



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 30, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank in Alamogordo
Charter Number 14786
414 Tenth Street
Alamogordo, New Mexico 88310**

**Comptroller of the Currency
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3394**

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

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **First National Bank in Alamogordo** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 30, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “**OUTSTANDING**”.

While operating in a highly competitive environment, First National Bank in Alamogordo (FNB) is responsive to the credit needs of the community. The vast majority of the bank's loans are within its designated assessment area. Distribution of credit reflects a strong penetration among borrowers of different income levels and small businesses, as well as to geographies with different income levels. There are no local financial institutions to which it can be compared.

The following table indicates the performance level of First National Bank in Alamogordo with respect to each of the five performance criteria.

SMALL BANK ASSESSMENT CRITERIA	FIRST NATIONAL BANK IN ALAMOGORDO PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		✓	
Lending in Assessment Area	✓		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes	✓		
Geographic Distribution of Loans	✓		
Response to Complaints	No complaints relating to CRA activities were received since the prior examination.		

DESCRIPTION OF INSTITUTION

First National Bank in Alamogordo was chartered on August 25, 1956. The bank is a full service retail bank with \$136 million in total assets and \$66 million in net loans as of September 30, 1996. Its primary operation is at its main office located in the business district of Alamogordo, New Mexico. In addition to the main office, the bank has four branches: three located within the city limits and one in Cloudcroft, New Mexico. Nine automated teller machines (ATMs) service the entire community.

The bank is a subsidiary of a two bank holding company, First Alamogordo Bancorp, Inc. which owns the majority of the bank's stock. The affiliate bank is First National Bank of Ruidoso, located in Ruidoso, New Mexico.

DESCRIPTION OF ASSESSMENT AREA

First National Bank in Alamogordo has designated all of Otero county as its assessment area. The area has a population of 52 thousand per the 1990 census data. Approximately 57% of the population in Otero county reside in Alamogordo. Other significant populated areas include Holloman Air Force Base, Tularosa, Cloudcroft, Mescalero, and La Luz. Otero county is comprised of thirteen census tracts. Of these, two tracts are designated as moderate income, eight are middle income, and the other three are upper income. There are no low income census tracts in the county. This is based on the statewide nonmetropolitan median family income (from the 1990 census) within each individual census tract. If the census tract is less than 50% of the statewide nonmetropolitan median family income, it is categorized as low income; moderate is between 50% and 79%; the middle income range is 80% to 119%; and the upper range is income of 120% and above the median family income. The New Mexico statewide nonmetropolitan median family income is \$23,166.

Alamogordo has a very competitive financial environment. Competing for deposits and loan customers are two community banks, a branch of a major nationwide bank, and numerous credit unions and savings banks. Mortgage companies and finance companies also compete for local loans.

Community members contacted identified the lack of job expansion as a pressing community need. The community needs new business formation/diversification. Although a marketing plan has been initiated, it has been difficult to attract capital and promote the community due to the poor location. They did not identify affordable housing as a pressing problem in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Ratio

The bank's loan to deposit ratio is reasonable. On September 30, 1996 it was at 58%. Over the last nine quarters, the evaluation period for this rating, the ratio has been stable averaging 58%. The ratio of 794 similarly sized banks nation wide was 72% as of September 30, 1996. The average loan to deposit ratio for a sample of similarly sized banks in the state was 64% with the median being 59%. The bank's ratio is generally in line with similarly sized banks state-wide. When compared to two local competitors, the bank's loan to deposit ratio was considerably lower. However, the financial institutions are not comparable to the bank in relation to other factors. One of the competitors is a savings and loan whose primary market niche is mortgage lending. The other is not of similar size.

Lending in the Assessment Area

First National Bank in Alamogordo has done an outstanding job of lending within its assessment area. The bank's compliance officer tracks outstanding loan applications for business, personal, real estate, and credit lines. His assessment revealed that 85% of the bank's total outstanding loans are within the bank's assessment area.

As indicated above, a substantial majority of loans are made within the assessment area. Figures for both consumer related loans and commercial loans are solid and stable. The accuracy of this information was verified by testing automated loan reports and other reports generated by the bank for consumer and residential loans.

Assessment Area	Consumer Loans 1996		Commercial Loan 1996		Consumer Loans 1995		Commercial Loan 1995	
	# loans	% loans	# loans	% loans	# loans	% loans	# loans	% loans
inside	2,656	84%	616	89%	2,781	84%	619	90%
outside	502	16%	74	11%	519	16%	71	10%

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

The bank's distribution of loans to individuals of different income levels reflects an excellent penetration. Additionally, the distribution of commercial loans based on gross revenues reflects a solid penetration in small business establishments.

The bank's analysis of loans by applicant income reflects a relatively even distribution throughout the four income categories. During the examination, management conducted an analysis of automobile loans originated in 1996. Automobile loans represent approximately 38% of the total instalment loans originated in 1996.

The analysis revealed that the disbursement did not match the distribution of household income in the assessment area. Instead, it reflected a much stronger penetration in the low- and moderate-income categories. Of the total population, 15% live in low income households and 17% in moderate income households. Based on the number of loan originations, the bank's loan percentages in these categories exceeded the area demographics.

Loan Distribution by Household Income Categories (based on 1996 Automobile Originations)				
	Low Income Families	Moderate Income Families	Middle Income Families	Upper Income Families
Total Population	15%	17%	23%	45%
# of Automobile Originations	25%	23%	25%	27%
\$ Volume of Originations	16%	21%	24%	38%

In addition, an analysis of 1996 residential loan information compiled by the bank closely reflected the demographics of the assessment area. The residential loan sample reflects that 34% of the residential loans were made to low and moderate income applicants.

To determine loans made to businesses of different sizes, the bank sampled approximately 71% of business loan originations for 1996. Based on gross revenues, 93% of the loans were made to businesses with gross revenues of one million or less. A substantial majority (nearly 68%) of the loans were to businesses with gross revenues of 300,000 or less. This indicates that the bank lends primarily to small businesses, which is consistent with the county business patterns. Of the 649 business establishments per 1990 census data, 97% of the establishments are businesses with less than 50 employees. Per the 1990 census data, an establishment is categorized by its size, not by the size of the business that owns it.

Geographic Distribution of Loans

The bank's analysis of outstanding loans was reviewed to determine how the bank's loans are distributed among census tracts of different income levels. As discussed in the **Description of Assessment Area** section of this report, there are 13 census tracts in the county: three upper income, eight middle income, and two moderate income tracts. There are no low income census tracts. First National Bank in Alamogordo's distribution of loans within its

geographic area reflects an excellent dispersion throughout the assessment area. Based on loans outstanding as of April 1996, the loan penetration appears to closely match the composition of the population for the majority of the census tracts. No gaps in penetration to the two moderate-income census tracts were noted.

Response to Complaints

During the evaluation period, First National Bank in Alamogordo received no comments from the public regarding their CRA performance. The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations.