
Comptroller of the Currency
Administrator of National Banks

Southwest District
1600 Lincoln Plaza
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Dallas, Texas 75201-3394

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

October 1, 1996

First National Bank of Farmington
Charter Number 6183
100 East Broadway
Farmington, New Mexico 87401

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of First National Bank of Farmington, Farmington, NM prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of October 1, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: " Outstanding Record of Meeting Community Credit needs". The evaluation period covers December 22, 1994 through October 1, 1996.

The purpose of CRA is to ensure that financial institutions help meet the credit needs of their local communities. We rated this institution's CRA record as Outstanding because:

- First National Bank of Farmington (FNB) is a leader in community development activities in San Juan County. The bank uses innovative and creative funding sources to address the most pressing credit needs in its communities.
- FNB is a leader in small business lending.
- FNB is diligent in seeking ways to originate residential mortgage loans on tribal land.
- Special credit related education programs are specifically targeted to minority and low- and moderate-income (LMI) segments of the community.

Community Profile

FNB's assessment area is San Juan County, New Mexico. It includes the communities of Farmington, Bloomfield, Aztec, and Shiprock which is located on the Navajo Nation, and surrounding rural areas along the San Juan, Animas and La Plata river valleys. Although it is not part of the bank's assessment area, FNB also serves portions of the Navajo Nation that are outside San Juan County because Farmington is the primary regional center for the four corners area (New Mexico, Arizona, Colorado, and Utah). Principal industries and major employers in the area include the educational systems, two power plants, coal mining, oil & gas related industries, Mesa Airlines, the City of Farmington, San Juan Regional Medical Center, agriculture, regional services and regional retail sales. The economic base is well diversified.

As indicated by the 1990 U.S. Census, county population was 91,605 and was comprised of: 37% Native American, 13% Hispanic origin, 44% non-Hispanic white, and 6% other. Median family income was \$23,166. San Juan County contains 17 census tracts designated as follows: two low-income, three moderate-income, five middle-income, and seven upper-income. All of the low- and moderate-income (LMI) census tracts are outside the City of Farmington and are fully or partially on the Navajo Nation. Twenty-five percent of the households in the county fall below the poverty level. Local economic conditions do not significantly detract from FNB's ability to lend locally. However, Tribes and individual owners of Indian trust land are not

authorized to financially encumber or commit trust resources without the approval of the Bureau of Indian Affairs (BIA). This and other burdensome processes have discouraged lending of all types on trust land for many years. However, significant efforts to overcome these impediments are beginning to pay off.

Bank Profile

FNB is a subsidiary of First Place Financial Corporation, a three-bank holding company headquartered in Farmington, New Mexico. On June 30, 1996, FNB had total assets of \$593 million, making it the largest independently owned bank in New Mexico. On that date, FNB had outstanding loans of \$329 million and deposits of \$448 million. The bank has 228 employees and seven banking offices, all in San Juan County. It is a retail financial institution that offers consumer, residential and small business loans. As a member of the Federal Home Loan Bank of Dallas, FNB has access to loan and grant funds for community development and affordable housing programs. We did not identify any constraints on FNB's ability to meet community credit needs.

Reasonableness of Delineated Community

FNB's delineated community is reasonable and does not arbitrarily exclude any LMI areas. The bank designates San Juan County as its community. Farmington is not a metropolitan statistical area and large areas of San Juan County are sparsely populated and/or located on the Navajo Nation. FNB considers San Juan County their primary service area. However, the bank also strives to provide financial products and services to those portions of the Navajo Nation located in Arizona and Utah, areas that have traditionally been under served.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- FNB maintains ongoing and productive relationships with a variety of community representatives. They have effectively identified and responded to community credit needs.

The Board of Directors and senior management initiated ongoing, meaningful contact with a full range of individuals and groups that enabled FNB to assess the credit needs of its community. Contacts included community development groups involved in affordable housing and economic revitalization, local political subdivision representatives, and Federal, State, Tribal, and other

local agencies. FNB also has a formal officer calling program which promotes contact with existing and potential borrowers, both individuals and those with small businesses. Management is confident that their direct presence on the Navajo Nation with the Shiprock Branch helps them learn about the credit needs of this portion of FNB's community.

