



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 4, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Santa Fe
Charter Number 1750**

**62 Lincoln Avenue
Santa Fe, New Mexico 87501**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105-2292**

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 Community Reinvestment Act (CRA) performance of **First National Bank of Santa Fe** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 4, 1997. 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 “**Satisfactory**”

First National Bank of Santa Fe has a reasonable loan-to-deposit ratio, particularly considering the large number of financial institutions in this community. A substantial majority of the bank's loans are made inside the assessment area. Distribution of loans, both by the borrowers' income and by business loan size, is good. Geographic distribution of loans covers all of the bank's assessment area, and does not exclude moderate-income areas. There are no low-income areas in Santa Fe or Los Alamos counties.

The following table indicates the performance level of **First National Bank of Santa Fe** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	First National Bank of Santa Fe 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 of Santa Fe was chartered in 1870. The bank is a full service retail bank with total assets of \$276 million, outstanding loans of \$175 million, and deposits of \$248 million as of June 30, 1997. The bank has eight approved banking offices. Seven of the offices are in Santa Fe County with four, including the main office, in moderate-income areas, and the other three in middle-income areas. The remaining branch is in a middle-income tract in Los Alamos, New Mexico. The bank also has four stand-alone automated teller machines (ATM's) in the City of Santa Fe. There have been two branch closings since the last examination. The Villa Linda Mall branch was closed November, 1995. The bank still has night deposit services and two ATM's at the mall. The Pojoaque branch was closed August, 1995, when the Pojoaque tribal government would not renew the lease on the branch. The bank has made an account manager available to Pojoaque customers. The bank opened a mortgage loan production office in Albuquerque, New Mexico in 1996.

First National Bank of Santa Fe is a subsidiary of New Mexico Banquest Investors Corporation, a one-bank holding company headquartered in Santa Fe, New Mexico. The bank offers a wide range of deposit and lending products to consumer and business customers. As a member of the Federal Home Loan Bank of Dallas, First National Bank of Santa Fe has access to loan and grant funds for community development and affordable housing programs. The bank also developed its own community-oriented banking fund called "Community Connection Banking Fund." Depositors may direct that their deposits will be applied solely towards loans for such purposes as affordable housing, small business development, and other areas that will have a positive impact on the Santa Fe and Los Alamos communities. The bank began marketing the program in May, 1997. We did not identify any constraints on First National Bank of Santa Fe's ability to meet community credit needs.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is the Metropolitan Statistical Area 7490 (MSA) which contains Santa Fe and Los Alamos Counties. Major employers in Santa Fe include the State of New Mexico, Santa Fe School District, the U.S. Federal Government, St. Vincent Hospital, and the City of Santa Fe. The unemployment rate in Santa Fe was 4.5% as of June, 1997. With opera, skiing, horse racing, and gambling facilities on the nearby Indian pueblos, the local economy is largely based upon tourism and related service industries, and there are seasonal variations in the unemployment rate. The principal employer in Los Alamos is the Los Alamos National Laboratories. The unemployment rate in Los Alamos was 2.1% as of June, 1997. Local economic conditions do not significantly detract from First National Bank of Santa Fe's ability to lend locally.

According to the 1990 U.S. Census, the Santa Fe County population was 98,928 and was comprised of: 49% Hispanic origin, 32% non-Hispanic white, 3% Native American, 1% black, and 16% other. Los Alamos County population was 18,115 and comprised of: 83% non-Hispanic white, 11% Hispanic origin, 2% Asian, 1% Native American, and 2% other. Median family income in the MSA for 1990 was \$38,144.

DESCRIPTION OF ASSESSMENT AREA (Continued)

Santa Fe County contains 26 census tracts designated as follows: no low-income tracts, nine moderate-income tracts, ten middle-income tracts, and seven upper-income tracts. Los Alamos County contains five census tracts designated as follows: no low- or moderate-income tracts, one middle-income tract, and four upper-income tracts. Seven of the moderate-income census tracts in Santa Fe County are inside the city; one is in the town of Española. Twelve percent of the households in Santa Fe County and 2 percent of the households in Los Alamos County fall below the poverty level.

Santa Fe has a competitive financial environment. In addition to the First National Bank of Santa Fe, the city has two state chartered banks, four branches of major nationwide banks, three branches of other New Mexico banks, and two federal savings banks. In Los Alamos, where First National Bank of Santa Fe has a branch, there is one large community bank of a similar size to First National Bank of Santa Fe, and one smaller community bank. In addition, there are also ten credit unions in Santa Fe and Los Alamos.

Community members contacted identified affordable housing as the most pressing community need.

