laboratory (LANL). LANL is the nation's leading Nuclear Research and Development center and has a wide range of energy research programs. LANL

contributes 36%, or more than \$360 million, to the regions personal income. Other economic bases in the county are state and county government employment, and tourism. The area is economically stable with a 3.07% unemployment rate.

The average cost of homes is \$214,000 in Los Alamos and \$200,000 in Santa Fe. While it appears that the 1999 HUD adjusted median family income (MFI) of \$56,006 can support the housing costs, affordability is a significant issue, particularly in Santa Fe County. This becomes 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 \$28,003. Moderate-income families (with a MFI of at least 50% and less than 80% of the MFI or \$44,805) represent 19% in Santa Fe and 8% in Los Alamos. These income levels can not support the cost of housing in the MSA.

LANB operates in a competitive financial environment in the MSA but is the premier bank of Los Alamos County. Approximately 63% of the residents use LANB as their primary bank, 11% as their secondary bank, and 80% of the mortgage filings in Los Alamos County identify LANB as the lender. In Santa Fe County, mortgage filings consistently rank LANB as one of the top three lenders. Additionally, LANB is well known in Santa Fe as a commercial real estate development lender.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

The tables cover the entire CRA evaluation period. References to the **Abank** 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; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/assessment area; 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 MSA/assessment area.

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 MSA/assessment area.
- 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 rank and 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 Refinance Loans** - See Table 2.
- Table 5. 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 rank and market share information based on the most recent aggregate market data available.

- Table 6. 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 rank and market share information based on the most recent aggregate market data available.
- Table 7. 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 MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** - See Table 7.
- Table 9. Borrower Distribution of Refinance Loans** - See Table 7.
- Table 10. 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. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small business reporters in the bank's AA to businesses with revenues of \$1 million or less and is based on the most recent aggregate market data available. 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 11. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) 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. The table also compares the banks percentage distribution with the percentage of loans originated and purchased by all other small farm reporters in the bank's AA to farms with revenues of \$1 million or less and is based on the most recent aggregate market data available. 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 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/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 have been reported on schedule RC-L of the Call Reports as an off-balance sheet item.
- Table 13. 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 MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.

**Table 1. Lending Volume**

| LENDING VOLUME       |                                     |               |            |                           |            |                      |            |                       |            |                      |            | Evaluation Period: 01/01/1998 TO 12/31/1999 |  |
|----------------------|-------------------------------------|---------------|------------|---------------------------|------------|----------------------|------------|-----------------------|------------|----------------------|------------|---|--|
| MSA/Assessment Area: | % of Rated Area Deposits in MSA/AA* | Home Mortgage |            | Small Loans to Businesses |            | Small Loans to Farms |            | Community Development |            | Total Reported Loans |            | % of Rated Area Loans(#) in MSA/AA          |  |
|                      |                                     | #             | \$ (000's) | #                         | \$ (000's) | #                    | \$ (000's) | #                     | \$ (000's) | #                    | \$ (000's) |   |  |
| Full-Scope:          |                                     |               |            |                           |            |                      |            |                       |            |                      |            |   |  |
| Santa Fe AA          | 100.00                              | 3,555         | 392,881    | 556                       | 90,896     | 0                    | 0          | 3                     | 5,045      | 4,114                | 488,822    | 100.00                                      |  |

\* Deposit data as of June 30, 1999.

**Table 2. Geographic Distribution of Home Purchase Loans**

| Geographic Distribution: HOME PURCHASE |                        |              |                             |              |                           |              |                          |              |                      | Evaluation Period: 01/01/1998 TO 12/31/1999 |     |     |      |      |                           |             |
|--|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|----------------------|---|-----|-----|------|------|---------------------------|-------------|
| MSA/Assessment Area:                   | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Overall Market Rank* | Market Share by Geography*                  |     |     |      |      | Total Home Purchase Loans |             |
|  | % Owner Occ Units      | % BANK Loans | % Owner Occ Units           | % BANK Loans | % Owner Occ Units         | % BANK Loans | % Owner Occ Units        | % BANK Loans |                      | Overall                                     | Low | Mod | Mid  | Upp  | #                         | % of Total* |
| Full-Scope:                            |                        |              |                             |              |                           |              |                          |              |                      |   |     |     |      |      |                           |             |
| Santa Fe AA                            | 0                      | 0            | 24                          | 6            | 46                        | 27           | 30                       | 67           | 1                    | 18.3  | 0.0 | 5.4 | 11.5 | 34.2 | 1,167                     | 100.00      |

(\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*) 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 3. Geographic Distribution of Home Improvement Loans**

| Geographic Distribution: HOME IMPROVEMENT |                        |              |                             |              |                           |              |                          |              |                      | Evaluation Period: 01/01/1998 TO 12/31/1999 |     |      |      |      |                              |             |
|---|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|----------------------|---|-----|------|------|------|------------------------------|-------------|
| MSA/Assessment Area:                      | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Overall Market Rank* | Market Share by Geography*                  |     |      |      |      | Total Home Improvement Loans |             |
|   | % Owner Occ Units      | % BANK Loans | % Owner Occ Units           | % BANK Loans | % Owner Occ Units         | % BANK Loans | % Owner Occ Units        | % BANK Loans |                      | Overall                                     | Low | Mod  | Mid  | Upp  | #                            | % of Total* |
| Full-Scope:                               |                        |              |                             |              |                           |              |                          |              |                      |   |     |      |      |      |                              |             |
| Santa Fe AA                               | 0                      | 0            | 24                          | 7            | 46                        | 30           | 30                       | 62           | 1                    | 33.6  | 0.0 | 10.3 | 24.8 | 52.1 | 391                          | 100.00      |
|   |                        |              |                             |              |                           |              |                          |              |                      |   |     |      |      |      |                              |             |

(\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*) 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 4. Geographic Distribution of Home Mortgage Refinance Loans**

| Geographic Distribution: HOME MORTGAGE REFINANCE |                        |              |                             |              |                           |              |                          |              |                      | Evaluation Period: 01/01/1998 TO 12/31/1999 |     |      |      |      |                                     |             |
|--|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|----------------------|---|-----|------|------|------|-------------------------------------|-------------|
| MSA/Assessment Area:                             | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Overall Market Rank* | Market Share by Geography*                  |     |      |      |      | Total Home Mortgage Refinance Loans |             |
|  | % Owner Occ Units      | % BANK Loans | % Owner Occ Units           | % BANK Loans | % Owner Occ Units         | % BANK Loans | % Owner Occ Units        | % BANK Loans |                      | Overall                                     | Low | Mod  | Mid  | Upp  | #                                   | % of Total* |
| Full-Scope:                                      |                        |              |                             |              |                           |              |                          |              |                      |   |     |      |      |      |                                     |             |
| Santa Fe AA                                      | 0                      | 0            | 24                          | 7            | 46                        | 32           | 30                       | 61           | 1                    | 23.0  | 0.0 | 11.6 | 13.3 | 42.4 | 1,986                               | 100.00      |
|  |                        |              |                             |              |                           |              |                          |              |                      |   |     |      |      |      |                                     |             |

(\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*) 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.

**Table 5. Geographic Distribution of Small Loans to Businesses**

| Geographic Distribution: SMALL LOANS TO BUSINESSES |                        |              |                             |              |                           |              |                          |              |                      | Evaluation Period: 01/01/1998 TO 12/31/1999 |     |     |     |      |                            |             |
|--|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|----------------------|---|-----|-----|-----|------|----------------------------|-------------|
| MSA/Assessment Area:                               | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Overall Market Rank* | Market Share by Geography*                  |     |     |     |      | Total Small Business Loans |             |
|  | % of Businesses        | % BANK Loans | % of Businesses             | % BANK Loans | % of Businesses           | % BANK Loans | % of Businesses          | % BANK Loans |                      | Overall                                     | Low | Mod | Mid | Upp  | #                          | % of Total* |
| Full-Scope:  |                        |              |                             |              |                           |              |                          |              |                      |   |     |     |     |      |                            |             |
| Santa Fe AA  | 0                      | 0            | 38                          | 22           | 37                        | 26           | 25                       | 52           | 3                    | 15.2  | 0.0 | 6.5 | 8.1 | 32.7 | 556                        | 100.00      |
|  |                        |              |                             |              |                           |              |                          |              |                      |   |     |     |     |      |                            |             |

(\*) Based on 1998 Aggregate Small Business Data only. Market rank is for all income categories combined.