Management identified several credit needs within the community through its ascertainment efforts. These needs were confirmed through our community outreach. They include:

- Home purchase and home rehabilitation loans that have more flexible terms than conventional loan products;
- Home purchase and rehabilitation loans on the Navajo Nation;
- Down payment and loan closing assistance for low-income borrowers on the Navajo Nation;
- Small business loan products, including start-up business and working capital loans;
- Vacant residential land financing with flexible terms; and
- Small loans to consumers.

FNB has developed and offers products that are well suited to the community's identified credit needs. Examples of these products follow. The bank offers nonconforming real estate loans, i.e., those not eligible for sale on the secondary market. For consumer loans, there is no minimum loan amount, even though the very small loans are often not profitable for the bank. As of September 1996, the bank had on its books more than 1,100 loans that had originated at \$1,500 or less. These loans totaled \$362 thousand. FNB's vacant residential land product allows families to purchase land and gradually develop the properties as a future residence. FNB's 1-4 family residential loans have been made more flexible to facilitate lending to LMI individuals and households. In 1995, FNB began offering a wider range of mortgage products through its new mortgage department. The bank also utilizes guaranteed loan programs, grants, and Federal Home Loan Bank funds to meet specialized lending needs.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purpose of the Community Reinvestment Act.

- The Board and senior management have an effective system for formulating and reviewing the CRA process.

FNB has devoted considerable resources to its CRA program. The Board has designated their Marketing/CRA Officer as the person responsible for CRA; however, officers throughout the bank are active in the program. The Marketing/CRA Officer currently reports to an Executive Vice President of the bank, with oversight provided by the Board of Directors.

Board and senior management support innovative programs and underwriting to meet

community credit needs, as described later in this evaluation. The Board clearly demonstrates that CRA is an important component of the bank's planning. Annually, the Board reviews the bank's CRA Statement and self-assessment. The Board and management use this information to develop strategies for meeting the credit needs of the community.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- FNB's marketing and advertising programs effectively inform the community about the bank's credit services. Special credit-related education programs are specifically targeted to minority and LMI segments of the community.

FNB uses a variety of advertising methods to stimulate awareness of credit services in its community, including newspaper, radio and TV. Marketing efforts extend to the under served area of the Navajo Nation through the Navajo language newspaper and radio station. Management attributes their increase in market share on the Navajo Nation, and in those areas in San Juan County with higher than average Native American populations, to the effectiveness of FNB's marketing strategies.

In addition to traditional advertising methods, FNB actively promotes better understanding of the credit application process through seminars, community trade fairs and presentations. FNB has sponsored the Financial Management for the Closely Held Business Seminar for the past two years. Through its relationships with Navajo Partnership for Housing, the Navajo Nation, and DNA-People's Legal Services, the bank has participated in four different conferences or seminars that focused on home ownership on the Navajo Nation since 1995. FNB also co-facilitated a two-day class on economic development on Indian Reservations. FNB employees frequently travel to Chapter Houses in remote areas of the Reservation to conduct presentations that cover applying for and maintaining credit, as well as writing checks and managing a checking account. Through FNB's banking program for local junior high and high schools, students are taught about banking, applying for credit, maintaining a checking account, and developing good financial management skills.

FNB promotes personal service to customers, including helping individuals understand, apply, and qualify for credit. The bank provides translators in both Navajo and Spanish for customers whose primary language is not English. FNB's Shiprock branch is the only full service banking facility on the New Mexico portion of the Navajo Nation and its branch manager speaks Navajo. Most of the branch employees are Navajo and a number of the branch employees also speak the language.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- FNB is a very active in small business lending and in lending to the Native American community. FNB is committed to affordable housing development throughout it's community.