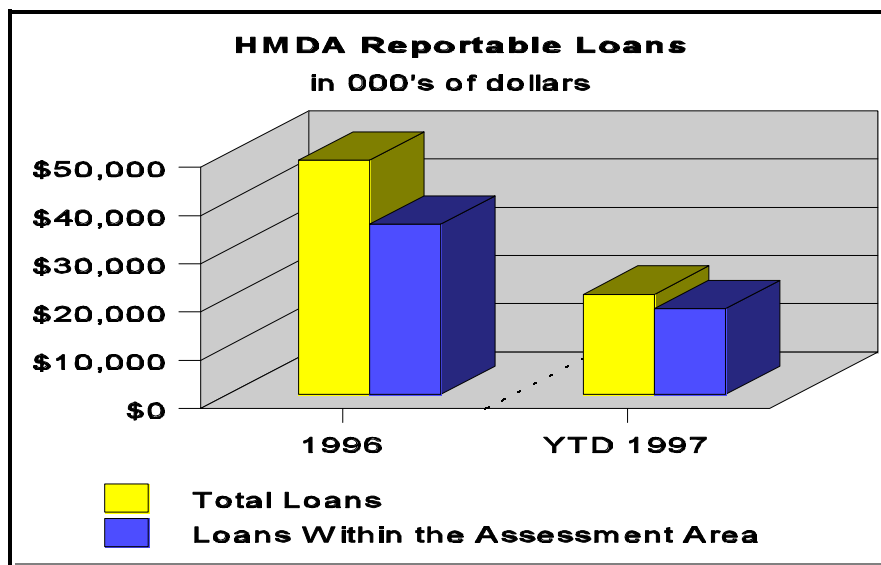
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable. As of June 30, 1997 it approximated 70%. The ratio of 937 similarly sized banks nationwide was 72%. Over the last 12 quarters, the evaluation period for this rating, this bank's average ratio was 78%. This bank compares favorably to the two state chartered banks in Santa Fe, which had average loan-to-deposit ratios of 65% and 69% over the same period. This bank's loan-to-deposit ratio was less than the 87% average ratio at a similarly-sized national bank in Los Alamos, which is part of the bank's assessment area. Loan-to-deposit ratios at other local competing financial institutions are not readily available, as many of them are branches, whose size and ratios are reflective of the whole organization, and not of the local branch.

Lending in the Assessment Area

To evaluate the bank's lending in the assessment area, we reviewed loans made for home purchase, home improvement, and refinancing for either one-to-four or multi-family dwellings for 1996 and through July, 1997. These are known as Home Mortgage Disclosure Act, or "HMDA reportable," loans.



First National Bank of Santa Fe has done a good job of lending within its assessment area. As detailed in the graph, the overall combined 1996-1997 percentage of lending within the assessment area was 75% of the dollar amount of loans originated. This represents a substantial majority of loans within the assessment area.

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 adequate penetration. The distribution of commercial loans, as measured by the size of the loan, reflects a satisfactory penetration for small businesses.

To evaluate the bank's analysis of loans by applicant income, we also relied on HMDA reportable loans. Income on individuals is available from the HMDA. The bank does not track other consumer loans by applicant income.

As shown in the following table, the bank's percentage of loans to low-income borrowers falls substantially below the percentage of low-income families in the area for both periods. The bank's percentage of loans to moderate-income borrowers more nearly matches the percentage of moderate-income families in 1996, and exceeds the percentage of moderate-income families in 1997. One-to-one parity is not required in this distribution, but to exceed the standards for this category, the bank's percentages would approximate or exceed the family characteristics in the assessment area in both categories and for all time periods.

Distribution of Home Mortgage Loan Originations Within Santa Fe County By Income Level of the Borrower				
Assessment Area Data	Low-Income		Mod-Income	
Characteristics of Families	25%		19%	
	# of loans	% of total	# of loans	% of total
1996	34	8%	57	14%
1997 through July	21	12%	35	21%

Source: HMDA Loan Application Registers

HMDA does not track land and construction loans. The bank is involved in an affordable housing project at Tierra Contenta. It has financed 28 lots totaling \$200 thousand with 17 homes currently under construction at \$1.6 million. The bank will provide construction financing on all the lots. The bank was approved by Federal Home Loan Bank of Dallas in December 1996, on another affordable housing project called La Luz. To date, none of these loans have been funded.

Loans to small businesses are not tracked by the bank. However, we used distribution by loan size as a substitute for business revenues. According to the June 30, 1997 Call Report, commercial real estate loans and other commercial and industrial loans totaled \$77 million. Over half (57%) of these types of loans by dollar amount are made in amounts less than \$1 million as broken down in the following table.

Distribution of Small Business Loan Originations as of June 30, 1997 Within All Assessment Areas By Loan Size				
Loan Size				
	#	%	\$ (000)	%
less than \$100,000	244	58%	\$5,314	12%
\$100,000 to \$250,000	91	22%	\$9,836	22%
\$250,000 to \$1,000,000	86	20%	\$28,953	66%
Totals	421	100%	\$44,103	100%

Source: Bank prepared Call Report

Geographic Distribution of Loans

An analysis was done to determine how the bank’s HMDA reportable loans are distributed among census tracts of different income levels. The **Description of Assessment Area** section of this report details the number of low-, moderate-, middle- and upper-income tracts. The following table summarizes this information for the Santa Fe County portion of the bank’s assessment area. The Los Alamos County portion is not included, as it contains no low- or moderate-income census tracts.

Distribution of Income Levels by Census Tracts (MSA 7490 - Santa Fe County only)							
Low- Income		Moderate- Income		Middle- Income		Upper- Income	
Census Tracts		Census Tracts		Census Tracts		Census Tracts	
0	0%	9	35%	10	38%	7	27%

Source: CRA Wiz Demographic Data - 1990 U.S. Census

The bank has a reasonable distribution of loans in its assessment area among all of its income geographies. In 1996, 17% of First National Bank of Santa Fe’s loan originations in Santa Fe County were in moderate-income geographies. Through July of 1997, 28% of its loan originations in Santa Fe County were in moderate-income geographies. The bank’s percentage of loans in moderate-income geographies falls below the percentage of moderate-income census tracts in both 1996 and 1997. One-to-one parity is not required in this distribution, but to exceed the standards for this category, the bank’s percentages would approximate or exceed the geography characteristics in the assessment area.

Response to Complaints

During the evaluation period, First National Bank of Santa Fe 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.