



## **PUBLIC DISCLOSURE**

February 20, 2017

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Pioneer Bank  
Charter Number 700450

3000 North Main Street  
Roswell, NM 88201-6676

Office of the Comptroller of the Currency

Denver Field Office  
1225 17th Street, Suite 450  
Denver, CO 80202

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, 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.

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## **Overall CRA Rating: Outstanding**

**The Lending Test is rated: Outstanding**

**The Community Development Test is rated: Outstanding**

Pioneer Bank has an overall Outstanding record of meeting community credit needs. The following factors support the rating:

- The distribution of lending to borrowers of different incomes reflects an excellent penetration in the New Mexico non-MSA Assessment Area (AA) and a reasonable penetration in the El Paso AA.
- The lending to borrowers of different geographies has an excellent dispersion in the New Mexico non-MSA AA and a reasonable penetration in the El Paso AA.
- Pioneer Bank demonstrated excellent responsiveness to community development needs in the New Mexico non-MSA AA and an adequate responsiveness to community development needs in the El Paso AA.
- A majority of the loans are made within the combined assessment areas.
- The loan-to-deposit (LTD) ratio is reasonable.
- There were no Community Reinvestment Act (CRA) related complaints.

## Definitions and Common Abbreviations

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

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**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.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder' and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract 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 conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement, and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. 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 Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

Pioneer Bank is a federally chartered stock savings bank, headquartered in Roswell, New Mexico. The bank is a wholly owned subsidiary of Pioneer Bancorp, Inc. Pioneer Bank operates 11 retail branches in New Mexico and three retail branches in Texas. During the evaluation period, the bank opened one new branch in Hobbs, NM on March 13, 2014 and closed two branches in Roswell, NM on February 29, 2016. There are ATMs at all 14 branches, (12 cash dispensing only and 5 deposit taking). Pioneer Bank has mortgage-banking operations in Midland, Texas and Glenwood Springs, Colorado, with no deposit operations in these two areas.

As of December 31, 2016, Pioneer Bank had total assets of \$766 million with \$315 million in net loans, representing net loans to total assets of 41 percent. Pioneer Bank primarily makes single-family mortgage loans and sells them to the secondary market (servicing retained for most loans). The bank offers conventional fixed- and adjustable-rate mortgage loans for the purpose of construction, purchase, and home improvement. Risk-based pricing mortgage loans such as FNMA Loan Level Price Adjustment loans are offered. Other loans offered include FHA insured and VA guaranteed loans. The institution also originates a substantial number of consumer, commercial, and construction loans. Pioneer Bank's deposit product offering includes a variety of checking and savings accounts, including low-cost and no cost accounts, and certificates of deposit. All of the branches offer the same products and services.

Pioneer's last CRA performance evaluation was dated August 1, 2013, at which time the bank was rated "Outstanding". There were no legal or financial factors that impeded Pioneer Banks's ability to help meet the credit needs of its community.

Poverty levels in the bank's assessment areas (AAs) are high and may make it difficult for the bank to lend to low- and moderate-income families in these areas. Households below the poverty level in the New Mexico non-MSA AA is 17 percent, 24 percent in the El Paso AA, and 23 percent in the Las Cruces AA. While housing in the bank's AAs are generally affordable, it may be difficult for low- and moderate-income families to accumulate sufficient funds for a down payment for a median priced home and still maintain reasonable housing payments. It is estimated that it may take low-income families as much as 50 percent of their income to afford a median housing payment. The New Mexico non-MSA AA also has 20 of its 35 census tracts (CTs) in distressed areas due to poverty levels in middle-income geographies. In addition, the AAs that Pioneer Bank serves are known for situations where families pass their homes from generation to generation, thereby causing the number of loans in certain low- and moderate-income tracts to be lower than average.

CD lending, qualified investments, and service opportunities are limited within Pioneer Bank's combined AAs due to the fact the bank primarily serves non-metropolitan and smaller communities. The bank's primary market is the New Mexico non-MSA AA, which accounts for 81 percent of the bank's deposits. Per the 2010 Census, the population in this AA was only 268,495 and consisted primarily of smaller towns with Roswell, New Mexico being the largest city with a population of approximately 48,000 in 2015. Most other towns and cities in the AA are much smaller than Roswell. The Las Cruces and El Paso AAs account for 13 percent and 6 percent of deposits, respectively.

Please refer to the bank's CRA public file for more information about the institution.

## Scope of the Evaluation

Pioneer's CRA performance was evaluated under Intermediate Small Bank (ISB) criteria. Pioneer Bank was evaluated under the ISB criteria because its asset size exceeded \$307 million, but remains below \$1.226 billion. The ISB procedures evaluate the bank's CRA activities based on two broad performance criteria; a lending test and a community development (CD) test. The lending test evaluates the bank's lending activities based on five performance criteria. The CD test includes an evaluation of the bank's performance relative to providing CD loans, investments, and services. The lending test and the CD test are weighted equally in determining the bank's overall CRA rating.

Pioneer Mortgage Company was combined into Pioneer Bank during 2015. As a result, the 2015 and 2016 HMDA-LARs included applications from both entities. We also included the mortgage company's 2013 and 2014 HMDA-LARs in our analysis. However, the mortgage company had little effect on the overall conclusions (except for the lending in AA percentages) since most of these loans were outside the bank's AAs.

## Evaluation Period/Products Evaluated

In evaluating Pioneer's lending performance, we reviewed residential mortgage loans subject to filing under the Home Mortgage Disclosure Act (HMDA). The evaluation period for the lending test is January 1, 2013 through September 30, 2016. The loans for this evaluation were compared to 2010 Census demographic data. Lending results were also compared to the aggregate lending of all HMDA reporters in each AA for 2015. As of this evaluation, HMDA aggregate lending data for 2016 was not available.

Residential mortgages are the bank's primary loan product. While Pioneer Bank originates a variety of commercial loans, this type of lending is not considered a primary loan product. For this evaluation, we analyzed all HMDA-reportable mortgage loans originated by the bank. Table 1 reflects the bank's loan portfolio by dollar volume.

<b>Table 1</b>		
<b>Pioneer Bank</b>		
<b>Loan Portfolio Composition</b>		
<b>As of 06/30/2016</b>		
<b>Loan Type</b>	<b>Dollar (000)*</b>	<b>Percentage</b>
Residential Mortgage and Construction Loans	233,995	73.4
Business/Commercial/ Construction Loans	81,319	25.5
Consumer Loans	3,397	1.1
<b>TOTAL</b>	<b>318,711</b>	<b>100.0</b>

Source: Call Report as of 06/30/16

The CD test includes a review of CD loans, investments, and financial services made in the Bank's AAs that have the primary purpose of community development. The evaluation period of the CD test covers August 19, 2013 through February 19, 2017.



**Data Integrity**

We determined the accuracy of the data used for the evaluation through a data integrity test. Our CRA Data Integrity examination found HMDA data for years 2014, 2015, and 2016 (through the third quarter) to be reliable. We did not identify any significant errors during these reporting periods. We also completed a data integrity review of community development loans, investments, and services during the same time as the HMDA review and also during this CRA examination. CD loans, investments, and services not determined to qualify for credit were provided to the bank for further clarification.

**Selection of Areas for Full-Scope Review**

A sample of Pioneer's AAs were selected for the full scope reviews. Pioneer operates 14 branches in two states, New Mexico and Texas. In New Mexico, Pioneer operates eight branches in the non-metropolitan statistical areas (non-MSA) counties and three branches in the Las Cruces Metropolitan Statistical Area (MSA). Due to the contiguous configuration of the non-MSA counties, performance is evaluated in the non-MSA counties as one AA. With 73 percent of the New Mexico branches and 86 percent of state deposits in the non-MSA AA, we selected this AA for a full-scope review and conducted a limited-scope review of the Las Cruces MSA. We also performed a full-scope review of performance in the El Paso, Texas MSA. Pioneer operates three branches in this MSA.

**Ratings**

The bank's overall rating is a blend of the state ratings. Performance in New Mexico received the greatest weight in our determination of the overall rating. New Mexico accounts for 79 percent of the branch network, 94 percent of total deposits, and 82 percent of the HMDA reportable loans during the evaluation period.

The state ratings are based primarily on those areas that received full-scope reviews. Refer to the "Scope" section under each State for details regarding how the areas were weighted in arriving at the respective ratings.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c) and 195.28(c), in determining a national bank's (bank) or federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development (HUD), and the Consumer Financial Protection Bureau (CFPB).

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

The OCC will consider any evidence of discriminatory or other illegal credit practices relative to this institution that other regulators may provide to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information provided concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Conclusions with Respect to Performance Criteria

Pioneer Bank's performance under the lending test evaluates five performance criteria: loan-to-deposit (LTD) ratio, percentage of lending-related activity in the AAs; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to CRA-related complaints.

The LTD ratio and the lending in AA performance criteria apply to the overall bank. These two performance criteria are listed below. The conclusions with respect to the remaining lending test performance criteria and the CD test performance criteria are addressed in the ratings sections for each state.

### Loan-to-Deposit Ratio

Pioneer Bank's LTD ratio is reasonable given the institution's size, financial condition, and credit needs of the AAs the bank serves. The bank's average quarterly loan-to-deposit ratio for all quarters since the prior CRA examination is 54.9 percent. The quarterly average of similarly situated banks, based on the sample, is 61.6 percent, with individual bank averages ranging from 19.3 percent to 89.2 percent. Similarly situated banks are defined as banks of comparable asset size with similar business lines and operating in the same geographies. Over this same period, the bank's quarterly low LTD ratio was 50.2 percent and the bank's quarterly high LTD ratio was 62 percent. The LTD is calculated on a bank-wide basis and not in the individual AAs.

### Lending in Assessment Area

Pioneer Bank originates a majority of its loans in its assessment areas. Of the HMDA reportable loans, the bank originated 69.9 percent of loans within the assessment areas compared to 30.1 percent outside. In dollar volume, the bank originated 55.6 percent of loans within the bank's assessment areas compared to 44.4 percent outside the assessment area boundaries. This ratio is a bank-wide ratio and not calculated by individual AAs. The analysis is limited to bank and mortgage company originations and purchases.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	1,020	68.6	467	31.4	1,487	149,380	57.3	111,263	42.7	260,643
Home Improvement	159	98.1	3	1.9	162	2,100	99.2	16	0.8	2,116
Home Refinance	595	67.1	292	32.9	887	68,958	51.7	64,556	48.3	133,514
Totals	1,774	69.9	762	30.1	2,536	220,438	55.6	175,835	44.4	396,273

Source: 2010 U.S. Census data; 2013-2016 HMDA

## State Rating

### State of New Mexico

#### **CRA rating for the State of New Mexico: Outstanding**

**The lending test is rated: Outstanding**

**The Community Development test is rated: Outstanding**

The following major factors support the rating:

- Pioneer Bank's lending activity in the New Mexico non-MSA AA is excellent. Geographic distribution and borrower distribution for HMDA loans is excellent.
- Pioneer Bank's branches are reasonably accessible to geographies and individuals of all income levels. The level and nature of the bank's CD services are excellent in the New Mexico non-MSA AA.
- Pioneer Bank's CD lending in the New Mexico non-MSA AA had a positive impact on the Lending Test rating and the overall rating is considered excellent. While the CD lending is adequate in the New Mexico non-MSA AA, the CD lending in the Las Cruces AA is considered excellent as it totaled over \$12 million or 16.5 percent of tier 1 capital.
- Pioneer Bank's qualified investments are adequate in the New Mexico non-MSA AA. While the overall level is poor, there are very few opportunities for CD investment in this non-metropolitan AA. The bank is responsive to identified AA CD needs.