FNB is an active lender in the community. Loan originations reflect a significant volume of new loans in all categories. The table below demonstrates the number and volume of loans originated during the evaluation period.

Loans Originated By Type	1995		Thru 9/25/96	
	#	\$(000)	#	\$(000)
Installment	4,750	\$ 39,663	3,980	\$ 29,839
Commercial	814	56,396	1,132	72,012
Residential Mortgage	124	6,688	160	9,998
Total	5,688	\$104,925	5,272	\$111,849

A majority of FNB's loans are made within its community. For the period covering January 1 through September 25, 1996, 76% of the number and 64% of the dollar amount shown above were loans originated in San Juan County. Loans made outside San Juan County but on the Navajo Nation were also substantial: in 1995, FNB originated 830 loans totaling \$7.5 million and from January 1 through September 25, 1996, 617 loans were originated totaling \$6.2 million.

FNB is an aggressive small business lender in its community. Between January 1 and September 9, 1996, the bank originated 237 small loans to businesses (i.e., original amounts less than \$1 million) totaling \$10.5 million in San Juan County. Included are 205 loans totaling \$8 million to small businesses (those with gross annual revenues of \$1 million or less), representing 54% of the total number of loans originated by the bank during that period. In addition, FNB originated 30 small loans totaling \$3.6 million to small businesses outside of San Juan County for the same period.

Based on the June 30, 1996 Report of Condition, FNB had \$41.3 million outstanding in non-real estate secured small commercial loans to businesses. Of the 747 loans in this category, approximately 78% had origination amounts of \$100 thousand or less. The average loan size of \$55 thousand indicates a predominance of small business loans.

Almost all of the agricultural loans originated by FNB from January 1 to September 9, 1996 were granted to small farms (those with gross revenues of \$1 million or less). During the period, the bank originated 17 small loans to farms (i.e., original amounts less than \$500 thousand) totaling \$1.6 million in San Juan County. Included are 16 loans totaling \$283 thousand to small farms (those with gross annual revenues of \$1 million or less), all of which were in San Juan County.

In 1995, FNB made a public 10-year commitment to fund \$64 million in consumer, small business, and residential loans on the Navajo Nation, including those portions in San Juan County. The goals set by the bank increase each of the ten years. For the period covering January 1 through September 30, 1996 FNB had already exceeded its annual goal as follows:

Loan Type	Number of Loans Originated*	Amount (\$000)	Goal (\$000)
Consumer	1,335	\$ 8,400	\$3,500
Real Estate	5	114	100
Commercial	38	4,700	350
Total	1,398	\$13,214	\$3,950

*The above table does not include VA and HUD loans discussed later in this document.

FNB is keenly aware that there is a lack of real estate development for affordable housing in San Juan County. As of July 31, 1996 only 34% of available housing stock in San Juan County was estimated to be priced under \$80 thousand, and therefore affordable. This, coupled with the legal impediments to real estate development on reservation land, has resulted in a high percentage of the population residing in mobile and modular homes. FNB has funded loans to four mobile home subdivision developers totaling \$775 thousand to develop 150 affordable mobile home lots since the beginning of 1995.

In response to the need for affordable housing, FNB committed \$250 thousand in January 1995 to an internal affordable housing program to be marketed through local realtors. The program focused on the need for financing of nonconforming residential properties. It offered a 3% down payment with 20 year term for individuals making up to 115% of area median income. Two homes were funded in 1995 for a total of \$123 thousand. One loan for \$26 thousand was originated in 1996.

In the Spring of 1995, FNB began to make available, a variety of mortgage products with up to 30-year amortization. Since that time, 49 conventional loans totaling \$4.4 million have been originated by or sold to investors.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- FNB is a leader in government enhanced small business loan programs, as well as governmentally-insured, guaranteed, and subsidized loan programs for housing. FNB was persistent in its efforts to originate mortgage loans on the tribal lands.

