



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

March 11, 2013

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Tucumcari Federal Savings and Loan Association  
Charter Number: 702842

301 South 1st Street  
Tucumcari, New Mexico 88401

Office of the Comptroller of the Currency

Phoenix Field Office  
9633 South 48th Street, Suite 265  
Phoenix, Arizona 85044

**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, 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.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory**

Tucumcari Federal Savings and Loan Association's (TFS&LA) lending performance reflects a satisfactory response to community credit needs. This is based on the following factors:

- The association's loan-to-deposit (LTD) ratio is more than reasonable given the association's size, financial condition, and the credit needs of the assessment area (AA).
- The association originated a substantial majority of loans inside the association's AA.
- Lending activities represent a poor penetration to individuals of different income levels.
- The geographic distribution of loans represents an excellent dispersion throughout census tracts (CT) of different income levels in the association's AA.

**SCOPE OF EXAMINATION**

The examination of TFS&LA consisted of a full-scope review of the association's single AA. The evaluation period for sampling loans was January 1, 2010, through December 31, 2011. We identified residential real estate loans as the association's primary product based on the number and dollar amount of loans originated in the evaluation period. There were no affiliate loans to review.

Loan Originations for Evaluation Period	% of Number of Loans	% of Dollar Amount of Loans
Residential RE Loan Originations as a % of Total Originations	75%	85%

*Source: Loan originations for evaluation period.*

We sampled 20 loans from the association's primary loan product. We used the data from the original residential real estate loan sample to calculate the inside/outside AA ratio. To perform other lending tests, we eliminated loans outside the AA from the original sample and added enough additional loans to provide a sample of 20 residential real estate loans from inside the AA. The sample is representative of the association's business strategy since the last CRA examination.

**DESCRIPTION OF INSTITUTION**

TFS&LA is a federally chartered mutual savings association headquartered in Tucumcari, New Mexico, which is located in a non-metropolitan area in the eastern part of the state. As of December 31, 2012, TFS&LA had \$39.4 million in assets, total loans of \$25.4 million, and total deposits of \$27.9 million. TFS&LA operates a main office

within the city limits of Tucumcari, located in a moderate-income CT. TFS&LA offers a limited amount of deposit and loan services to individuals and small businesses. TFS&LA has no checking accounts or ATMs, and has not opened or closed any branch offices during the evaluation period. The association's primary lending focus is residential real estate.

The association was rated Satisfactory at the June 25, 2007 CRA examination. There are no financial or legal impediments that hinder the association's ability to help meet the credit needs of the AA.

## **DESCRIPTION OF ASSESSMENT AREA**

TFS&LA has designated Quay County, New Mexico as its AA. Quay County covers 2,874 square miles, and according to the 2010 census has a population of 9,041, a decline of 11 percent since the 2000 census. Quay County encompasses the city of Tucumcari, which is the county seat. Tucumcari is a small city covering 9.5 square miles with a population of only 5,363, strategically located on Interstate 40 between Albuquerque, New Mexico and Amarillo, Texas. There are three small villages within the county consisting of House, Logan, and San Jon. The entire area is a non-metropolitan statistical area.

For 2010 and 2011, the AA had four CTs based on the 2000 Census: 1 moderate-income CT and 3 middle-income CTs. Quay County does not have any low- or upper-income CTs. All of the middle-income CTs have been designated as distressed middle-income non-metropolitan tracts for poverty and population loss since June 1, 2005. The AA meets the legal requirements of the regulation and does not arbitrarily exclude low- or moderate-income (LMI) geographies.

The economy of the AA is equally divided between hospitality, government services, and ranching. Primary employers are lodging and food service industries, county and city governments, and retail trade. Local economic conditions remained stagnant over the past two years. This distressed economic environment directly correlates to the high poverty rates and the loss of population experienced in the region. The unemployment rate averaged 6.5% from 2007 through 2012, with a high of 9.4% and a low of 3.7%. For 2012, the unemployment rate was 6.9%.

Demographic Information for the TFS&LA AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	4	N/A	1	3	N/A
Population by Geography	10,155	N/A	34	66	N/A
Owner-Occupied Housing by Geography	5,664	N/A	30	70	N/A
Businesses by Geography	927	N/A	33	67	N/A
Farms by Geography	112	N/A	8	92	N/A
Family Distribution by Income Level	2,861	N/A	32	68	N/A
Household Distribution by Income Level	4,208	N/A	39	61	N/A
Census Median Family Income (MFI)		\$33,667	Median Housing Value		\$53,110
HUD - Adjusted MFI: 2012		\$47,700	Families Below the Poverty Level		21%
HUD - Adjusted MFI: 2011		\$47,100	Unemployment Rate		7%
HUD - Adjusted MFI: 2010		\$46,354			

Source: 2000 U.S. Census Data

Competition for financial services is moderate in Quay County. The June 30, 2012 FDIC Deposit Market Share Report shows a total of four financial institutions, with a combined total of five branches, competing for \$153 million of insured deposits. TFS&LA has the smallest market share of deposits with 18% and does not operate outside the AA. The remaining three institutions have 82% of the market share of deposits and have a significant presence and access to other loans and deposits outside the local market.