**Note:** The net loan-to-deposit ratio and percentage of loans and other lending-related activity in the assessment area only apply to the institution overall. No discussion of these performance criteria applies to sections of the performance evaluation relating to the state.

### **Description of Institution's Operations in New Mexico**

Pioneer Bank maintains 11 branches within six counties in southern New Mexico. Based on CRA rules for delineating an AA, the bank serves two AAs in New Mexico: Las Cruces MSA (Dona Ana County) and five contiguous non-metropolitan counties that are combined to make-up the New Mexico non-MSA AA. Based on the number of branches, volume of deposits, and the number and dollar volume of lending in this non-MSA AA, the New Mexico non-MSA AA was selected for the full-scope review.

The New Mexico non-MSA AA is comprised of the contiguous counties of Chaves, Eddy, Lea, Lincoln, and Otero. Pioneer Bank designated the whole counties in which it maintained branch offices. The AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income (LMI) areas. The following table provides additional information about the demographics of the bank's New Mexico non-MSA AA.

New Mexico Non MSA

Table 3 - Demographic Information for Full Scope Area: NM-Non MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	67	1.49	14.93	52.24	31.34	0.00
Population by Geography	268,495	0.59	17.28	48.38	33.75	0.00
Owner-Occupied Housing by Geography	68,710	0.53	14.23	46.59	38.65	0.00
Business by Geography	13,500	2.23	12.30	46.60	38.87	0.00
Farms by Geography	642	0.31	6.07	52.34	41.28	0.00
Family Distribution by Income Level	67,562	19.32	17.52	20.04	43.12	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	24,892	1.04	24.84	49.35	24.77	0.00
Median Family Income FFIEC Adjusted Median Family Income for 2016 Households Below Poverty Level		46,354 50,700 17%	Median Housing Value Unemployment Rate (2010 US Census)		108,898 3.21%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 US Census and 2016 FFIEC updated MFI

As of the 2010 Census, the New Mexico non-MSA AA encompassed 67 CTs. There was one low-income CT, ten moderate-income CTs, 35 middle-income CTs, and 21 upper-income CTs in the AA. In 2016, 20 of the 35 middle-income CTs were designated as distressed due to poverty levels.

The major townships in the AA are Alamogordo, Artesia, Carlsbad, Dexter, Eunice, Hagerman, Hobbs, Lovington, Ruidoso, and Roswell. The key employment industries are government, mining (including petroleum), accommodations and food service, health care, social services, and retail trade. Some of the largest employers in the area include the Roswell Independent School District, Leprino Foods, Eastern New Mexico Medical Center, Waste Isolation Pilot Plant, Intrepid Potash, Carlsbad Municipal Schools, Halliburton, Hobbs Municipal Schools, Lea Regional Medical Center, and Holloman Air Force Base.

The unemployment rates across the AA varied by county, with three of the counties demonstrating increases of the average annual unemployment rate between 2014 and 2016. Eddy and Lea counties had higher increases of 2.5 percent and 5.3 percent, respectively, primary due to fluctuations in the oil and gas industry. During 2014 and 2015, as much as one third of all oil and gas jobs were eliminated in eastern New Mexico. Chaves County showed a small unemployment increase and Otero and Lincoln Counties showed a slight decline. The unemployment rate for New Mexico was stable and totaled 6.7 percent for December 2016 and 2015, but had increased from 6 percent in December of 2014. For November and December of 2016, New Mexico had the highest unemployment rate in the United States.

Competition consists of eighteen commercial banks and savings institutions that operate 92 offices in the AA. Wells Fargo Bank has the largest deposit market share of 19.8 percent, followed by First American Bank at 15.8 percent and Pioneer Bank at 10.8 percent. Other competitors include insurance companies, small loan companies, finance companies, mortgage companies, real estate investment trusts, government agencies, internet lending companies, and various other enterprises.

The counties in the AA have different economic and demographic characteristics and are differentiated below. This is important to explain the Bank's responsiveness to credit needs throughout the AA and its emphasis on the more distressed counties of the AA.

Chaves County - As of the 2010 Census, Chaves County has 16 CTs including five moderate-, seven middle-, and four upper-income CTs. In 2016, all of the middle-income CTs are designated as distressed due to poverty levels. The unemployment rate increased from 6.2 percent in 2014 to 6.8 percent in 2016.

Eddy County - As of the 2010 Census, Eddy County has 12 CTs including six middle-, and six upper-income CTs. In 2016, none of the middle-income CTs were designated as distressed due to poverty levels. The unemployment rate increased from 6.2 percent in 2014 to 6.8 percent in 2016.

Lea County - As of the 2010 Census, Lea County has 18 CTs including three moderate-, nine middle-, and six upper-income CTs. In 2016, no middle-income CTs were designated as distressed due to poverty levels. The unemployment rate increased substantially from 4.4 percent in 2014 to 9.7 percent in 2016 due to fluctuations in the oil and gas industry.