FNB continues to increase their volume of Small Business Administration (SBA) loans. FNB is the only certified SBA lender in San Juan County. The bank ranked number one in SBA lending in San Juan County in fiscal year 1995, as well as for the three quarters ended June 30, 1996. Early in 1995, a specialized loan officer was designated to increase participation in the SBA's special loan programs. In addition, other officers continue to make SBA loans. As a result, thirteen SBA guaranteed loans of totaling approximately \$2 million were originated in 1995. Through October 1, 1996, eleven loans totaling \$2.7 million were originated. SBA guaranteed loans outstanding as of August 5, 1996 totaled \$7.3 million. FNB is also active in traditional small business credit as indicated by the bank's volume of small business loans.

In the Spring of 1995, a secondary market mortgage loan department was established so that FNB could offer customers conventional loan terms of 30 years, as well as Veteran's Administration (VA) and Federal Housing Administration (FHA) mortgage products. Since June of 1995, four VA loans totaling \$336 thousand and numerous conventional loans have been made.

FNB has been diligent in seeking ways to originate residential mortgage loans on reservation land. In 1995, FNB initiated the second loan ever originated on the Navajo Nation under the VA's Indian Home Loan Program. Considerable time and effort was expended by the bank before the loan could be booked. More significantly, FNB is laying the groundwork for future residential real estate development on the reservation, where mortgage lending is virtually nonexistent.

In 1996, FNB funded the first ever Housing and Urban Development (HUD) Section 184 guaranteed home loan on the Navajo Nation. The loan provided new home construction and permanent financing. Although only one loan has been made, this pilot program involved considerable time, expense, and research on the part of the bank. The initial loan required nearly a year to complete before all the requirements had been met and the loan could be funded. FNB continues to seek ways to promote these governmentally enhanced programs and reduce the cost to process them.

FNB supports local housing rehabilitation initiatives. FNB committed matching funds to partner with the City of Farmington's HOME program. This program was established to rehabilitate the homes of low-income homeowners through funds from the New Mexico State Housing Division. FNB agreed to lend eligible homeowners a portion of the required rehabilitation funds, thus "leveraging" the grant money and allowing a greater number of homeowners to be served. No

loans have been funded to date, but FNB has demonstrated their willingness to develop and support creative ways of meeting the housing rehabilitation needs of its community.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- FNB's lending patterns indicate a good distribution of loans throughout the bank's delineated community.

During the evaluation period, FNB originated some type of loan in every census tract in San Juan County. All of the LMI census tracts in San Juan County are located outside of the City of Farmington and are predominately on the Navajo Nation. This hinders FNB's ability to originate residential mortgage and small business loans in those census tracts, therefore loan penetration for these loan types was understandably low. However, the volume of consumer loans made in these areas indicates that FNB's consumer lending patterns are very favorable.

FNB analyzes their lending patterns by mapping their residential and small business loans by census tract. The geographic distribution of the bank's consumer loans are mapped by using the Zip Code designations. The residential real estate analysis indicates that in 1995 and through July 31, 1996, only one residential loan was initiated in the two low-income census tracts in San Juan County. It should be noted that this single residential mortgage was the second VA loan ever originated on the Navajo Nation. The residential real estate analysis also indicates that in 1995 and through July 31, 1996, 14 loans and 13 loans, respectively were originated in the three moderate-income census tracts. As stated, these census tracts are on predominately reservation land. In one of these tracts, FNB originated the first HUD Section 184 interim construction/permanent mortgage ever made on the Navajo Nation. FNB has shown its commitment to residential lending on reservations and is determining how the bank can effectively offer and market these products to the Navajo Nation.

FNB's commercial lending patterns show a strong commitment to small businesses. In each census tract in San Juan County, more than one small business loan had been originated between January 1 and July 31, 1996. Of the 283 small loans to businesses which totaled approximately \$21 million, approximately 87% were originated at \$100 thousand or less. An additional 8% were originated at amounts between \$100 thousand and \$250 thousand.