(\*\*) 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.

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

| Geographic Distribution: SMALL LOANS TO FARMS |                        |              |                             |              |                           |              |                          |              |                      | Evaluation Period: 01/01/1998 TO 12/31/1999 |     |     |     |     |                        |             |
|---|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|----------------------|---|-----|-----|-----|-----|------------------------|-------------|
| MSA/Assessment Area:                          | Low-Income Geographies |              | Moderate-Income Geographies |              | Middle-Income Geographies |              | Upper-Income Geographies |              | Overall Market Rank* | Market Share by Geography*                  |     |     |     |     | Total Small Farm Loans |             |
|   | % of Farms             | % BANK Loans | % of Farms                  | % BANK Loans | % of Farms                | % BANK Loans | % of Farms               | % BANK Loans |                      | Overall                                     | Low | Mod | Mid | Upp | #                      | % of Total* |
| Full-Scope:                                   |                        |              |                             |              |                           |              |                          |              |                      |   |     |     |     |     |                        |             |
| Santa Fe AA                                   | NA                     | NA           | NA                          | NA           | NA                        | NA           | NA                       | NA           | NA                   | NA  | NA  | NA  | NA  | NA  | NA                     | NA          |
|   |                        |              |                             |              |                           |              |                          |              |                      |   |     |     |     |     |                        |             |

(\*) Based on 1998 Aggregate Small Farm Data only. Market rank is for all income categories combined.

(\*\*) 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.

**Table 7. Borrower Distribution of Home Purchase Loans**

| Borrower Distribution: HOME PURCHASE |                      |               |                           |               |                         |               |                        |               |                      | Evaluation Period: 01/01/1998 TO 12/31/1999 |     |     |      |      |                           |               |
|--------------------------------------|----------------------|---------------|---------------------------|---------------|-------------------------|---------------|------------------------|---------------|----------------------|---|-----|-----|------|------|---------------------------|---------------|
| MSA/Assessment Area:                 | Low-Income Borrowers |               | Moderate-Income Borrowers |               | Middle-Income Borrowers |               | Upper-Income Borrowers |               | Overall Market Rank* | Market Share by Borrower Income**           |     |     |      |      | Total Home Purchase Loans |               |
|                                      | % of Families        | % BANK Loans* | % of Families             | % BANK Loans* | % of Families           | % BANK Loans* | % of Families          | % BANK Loans* |                      | Overall                                     | Low | Mod | Mid  | Upp  | #                         | % of Total*** |
| Full-Scope:                          |                      |               |                           |               |                         |               |                        |               |                      |   |     |     |      |      |                           |               |
| Santa Fe AA                          | 22                   | 2             | 17                        | 10            | 21                      | 19            | 40                     | 68            | 1                    | 18.3  | 1.7 | 7.7 | 16.6 | 30.3 | 1,167                     | 100.00        |
|                                      |                      |               |                           |               |                         |               |                        |               |                      |   |     |     |      |      |                           |               |

(\*) As a percentage of loans with borrower income information available. No information was available for 0% of loans originated and purchased by the bank.

(\*\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*\*) 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 8. Borrower Distribution of Home Improvement Loans**

| Borrower Distribution: HOME IMPROVEMENT |                      |               |                           |               |                         |               |                        |               |                      | Evaluation Period: 01/01/1998 TO 12/31/1999 |     |      |      |      |                           |               |
|---|----------------------|---------------|---------------------------|---------------|-------------------------|---------------|------------------------|---------------|----------------------|---|-----|------|------|------|---------------------------|---------------|
| MSA/Assessment Area:                    | Low-Income Borrowers |               | Moderate-Income Borrowers |               | Middle-Income Borrowers |               | Upper-Income Borrowers |               | Overall Market Rank* | Market Share by Borrower Income**           |     |      |      |      | Total Home Purchase Loans |               |
|   | % of Families        | % BANK Loans* | % of Families             | % BANK Loans* | % of Families           | % BANK Loans* | % of Families          | % BANK Loans* |                      | Overall                                     | Low | Mod  | Mid  | Upp  | #                         | % of Total*** |
| Full-Scope:                             |                      |               |                           |               |                         |               |                        |               |                      |   |     |      |      |      |                           |               |
| Santa Fe AA                             | 22                   | 1             | 17                        | 12            | 21                      | 17            | 40                     | 70            | 1                    | 33.6  | 1.8 | 24.7 | 25.2 | 47.1 | 391                       | 100.00        |
|   |                      |               |                           |               |                         |               |                        |               |                      |   |     |      |      |      |                           |               |