Lincoln County - As of the 2010 Census, Lincoln County has five CTs, including four middle- and one upper-income CT. In 2016, Lincoln County had four middle-income CTs designated as distressed due to poverty levels. Unemployment slightly decreased with 6.1 percent in 2014 and 5.8 percent in 2016.

Otero County - As of the 2010 Census, Otero County had 16 CTs and included one low-, two moderate-, nine middle-, and four upper-income CTs. In 2016, all nine of the middle-income CTs were designated as distressed due to poverty levels. The unemployment rate decreased slightly during the evaluation period from 6.3 percent in 2014 to 6.2 percent in 2016.

The Las Cruces MSA consists entirely of Dona Ana County. The AA meets regulatory requirements and does not arbitrarily exclude LMI areas. As of the 2010 Census, Dona Ana County had 41 CTs and included 4 low-, 16 moderate-, 7 middle-, and 14 upper-income CTs. Dona Ana had no middle-income CTs designated as distressed due to poverty levels. The unemployment rate declined from 7.4 percent on 2014 to 6.9 percent in 2016. Population in Dona Ana County was 209,233 per the 2010 Census. The key employment industries for the Las Cruces AA are government, health care, social services, retail trade, and agriculture. The largest employers are New Mexico State University, White Sand Missile Range, Las Cruces Public Schools, Gadsen Independent Schools, City of Las Cruces, and Memorial Medical Center. This AA was reviewed as limited scope since only 12.9 percent of New Mexico deposits, 27 percent of New Mexico branches, and 18 percent of New Mexico HMDA reportable loans were in this AA.

## **Scope of Evaluation in New Mexico**

We conducted a full-scope review of Pioneer's performance in its New Mexico non-MSA AA under the lending test and CD test. Ratings are based primarily on results of those areas that received full-scope reviews. We performed a limited-scope review of the performance in the Las Cruces. For the loan distributions criteria under the lending test, we analyzed all residential mortgages reported under HMDA from January 1, 2013 through September 30, 2016. Based on the number of branches, volume of deposits, and the number and dollar volume of lending in this non-MSA AA, the New Mexico non-MSA AA was selected for full-scope review. Refer to Appendix A for more information.

We contacted an organization knowledgeable of the local housing conditions and an organization striving for a vibrant local economy by attracting and expanding employers within a few target industries while elevating job quality and investment within the region. The contacts indicated the area continues to demonstrate growth and has a significant need for additional affordable housing, as well as improved public transportation to connect low-to-moderate income (LMI) families to employment opportunities and services. The contacts stated that the decline in the oil industry adversely affected income and employment resulting in an increased need for affordable housing. Overall, the contacts believed the banks were adequately serving the communities. However, lending opportunities to LMI individuals may be limited due to income and credit histories of those individuals.

As noted in the performance context section, poverty levels in the bank's AAs are high and may make it difficult for the bank to lend to low- and moderate-income families in their AAs. Households below the poverty level were 17 percent in the New Mexico non-MSA AA and 23 percent in the Las Cruces AA. While housing in the bank's AAs are generally affordable, it may be difficult for low- and moderate-income families to accumulate sufficient funds for a down payment for a median priced home and still maintain reasonable housing payments. The New Mexico non-MSA AA has 20 of its 35 CTs in "distressed due to poverty levels middle-income geography" areas. In addition, the AAs that Pioneer Bank serves are known for situations where families pass their homes from generation to generation, thereby causing the number of loans in certain low- and moderate-income tracts to be lower than average.

Also as noted in the performance context section, CD lending, qualified investments, and service opportunities are limited within Pioneer Bank's combined assessment areas due to the fact the bank primarily serves non-metropolitan and smaller communities.

## **Conclusions With Respect to Performance Tests in New Mexico**

Pioneer Bank's lending performance and CD performance in the State of New Mexico is rated Outstanding. In reaching this conclusion, we considered the level of competition from other lenders, the weak economic conditions and high poverty levels in New Mexico, and the 2015 HMDA Aggregate Lending data during the evaluation period.

### **Lending Test**

Pioneer Bank's performance under the lending test in the New Mexico non-MSA is rated Outstanding.

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

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

Based on the full-scope review, Pioneer Bank's lending reflects excellent penetration of borrowers of different incomes. Home purchase, home refinance, and home improvement loans had excellent performance when compared to the 2015 HMDA Aggregate Lending data. While the bank's distribution of loans to lower-income borrowers may be below demographic comparators, the overall conclusion also considered performance relative to HMDA Aggregate lenders in the AA. The comparison to HMDA Aggregate information was given more weight than the comparison to the AA Families categories because of the high level of poverty and the resulting difficulties of lending to LMI individuals in the New Mexico AAs. Small business lending is not a primary loan product of the bank. Therefore, we did not evaluate the bank's small business lending.

Table 4 shows the distribution of home mortgage loans to borrowers of different income levels by mortgage loan product.

<b>Table 4 - Borrower Distribution of Residential Real Estate Loans in New Mexico Non-MSA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.3	1.9	17.5	12.7	20.0	22.6	43.1	61.9
Home Improvement	19.3	19.9	17.5	18.5	20.0	16.6	43.1	28.5
Home Refinance	19.3	5.0	17.5	11.4	20.0	25.8	43.1	57.1

Source: 2010 U.S. Census data; 2013-2016 HMDA

The bank’s percentage of lending for home purchases is significantly below the percentage of low-income families and is below the percentage of moderate-income families in the AA. The bank’s home purchase lending is below the 2015 HMDA Aggregate of 2.28 percent for low-income borrowers and exceeds the 2015 HMDA Aggregate of 11.95 percent for moderate-income borrowers.