Consumer lending is an important part of FNB's CRA lending. Their analysis of consumer loans sorts outstanding loans by Zip Code since the bank does not currently have the ability to map these loans by census tract. FNB's analysis compares the number of consumer loans outstanding with the number of households in each Zip Code. The analysis indicates that, on average, FNB has made loans to 18.6 households in each Zip Code. We noted that even in the lowest income

Zip Codes, FNB's household penetration is similar to this average. In addition, FNB had more than \$10 million in outstanding consumer loans to borrowers outside of San Juan County but residing on the Navajo Nation.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- The bank's branches are reasonably accessible to all segments of the community.

The bank's record of opening and closing offices is good. Currently there are eight banking offices, this includes the main office and motor bank. Additionally there are five automatic teller machines (ATM) located in convenience and grocery stores in the bank's community. One of the branches, the Shiprock branch, was established in 1956 and was the first full service banking facility located on the Navajo Nation. In 1987, the bank established the first ATM on the Navajo Nation. In June of 1996, after four years of negotiations, the lease on this office was renewed and extended for twenty-five years. Under the lease agreement, FNB committed to add an additional drive-up window and other improvements costing more than \$100 thousand to the facility which is owned by the Navajo Nation. FNB continues to be a leader in providing bank services to the Native American population.

Business hours and services are convenient. All offices are open from 9:00 am to 3:00 pm Monday through Thursday and on Friday from 9:00 am to 6:00 pm. The drive-up facilities, Personal Banking Center, and the Animas Valley Mall location are open Monday through Friday until 6:00 pm. The 20th Street office, Personal Banking Center and Animas Valley Mall Office are also open on Saturday from 10:00 am to 2:00 pm.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- FNB does not engage in any practices that discourage applications for the types of credit offered.

FNB affirmatively solicits credit applications from all segments of its communities including LMI areas and individuals. No practices or activities were noted that would discourage applications on a discriminatory basis.

The Board has approved adequate policies, procedures, and training programs supporting nondiscrimination. FNB has conducted fair lending training for all affected employees and personnel on an ongoing basis. FNB has a second review process for mortgage related loans to ensure consistency in the loan decision process.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- No evidence exists of illegal or discriminatory practices.

A fair lending examination of FNB was conducted as part of this CRA assessment. This examination included a review of all home improvement loan and home equity loan applications received during the past twelve month period from June 30, 1995 to June 30, 1996. All denials (4) and all approvals (28) were reviewed. The denials included one each of the following groups: American Indian, Black, Hispanic and Female. We compared minority denials to white approvals to determine if applicants were treated similarly regardless of their race or sex. FNB is in substantial compliance with the provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. We found no evidence of illegal or discriminatory practices.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- FNB is a leader in community development activities in San Juan County. The bank uses innovative and creative funding sources to address the most pressing needs in its communities.

No new LMI apartment complexes had been built in Farmington since the early 1980's. FNB is the first bank in San Juan County to use low-income tax credits and other creative financing sources to address a significant need in Farmington, affordable rental housing.

Eaton Village Apartments - FNB took a leadership role in and is an investment member of this affordable housing project, the first of its kind in San Juan County. Residents who qualify for housing must not make more than 60% of the adjusted median income as defined by HUD. By seeking Community Investment Program (CIP) funds from the Federal Home Loan Bank (FHLB) of Dallas, FNB facilitated the building of this 96-unit low-income rental housing complex in Farmington. FNB originated the \$3.4 million construction loan and will fund the permanent real estate mortgage (REM) of \$2.3 million. The REM will be funded using FHLB CIP monies which can be offered at a more advantageous rate than the project could obtain elsewhere. Eaton Village is operated under the Affordable Housing Program and Section 42 of the Internal Revenue Code. This allowed FNB to buy low-income tax credits issued by the State of New Mexico. The proceeds from the tax credit sale became equity funds for Phase I of the project. In August, 1996, the State approved additional tax credits associated with Phase II. FNB has agreed to purchase 95% of these tax credits, providing additional funds for

the project.

FNB has also taken advantage of its membership in the FHLB to obtain grants and funding sources for the most pressing credit needs in its communities. FNB sought Affordable Housing Project (AHP) grant funds for the following projects:

Shiprock Community Development Corporation (SCDC) - This CDC is an offshoot of the Shiprock Planning Commission which was formed to establish a legal, non-profit entity through which grant funds could be requested and projects implemented that would benefit the Native American community of Shiprock. In 1995, FNB requested and obtained a \$150 thousand FHLB AHP grant on behalf of the Shiprock CDC to rehabilitate the homes of very low-income elderly people on the Navajo Nation in Shiprock. As fiscal agent, FNB is responsible for assuring that the grant is used to rehabilitate no less than 30 homes. AVP Cathy Coleman serves on the committee that identifies qualified applicants. Since work began in 1996, seven homes have been rehabilitated. Through the use of volunteer labor, the average cost of rehabilitation has been held to \$5 thousand per home, even though major construction work was needed in most cases. Since January 1995, FNB has also provided approximately \$4 thousand to offset SCDC operating expenses.

Navajo Partnership for Housing, Inc. - At the request of the Navajo Nation, the Neighborhood Reinvestment Corporation assisted in the creation of the Navajo Partnership for Housing (NPH). The purpose of this non-profit organization is to increase home ownership opportunities on the Navajo Nation through the use of mortgage lending. NPH is a new approach to providing housing on the Navajo Nation utilizing a Partnership board of directors and the private sector for real estate development. NPH has also established a relationship with Neighborhood Housing Services of America, allowing mortgage loans made through NPH's revolving loan fund to be sold and loan funds replenished. AVP Cathy Coleman has been actively involved with NPH since inception and serves on its Board of Directors. FNB donated \$5 thousand for operating expenses and \$500 for the home buyer education program. The bank also sponsored a scholarship for NPH's director to attend a financial management seminar.

In April 1996, FNB received a \$225 thousand AHP grant from the FHLB on behalf of the NPH to provide down payment and closing cost assistance to low- and moderate-income borrowers in the Shiprock area. FNB has successfully closed two loans on the Navajo Nation. In addition, FNB has committed to originate up to 30 loans to Navajo families under the various government guaranteed programs such as the HUD Section 184, FHA 248, Rural Economic Development 502, VA Indian Loan Guarantee Program, and FNMA conventional program. The estimated total loan amount is \$1,636,650 and will be available from November 1, 1996 through October 31, 1998.

Tohatchi Special Education Training Center - This center is seeking funds to build a

\$360 thousand group home for 12 developmentally disabled low-income adults. The center will be built in Tohatchi, NM on the Navajo Nation. On behalf of the center, FNB requested and was granted a \$184 thousand AHP direct subsidy from the FHLB as a principal reduction of the construction loan, when it is made. Matching funds totaling \$175 thousand have been awarded by the State of New Mexico and additional funds are expected from the Navajo Nation. However formal estimates for construction costs have not yet been made the project viable. When an acceptable construction bid is received, FNB plans to provide interim construction funds for the project, as well. FNB cannot disburse FHLB grant funds until construction is complete.

As a stockholder of the FHLB, the bank has access to low-cost funding sources for projects that address local needs through the Community Investment Program (CIP). Qualifying projects include: affordable housing construction and rehabilitation; economic development or commercial revitalization; residential revitalization; health facilities, and job creation. FNB has sought and been granted low-cost funds to lend to its customers substantial amounts at favorable rates for the following projects:

Presbyterian Medical Services (PMS) - This not-for-profit New Mexico Corporation provides health care services primarily to people living in remote rural areas and isolated villages of northern New Mexico. Services include outpatient health programs, dental clinics, visiting nursing services, substance abuse, day care and many more. Their goal is to provide quality care to those who would not otherwise receive care because of financial barriers or geographic isolation. PMS is an indigent care facility in that a majority of its clients are economically disadvantaged, and services are provided on a sliding fee scale. In 1996, FNB requested and was granted CIP funds from the FHLBB. In turn, FNB granted a 15-year loan of equal amount to PMS to refinance seven properties and establish a revolving line of credit to fund operating expenses.