(\*) As a percentage of loans with borrower income information available. No information was available for 0% of loans originated and purchased by the bank.

(\*\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*\*) 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 Mortgage Refinance Loans**

| Borrower Distribution: HOME MORTGAGE REFINANCE |                      |               |                           |               |                         |               |                        |               |                      | Evaluation Period: 01/01/1998 TO 12/31/1999 |     |      |      |      |                                     |              |
|--|----------------------|---------------|---------------------------|---------------|-------------------------|---------------|------------------------|---------------|----------------------|---|-----|------|------|------|-------------------------------------|--------------|
| MSA/Assessment Area:                           | Low-Income Borrowers |               | Moderate-Income Borrowers |               | Middle-Income Borrowers |               | Upper-Income Borrowers |               | Overall Market Rank* | Market Share by Borrower Income**           |     |      |      |      | Total Home Mortgage Refinance Loans |              |
|  | % of Families        | % BANK Loans* | % of Families             | % BANK Loans* | % of Families           | % BANK Loans* | % of Families          | % BANK Loans* |                      | Overall                                     | Low | Mod  | Mid  | Upp  | #                                   | % of Total** |
| Full-Scope:                                    |                      |               |                           |               |                         |               |                        |               |                      |   |     |      |      |      |                                     |              |
| Santa Fe AA                                    | 22                   | 2             | 17                        | 9             | 21                      | 18            | 40                     | 70            | 1                    | 23.0  | 5.5 | 12.7 | 18.2 | 34.3 | 1,986                               | 100.00       |

(\*) As a percentage of loans with borrower income information available. No information was available for 0% of loans originated and purchased by the bank.

(\*\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*\*) 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.

**Table 10. Borrower Distribution of Small Loans to Businesses**

| Borrower Distribution: SMALL LOANS TO BUSINESSES |   |                |                   |  | Evaluation Period: 01/01/1998 TO 12/31/1999 |                            |                  |                         |                                 |                 |  |
|--|---|----------------|-------------------|--|---|----------------------------|------------------|-------------------------|---------------------------------|-----------------|--|
| MSA/Assessment Area:                             | Businesses with Revenues of \$1 million or less |                |                   | Loans by Original Amount Regardless of Business Size |   |                            | Market Share**** |                         | Total Small Loans to Businesses |                 |  |
|  | % of Businesses*                                | % BANK Loans** | % Market Loans*** | \$100,000 or Less                                    | > \$100,000 to \$250,000                    | > \$250,000 to \$1,000,000 | All              | Rev \$1 million or less | #                               | % of Total***** |  |
| Full-Scope:                                      |   |                |                   |  |   |                            |                  |                         |                                 |                 |  |
| Santa Fe AA                                      | 78  | 83             | 49                | 61   | 17  | 22                         | 15.2             | 20.5                    | 556                             | 100.00          |  |

(\*) Businesses with revenues of \$1 million or less as a percentage of all businesses.

(\*\*) 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% of small loans to businesses originated and purchased by the bank.

(\*\*\*) The market consists of all other Small Business reporters in the MSA/AA and is based on 1998 Aggregate Small Business Data only.

(\*\*\*) Based on 1998 Aggregate Small Business Data only.

(\*\*\*\*) 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.