The bank’s lending for home improvement is slightly above the percentage of low-income families and exceeds the percentage of moderate-income families. The bank’s home improvement lending to LMI borrowers significantly exceeds the 2015 HMDA Aggregate for low-income borrowers of 5.51 percent and exceeds the 2015 HMDA Aggregate for moderate-income borrowers of 12.6 percent.

The bank’s lending for home refinance is significantly below the percentage of low-income families and is also below the percentage of moderate-income families. The bank’s home refinance lending to LMI borrowers exceeds the 2015 HMDA Aggregate of 3.84 percent for low-income individuals and 9.56 percent for moderate-income individuals.

**Conclusions for Areas Receiving Limited Scope Reviews**

Based on a limited scope review, the bank’s borrower penetration performance under the Lending Test in the Las Cruces MSA is weaker than the bank’s overall “Outstanding” performance under the Lending Test in the state of New Mexico. In the Las Cruces MSA, the bank’s performance overall is weaker than its overall performance in the state with reasonable home purchase, home improvement, and home refinance lending performance. Given the level of deposits in this AA compared to the full-scope AA, performance in the limited-scope AA does not negatively affect the overall performance under the lending test.

**Geographic Distribution of Loans**

The distribution of the bank’s home mortgage loans within geographies of different income levels is excellent. The bank’s home purchase, home refinance, and home improvement lending each reflect excellent dispersion. The comparison to 2015 HMDA Aggregate Lending data was given more weight than the comparison to the AA of Owner Occupied Housing categories because of the high level of poverty and the resulting difficulties of lending in the New Mexico AAs.

Table 5 below shows the distribution of home mortgage loans within geographies of different income levels by home mortgage loan products.



**Table 5 - Geographic Distribution of Residential Real Estate Loans in New Mexico Non-MSA**

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.5	0.00	14.2	11.2	46.6	36.2	38.7	52.6
Home Improvement	0.5	0.00	14.2	27.8	46.6	37.1	38.7	35.1
Home Refinance	0.5	0.00	14.2	9.1	46.6	38.5	38.7	52.4

Source: 2010 U.S. Census data; 2013-2016 HMDA

The bank's percentage of lending for home purchases is below the percentage of owner-occupied housing in the moderate-income CTs. There was only one low-income CT in the New Mexico non-MSA AA as of the 2010 Census. The bank's home purchase lending within the low-income geographies is slightly below the HMDA Aggregate of 0.24 percent and exceeds the moderate-income HMDA Aggregate of 5.59 percent.

The bank's lending for home improvement is significantly above the percentage of owner-occupied housing in the moderate-income CTs. There was only one low-income CT in the New Mexico non-MSA AA as of the 2010 Census. The bank's home refinance lending within the low-income geographies is slightly below the HMDA Aggregate of 0.36 percent and significantly exceeds the HMDA Aggregate of 13.09 percent for moderate-income geographies.

The bank's lending for home refinance is below the percentage of owner-occupied housing in the moderate-income CTs. There was only one low-income CT in the New Mexico non-MSA AA as of the 2010 Census. The bank's home improvement lending within the low-income geographies is slightly below the HMDA Aggregate of 0.22 percent and exceeds the moderate-income HMDA aggregate of 6.05 percent.

### Conclusions for Areas Receiving Limited Scope Reviews

Based on a limited-scope review, the bank's geographic performance under the lending test in the Las Cruces MSA is weaker than the bank's overall Outstanding performance under the lending test in the state of New Mexico. In the Las Cruces MSA, the bank's performance is reasonable relative to both home purchase and home refinance lending. The bank's performance for home improvement lending is excellent. Given the level of deposits in this AA compared to the full-scope AA, performance in the limited-scope AA does not negatively affect overall performance under the lending test.

### Responses to Complaints

Pioneer Bank did not receive any CRA related complaints during the evaluation period.

### COMMUNITY DEVELOPMENT (CD) TEST

Pioneer Bank's performance under the CD test in New Mexico is rated Outstanding.

Pioneer Bank demonstrates excellent responsiveness to CD needs in the AA. While the bank remains active in the community, several CD activities presented were excluded from our assessment because they did not meet the eligibility criteria of the CRA. The bank conducts an annual formal assessment of

its CD activity, however the bank does not maintain sufficient documentation on many of the organizations to demonstrate that it supports community development.

### **Number and Amount of Community Development Loans**

#### **Conclusion for Full-Scope AA**

Pioneer Bank's CD lending demonstrates adequate responsiveness to credit needs in the New Mexico non-MSA AA. The bank funded or renewed six or \$1.124 million in loans or 1.5 percent of tier 1 capital. The bank's CD lending contributes to improving the quality of life and economic conditions of lower income persons residing in distressed and underserved communities by providing affordable health care. These loans demonstrate a commitment to giving back to the communities they service.

#### **Conclusion for Area Receiving Limited-Scope Reviews**

Pioneer Bank's CD lending demonstrates excellent responsiveness to credit needs in the Las Cruces MSA. The bank funded or renewed 11 CD loans in the AA totaling \$12 million, or 16.5 percent of tier 1 capital. These CD loans also contribute to improving the quality of life and economic conditions of lower income persons residing in distressed and underserved communities by providing affordable housing, affordable health and dental care, and construction lending.