Independent Mobility Systems, Inc. (IMS) - This manufacturing plant is located in Farmington and produces vans for the handicapped. It is the largest producer of these modified vans in the United States. IMS employs 208 people of which 86% are LMI and 65% are minority (Native American and Hispanic). In 1996, FNB requested CIP funds from the FHLBB. In turn, the funds were loaned to IMS to be used for plant expansion. The plant expansion increased employment from the 1995 level of 176 .

San Juan Medical Foundation, Inc. - This non-profit organization is dedicated to improving access to health care services in San Juan county. In 1995, FNB requested CIP funds from the FHLB. In turn, FNB loaned the funds to the foundation to construct a 7,500 sq. ft. addition to its cancer treatment center at a cost of \$1.4 million. The project is located in a targeted revitalization area and created/retained eight jobs for LMI individuals. The cancer center is available to all persons and no one is denied care because of inability to pay. Indigent care is available to qualified residents of San Juan County.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- We did not identify any constraints on FNB's ability to assist in meeting community credit needs.

FNB has made a substantial commitment to help meet the community's credit needs, including financial resources and technical expertise.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- FNB actively engages in other credit-related activities which contribute to its success in meeting community credit needs.

During 1995 and 1996, FNB was active in programs that seek to increase access to credit for Native Americans, other consumers, and small businesses. Examples of these activities include:

Northwest New Mexico Business Incubation Project and the Enterprise Loan Fund - Collaboration among San Juan Economic Development Service, San Juan College, and its Small Business Development Center, the Northwest NM Council of Governments, the Shiprock Regional Business Development Office of the Navajo Nation, NM's Industry Network Corporation Manufacturing Extension Program and the City of Farmington resulted in this small business incubator loan program. The project consists of 1) the Enterprise Center, a building that will house and support new and growing businesses, 2) Entrepreneurial Training, curricula adapted to small businesses that will be delivered through existing educational facilities, and 3) the Enterprise Loan Fund, a revolving loan fund that will assist in making venture financing available, participate with other lenders on larger loans, and grant loans to very small businesses seeking funds in amounts that would be too small to be profitable for conventional lenders. The project has received grants totaling \$600 thousand for the loan fund thus far; additional loan funds will be sought from local financial institutions.

FNB has been active in all aspects of the project. Officers have assisted by providing technical assistance on entrepreneurial training and structuring of the revolving loan fund. Vice President Scott Bird serves on the Enterprise Loan Fund Committee and has helped develop loan policies and procedures for its revolving loan fund. The Loan Enterprise Fund will begin accepting borrower applications in the last quarter of 1996.

Adah Community Loan Fund - A non-profit corporation formed to aid the development of small and micro-sized businesses on the Navajo Nation. FNB donated \$1 thousand in 1995 to help establish the loan fund and provide operating funds for Adah. The bank has also provided technical assistance in establishment of the loan fund.

DNA- People's Legal Services - FNB donated \$5 thousand in February, 1995 to this non-profit organization seeking to identify issues associated with financing homes on reservation lands and seek resolution to these issues. DNA is no longer active because its efforts have been taken over by the Navajo Partnership for Housing (above). DNA efforts, and those of various public, private and nonprofit entities resulted in creation of the Residential Master Lease Area Act. This Act was drafted in 1994 and provides an avenue which would allow chapters of the Navajo Nation to set aside parcels of land to be used for housing development. The Act has become a centralization point for many of the programs being initiated to promote housing and economic development on the Indian Reservation.

Consumer Credit Counseling Service - FNB donated \$500 in 1995 to help fund the operations of this organization that assists consumers with credit problems and excessive monthly obligations.

Habitat for Humanities - Two officers serve on the Board of Directors of this organization. The most significant accomplishments of this organization have been the renovation of housing for low- and moderate-income individuals.

ADDITIONAL INFORMATION

None