**Table 11. Borrower Distribution of Small Loans to Farms**

| Borrower Distribution: SMALL LOANS TO FARMS |  |                |                   | Evaluation Period: 01/01/1998 TO 12/31/1999      |                          |                          |                  |                         |                        |                 |
|---|--|----------------|-------------------|--|--------------------------|--------------------------|------------------|-------------------------|------------------------|-----------------|
| MSA/Assessment Area:                        | Farms with Revenues of \$1 million or less |                |                   | Loans by Original Amount Regardless of Farm Size |                          |                          | Market Share**** |                         | Total Small Farm Loans |                 |
|   | % of Farms*                                | % BANK Loans** | % Market Loans*** | \$100,000 or Less                                | > \$100,000 to \$250,000 | > \$250,000 to \$500,000 | All              | Rev \$1 million or less | #                      | % of Total***** |
| Full-Scope:                                 |  |                |                   |  |                          |                          |                  |                         |                        |                 |
| Santa Fe AA                                 | NA   | NA             | NA                | NA   | NA                       | NA                       | NA               | NA                      | NA                     | NA              |
|   |  |                |                   |  |                          |                          |                  |                         |                        |                 |

(\*) Farms with revenues of \$1 million or less as a percentage of all farms.

(\*\*) 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% of small loans to farms originated and purchased by the bank.

(\*\*\*) The market consists of all other Small Farm reporters in the MSA/AA and is based on 1998 Aggregate Small Farm Data only.

(\*\*\*\*) Based on 1998 Aggregate Small Farm Data only.

(\*\*\*\*\*) 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.

**Table 12. Qualified Investments**

| QUALIFIED INVESTMENTS |                           |            |                            | Evaluation Period: 12/19/1997 TO 01/31/2000 |                   |            |                 |                        |            |
|-----------------------|---------------------------|------------|----------------------------|---|-------------------|------------|-----------------|------------------------|------------|
| MSA/Assessment Areas: | Prior Period Investments* |            | Current Period Investments |   | Total Investments |            |                 | Unfunded Commitments** |            |
|                       | #                         | \$ (000's) | #                          | \$ (000's)                                  | #                 | \$ (000's) | % of Total \$-s | #                      | \$ (000's) |
| Full-Scope:           |                           |            |                            |   |                   |            |                 |                        |            |
| Santa Fe AA           | 0                         | 0          | 22                         | 26  | 22                | 26         | 100.00          | 0                      | 0          |
|                       |                           |            |                            |   |                   |            |                 |                        |            |

(\*) **P**rior Period Investments@means investments made in a previous evaluation period that are outstanding as of the examination date.

(\*\*) **U**nfunded Commitments@means legally binding investment commitments reported on the Report of Condition Schedule-L **A**off Balance Sheet Items.@

**Table 13. Distribution of Branch Delivery System and Branch Openings/Closings**

| DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS |                                    |                    |                                    |   |      |           |           | Evaluation Period: 12/19/1997 TO 01/31/2000 |                      |   |           |            |           |   |           |           |           |
|---|------------------------------------|--------------------|------------------------------------|---|------|-----------|-----------|---|----------------------|---|-----------|------------|-----------|---|-----------|-----------|-----------|
| MSA/Assessment Area:  | Deposits                           | Branches           |                                    |   |      |           |           | Branch Openings/Closings                    |                      |   |           | Population |           |   |           |           |           |
|   | % of Rated Area Deposits in MSA/AA | # of BANK Branches | % of Rated Area Branches in MSA/AA | Location of Branches by Income of Geographies |      |           |           | # of Branch Closings                        | # of Branch Openings | Net Change in Location of Branches (+ or -) |           |            |           | % of the Population within Each Geography |           |           |           |
|   |                                    |                    |                                    | Low   | Mod  | Mid       | Upp       |   |                      | Low   | Mod       | Mid        | Upp       | Low                                       | Mod       | Mid       | Upp       |
| Full-Scope:   |                                    |                    |                                    |   |      |           |           |   |                      |   |           |            |           |   |           |           |           |
| Santa Fe AA   | 100.00                             | 3                  | 100.00                             | 0.00  | 0.00 | 33.3<br>3 | 66.6<br>7 | 18  | 100.00               | 0.00  | 11.1<br>1 | 38.8<br>9  | 50.0<br>0 | 0.00                                      | 28.4<br>7 | 43.5<br>1 | 28.0<br>3 |
|   |                                    |                    |                                    |   |      |           |           |   |                      |   |           |            |           |   |           |           |           |