### **Number and Amount of Qualified Investments**

#### **Conclusion for Full-Scope AA**

Pioneer Bank's level of qualified investments demonstrate poor responsiveness to credit needs of the New Mexico non-MSA AA. It is recognized that CD qualified investments are limited within Pioneer Bank's combined assessment areas due to the fact the bank primarily serves non-metropolitan and smaller communities, and as a result, does not adversely affect the bank's overall CD rating in New Mexico. Pioneer made a \$1 million in qualified investments in the CRA Qualified Investment Fund. During the evaluation period, the initial \$1 million investment resulted in one investment totaling \$400 thousand to LMI borrowers in the AA, or 0.5 percent of tier one capital. This investment financed a low-income housing tax credit property in Roswell, New Mexico. This AA represents 81 percent of total banks deposits and 86 percent of the New Mexico deposits.

#### **Conclusion for limited-scope AA**

Pioneer Bank's qualified investments demonstrate adequate responsiveness to credit need of the Las Cruces MSA. Pioneer Bank's initial \$1 million investment in the Community Capital Management Fund translated into two investments in this AA totaling \$225 thousand or 0.3 percent of tier one capital to LMI borrowers. It is recognized that CD qualified investments are limited within Pioneer Bank's combined assessment areas due to the fact the bank primarily serves non-metropolitan and smaller communities. Since this limited scope AA comprises only 14 percent of the total New Mexico deposits and 13 percent of total bank deposits, this level of investment is considered adequate.

**Extent to Which the Bank Provides Community Development Services****Conclusion for full-scope AA**

Pioneer Bank's CD services demonstrate excellent responsiveness to the needs in the AA. Employees of the bank contributed 3,240 hours of service to several organizations since the last CRA Performance Evaluation. The CD services included financial education, construction of affordable housing, fundraising, and providing technical expertise. Each employee involved in providing CD services used their financial expertise to benefit the AA. This qualifying service activity is only a small portion of staff involvement. Although employees at Pioneer are extremely active in their communities, some of the activities and organizations do not meet the requirements to qualify for CRA, or need further supporting documentation to determine CRA eligibility.

Pioneer Bank's delivery systems for retail services are readily accessible to all segments of the community, including LMI individuals and geographies. As of the 2010 Census, one branch was located in a low-income CT. In addition, two branches were located in a distressed middle-income CT. The bank offers a variety of services to the community ranging from checking and savings accounts to certificates of deposits and individual retirement accounts. Within its checking and savings account product lines, Pioneer offers low-fee, low-minimum balance deposit accounts. The bank also offers free checking accounts.

**Conclusion for limited-scope AA(s)**

Pioneer provided an excellent level of CD services within the Las Cruces MSA. Employees of Pioneer Bank contributed almost 380 hours of CD services to several organizations since the last examination. The bank's staff is very active in their communities. While we could verify CD purposes for certain organizations, there were many more that we could not readily verify the CD purpose.

**Responsiveness to Community Development Needs**

Overall, Pioneer Bank demonstrates excellent responsiveness to CD needs in the AA. However, Pioneer Bank could maintain better documentation of the organizations they service to ensure they serve the CRA needs within the AAs.

## State Rating

### State of Texas

#### **CRA rating for the State of Texas: Satisfactory**

**The lending test is rated: Satisfactory**

**The Community Development test is rated: Satisfactory**

The following major factors support the rating:

- The distribution of loans by borrower income reflects reasonable overall penetration among individuals of different income levels, including LMI.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- CD performance demonstrates adequate responsiveness to the CD needs of the AA.

**Note:** The net loan-to-deposit ratio and percentage of loans and other lending-related activity in the assessment area only apply to the institution overall. No discussion of these performance criteria applies to sections of the performance evaluation relating to the state.

### **Description of Institution's Operations in Texas**

The El Paso MSA is comprised of El Paso County. According to the 2015 Census estimate, the city of El Paso remains the sixth largest city in Texas. The bank delineated the whole of El Paso County in which it maintains three branch offices. The AA meets regulatory requirements and does not arbitrarily exclude LMI areas.

The following table provides additional information about the demographics of the El Paso MSA for the 2010 Census:

**El Paso MSA**

<b>Table 6 - Demographic Information for Full Scope Area: El Paso MSA</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	162	5.56	35.80	29.01	29.01	0.62
Population by Geography	804,123	3.84	32.47	32.12	31.57	0.00
Owner-Occupied Housing by Geography	156,126	1.69	28.82	31.40	38.08	0.00
Business by Geography	37,684	7.10	28.44	27.45	36.21	0.80
Farms by Geography	522	2.68	35.44	25.48	36.21	0.19
Family Distribution by Income Level	187,417	23.56	17.04	17.76	41.64	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	76,099	7.24	45.10	30.34	17.32	0.00
Median Family Income		40,255	Median Housing Value		108,950	
FFIEC Adjusted Median Family Income for 2016		45,200	Unemployment Rate (2010 US Census)		3.09%	
Households Below Poverty Level		24%				

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 US Census and 2016 FFIEC updated MFI

In 2015, the population of El Paso County was estimated to be 835,593, according to the U.S. Census. As of the 2010 Census, the MSA consisted of 162 CTs, of which nine were low-, 58 were moderate-, 47 were middle-, 47 upper-, and one NA-income CTs. Per the 2010 Census, 36 percent of the population resided within LMI CTs.

Contributors to the local economy include manufacturing, a robust tourist industry, a significant military presence, and agriculture. The county area is 648,320 acres, and according to the National Agricultural Statistical Service, approximately 113,948 acres (17.6 percent) of that area is devoted to agricultural production. The largest employers for the El Paso MSA are T & T Staff Management, University Medical Center, Dish Network, Fort Bliss, and Hospitals of Providence.

El Paso’s economic growth is slow and is more sluggish than the national economy. El Paso’s economy is partially linked to manufacturing south of the U.S.–Mexican border, and there are concerns that possible trade agreement changes with Mexico and the falling Mexican peso could hurt the manufacturing industry in Juarez, Mexico. Juarez shoppers are also important for area retailers, and the weak peso could dampen El Paso retail sales.

Housing in El Paso County appears relatively inexpensive and affordable based on the Association of Home Builder’s Housing Opportunity Index (HOI). The HOI is defined as the share of homes sold in that area that would have been affordable to a family earning the median income. The HOI for the El Paso MSA was 88.0 based on the median family income in 2016 of \$60,400, and the median home sales price of \$100,000 during the fourth quarter of 2016. This MSA ranked 18 out of 215 metropolitan areas monitored nationally. Based on these measures, there appears to be homeownership opportunities for LMI individuals. However, the large percentage of households below poverty level makes lending to LMI individuals difficult at times for the bank.

The FDIC Market Share Report as of June 30, 2016 shows 16 commercial banks and savings institutions in the AA. Bank of America has a leading deposit market share of 37.5 percent, followed by Wells Fargo with a market share of 22.1 percent. Pioneer bank ranked 14<sup>th</sup> with a 0.33 percent market share.

## **Scope of Evaluation in Texas**

We conducted a full-scope review of Pioneer's performance in the El Paso AA under the lending test and the CD test. For the loan distribution criteria under the lending test, we analyzed all residential mortgages reported under the HMDA from January 1, 2013 to September 30, 2016. Refer to Appendix A for more information.

As noted in the performance context section, poverty levels in the bank's AAs are high and may make it difficult for the bank to lend to low- and moderate-income families in their AAs. Households below the poverty level in the El Paso AA was 24 percent. While housing in the bank's AAs are generally affordable, it may be difficult for low- and moderate-income families to accumulate sufficient funds for a down payment for a median priced home and still maintain reasonable housing payments. In addition, the AAs that Pioneer Bank serves are known for situations where families pass their homes from generation to generation, thereby causing the number of loans in certain low- and moderate-income tracts to be lower than average.

Also as noted in the performance context section, CD lending, qualified investments, and service opportunities are limited within Pioneer Bank's combined assessment areas due to the fact the bank primarily serves non-metropolitan and smaller communities.

A community contact with an organization knowledgeable of local housing conditions was completed during the examination. The contact indicated the area continues to demonstrate growth and shows a significant need for additional affordable housing, as well as improved public transportation to connect low-to-moderate income (LMI) families to employment opportunities and services. The contact stated that the city of El Paso has a 10,000 family waiting list for affordable housing. Overall, the contact believed the banks were adequately serving the communities. However, lending opportunities to LMI individuals may be limited due to income and credit histories of those individuals.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TEXAS**

The bank's lending performance and CD performance are rated Satisfactory. In reaching this conclusion, we considered the level of competition from other lenders, the high poverty levels in the El Paso AA, and the HMDA Aggregate lending during the evaluation period.

### **LENDING TEST**

The bank's performance under the Lending Test in the State of Texas is Satisfactory. Pioneer Bank's lending reflects reasonable penetration of borrowers of different incomes and reasonable dispersion of the bank's home mortgage loans within geographies of different income levels. Both home purchase and home refinance lending demonstrated reasonable performance. In reaching this conclusion, we considered the level of competition from other lenders, the high poverty levels in the El Paso AA, and the 2015 HMDA Aggregate Lending data during the evaluation period. It is recognized that the El Paso AA has a high level of poverty, resulting in difficulties for the bank to lend to LMI individuals. The bank's lending is consistent with the 2015 HMDA Aggregate Lenders in the AA. The small business

lending is not a primary loan product of the Bank. Therefore, we did not evaluate the bank’s small business lending.

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

Pioneer Bank’s lending reflects reasonable penetration of borrowers of different incomes. Home purchase lending for low and moderate-income borrowers was reasonable compared to 2015 HMDA Aggregate Lending data. Home refinance lending for moderate-income borrowers had reasonable penetration when compared to the 2015 HMDA Aggregate. The comparison to HMDA Aggregate information was given more weight than the comparison to the AA Families percentage because of the high level of poverty and the resulting difficulties of lending in the El Paso AA. Given that 55 percent of the bank’s lending in the AA represented home purchase financing and 44 percent for home refinance lending, a little more weight was given to the home purchase performance.

Table 7 below shows the distribution of home mortgage loans to borrowers of different income levels by mortgage loan product.

<b>Table 7 - Borrower Distribution of Residential Real Estate Loans in El Paso, TX MSA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	23.6	3.1	17.0	10.6	17.8	23.1	41.6	63.0
Home Improvement	23.6	0.0	17.0	0.0	17.8	0.0	41.6	100.0
Home Refinance	23.6	1.6	17.0	12.0	17.8	20.0	41.6	65.6

Source: 2010 U.S. Census data; 2013-2016 HMDA

Pioneer Bank’s percentage of lending for home purchases is significantly below the percentages for both low- and moderate-income families in the AA. The Bank’s lending was slightly below the 2015 HMDA Aggregate for low-income borrowers of 3.45 percent, and below moderate-income borrowers of 13.38 percent for the 2015 HMDA Aggregate.

The bank’s lending for home refinance loans to low-income borrowers is significantly below the percentage of families in the AA. Lending to moderate-income borrowers is below the moderate-income families in the AA. The bank’s lending was below the 2015 HMDA Aggregate for low-income borrowers of 5.42 percent but above the moderate-income borrowers of 10.64 percent.

The bank granted only one home improvement loans in this AA during the evaluation period. As such, we did not evaluate this loan product in this AA.

**Geographic Distribution of Loans**

The distribution of the bank’s home mortgage loans within geographies of different income levels is reasonable. The bank’s home purchase and home refinance lending activity reflects reasonable responsiveness. While Pioneer Bank’s distribution of loans to LMI geographies may be below demographic comparators, the overall conclusion also considers the bank’s performance relative to HMDA Aggregate Lenders in the AA. In fact, the comparison to 2015 HMDA Aggregate Lending data was given more weight than the comparison to the AA of Owner Occupied Housing category percentages because of the high level of poverty and the resulting difficulties of lending in the El Paso

AA. Given that 55 percent of the bank’s lending in the AA represented home purchase financing and 44 percent for home refinance lending, a little more weight was given to the home purchase performance.

Table 8 below shows the distribution of home mortgage loans within geographies of different income levels by home mortgage loan products.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1.7	1.3	28.8	16.9	31.4	36.9	38.1	45.0
Home Improvement	1.7	0.0	28.8	0.0	31.4	0.0	38.1	100.0
Home Refinance	1.7	0.8	28.8	20.8	31.4	28.0	38.1	50.4

Source: 2010 U.S. Census data; 2013-2016 HMDA

The bank granted very few home purchase loans within the low-income CTs during the evaluation period. But those numbers are slightly below the percent of AA Owner Occupied Housing in the AA. The bank’s percentage of lending for home purchases is significantly below the percentage of owner-occupied housing in moderate-income CTs. The bank’s home purchase lending within low-income CTs is above the 2015 HMDA Aggregate of 0.45 percent and the moderate-income CTs was slightly below the 2015 HMDA Aggregate of 17.23 percent.

The bank only granted one home refinance loan within the low-income CTs during the evaluation period. The bank’s percentage of lending for home refinance loans was significantly below the percentage of owner-occupied housing in moderate-income CTs. The bank’s home refinance lending within low-income CTs is above the 2015 HMDA Aggregate of 0.47 percent and the moderate-income CTs was above the 2015 HMDA Aggregate of 14.15 percent.

Pioneer Bank only granted one home improvement loan within this AA during the evaluation period. As such, we did not evaluate this loan product in this AA.

**Responses to Complaints**

Pioneer Bank had no CRA-related complaints during the evaluation period for this AA.

**COMMUNITY DEVELOPMENT TEST**

Pioneer Bank’s CD performance in Texas is rated Satisfactory.

Pioneer Bank demonstrates adequate responsiveness to CD needs in the AA. While the bank remains active in the community, many of the CD services presented were excluded from assessment because they did not meet the eligibility criteria of the CRA. The bank conducts an annual formal self-assessment of its CD activity; however it does not maintain sufficient documentation on some of the organizations it serves to support their qualification as community development.



### **Number and Amount of Community Development Loans**

CD lending demonstrates adequate responsiveness to the needs of the AA. Since the last CRA examination, Pioneer Bank granted two CD loans totaling \$1 million or 1.4 percent of tier one capital. The loans included building construction and an accounts receivable line for a holistic care business that targets LMI individuals.

### **Number and Amount of Qualified Investments**

Pioneer Bank's qualified investments demonstrate poor responsiveness to the needs in the AA. It is recognized that CD qualified investments are limited within Pioneer Bank's combined assessment areas due to the fact the bank primarily serves non-metropolitan and smaller communities, and as a result, do not adversely affect the bank's CD rating in Texas. Since the last CRA examination, Pioneer Bank granted four qualified investments totaling \$405.4 thousand, or 0.6 percent of tier 1 capital. These investments encompass a \$1 million investment in a Community Capital Management fund that invests in mortgage-backed securities for mortgages to LMI borrowers.

### **Extent to Which the Bank Provides Community Development Services**

Pioneer Bank demonstrates excellent responsiveness to CD needs in the AA. Employees of Pioneer Bank contributed over 220 hours of service to several organizations since the last CRA evaluation. The CD services included financial education, fundraising efforts, and affordable housing education. Each employee involved in providing CD services used their financial expertise to benefit the AA.

This qualifying service activity is only a small portion of staff involvement. Although employees at Pioneer Bank are extremely active in their communities, many activities and organizations do not meet the requirements to qualify for CRA, or further supporting documentation is needed to determine CRA eligibility.

Pioneer's delivery system for retail services are readily accessible to all segments of the community, including LMI individuals and geographies. As of the 2010 Census, one of the AA branches is located in a moderate-income CT. The bank offers a variety of services to the community ranging from checking and savings accounts to certificates of deposit and individual retirement accounts. Within its checking and savings account product lines, Pioneer Bank offers low-fee, low-minimum balance deposit accounts. The bank also offers free checking accounts.

### **Responsiveness to Community Development Needs**

Overall, Pioneer Bank demonstrates adequate responsiveness to CD needs in the AA. Pioneer Bank could maintain better documentation of the organizations they service to ensure they serve the CRA needs within the AAs.



## 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 “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): (01/01/13 to 09/30/16) Investment and Service Tests and CD Loans: (08/19/13 to 02/19/17)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Pioneer Bank 3000 North Main Street Roswell, NE 88201	HMDA Loans, CD Loans, CD Investments, CD Services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None Reviewed		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
New Mexico New Mexico Non-MSA AA Las Cruces MSA	Full Scope Limited Scope	
Texas El Paso MSA	Full Scope	

## Appendix B: Summary of State Ratings

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RATINGS		Pioneer Bank	
Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
Pioneer Bank	Outstanding	Outstanding	Outstanding
State:			
New Mexico	Outstanding	Outstanding	Outstanding
Texas	Satisfactory	Satisfactory	Satisfactory