We identified three similarly situated associations to TFS&LA in the marketplace in terms of size, geographic presence, and lines of business. One competitor is a branch of a large nation-wide financial institution. The other two competitors are local community associations. Both institutions are larger in size than TFS&LA, with several offices located outside the AA. We used these institutions to evaluate the association's LTD ratio.

During our evaluation of TFS&LA, we contacted a community organization to determine the credit and financial needs and opportunities in the AA. The contact was a non-profit organization that promotes economic development. The contact reported that the local economy continues to struggle with limited employment opportunities and small businesses are finding it difficult to obtain financing and capital. The contact stated it is also very difficult for low- or moderate-income individuals to qualify for housing loans. Therefore, many individuals seek rental housing assistance. The contact felt that the majority of the financial institutions in the community are deposit takers, but are being extremely conservative in their lending requirements, and as a result, it is difficult for consumers and businesses to qualify for loans. The contact also indicated Tucumcari and Quay County are among several "hot spots" in the nation for wind-generated electricity and that this area will become a leader in reusable energy in New Mexico.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

TFS&LA's average LTD ratio is more than reasonable given the association's size, financial condition, and credit needs of the AA. As of September 30, 2012, the association's quarterly LTD ratio for the last 21 quarters was 102 percent, with a low of 90 percent and a high of 121 percent.

The association's net LTD ratio compares very favorably, ranking first among the three other similarly situated financial institutions located in TFS&LA's AA. The results are summarized below.

Institution	Average Quarterly Loan-to-Deposit Ratio (9/2007 - 9/2012)
<b>Tucumcari FS &amp; LA</b>	<b>102%</b>
Bank A	86%
Bank B	67%
Bank C	63%

Source: Uniform Association Performance Report.

### Lending in Assessment Area

We calculated the percentage of both number and dollar amount of our original sample of 20 residential real estate loans made inside the association's AA. With 90 percent of the number and 86 percent of the dollars of loans, TFS&LA's inside/outside ratio reflects a substantial majority of the primary loan product originated within its AA. This exceeds the standard for satisfactory performance.

Lending in Quay County, New Mexico										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	18	<b>90</b>	2	10	20	1,127	<b>86</b>	188	14	1,315

Source: Loan data from original sample of 20 loans from 1/1/2010 through 12/31/2011.

We replaced two residential real estate loans made outside the association's AA to arrive at a new sample of 20 loans for the primary loan product. With this new sample, we analyzed the following tests for Lending to Borrowers of Different Incomes and Geographic Distribution of Loans.

### Lending to Borrowers of Different Incomes

The distribution of residential real estate loans reflects poor penetration among borrowers of different income levels. Only ten percent of originations in our sample were to low-income borrowers, which is significantly lower than the 24 percent of low-income families in the AA. However, 21 percent of families in the AA are living below the

poverty level. As a result, it is harder for these families to qualify for residential real estate loans, even though the Median Housing Value is \$53,110 for the AA. Ten percent of loans were made to moderate-income borrowers, which is also significantly lower than the 21 percent of moderate-income families in the AA.

<b>Borrower Distribution of Residential Real Estate Loans in Quay County, New Mexico</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
Residential RE	24	<b>10</b>	21	<b>10</b>	19	<b>25</b>	36	<b>55</b>

Source: Loan sample and U.S. Census data.

### Geographic Distribution of Loans

The geographic distribution of residential real estate loans reflects excellent penetration throughout CTs of different income levels. Thirty percent of the loans in our sample were originated in the AA's only moderate-income CT. This reflects excellent penetration, given that 30 percent of owner occupied housing in the AA is located in this moderate-income CT. Seventy percent of the loans in our sample were originated in the AA's three middle-income CTs, all of which are designated as Distressed Middle-Income Nonmetropolitan Tracts due to poverty and population loss. This is excellent penetration, given that 70 percent of owner occupied housing in the AA is located in these distressed CTs. The Federal Financial Institutions Examination Council (FFIEC) states that a nonmetropolitan, middle-income CT is considered distressed if it is in a county with one or more of the following: an unemployment rate of at least 1.5 times the national average; a poverty rate of 20 percent or higher; a population loss of 10 percent (or more) since the previous census; or a net migration loss of 5 percent (or more) during the five-year period preceding the most recent census.

<b>Geographic Distribution of Residential Real Estate Loans in Quay County, New Mexico</b>								
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
Residential RE	N/A	<b>0</b>	30	<b>30</b>	70	<b>70</b>	N/A	<b>0</b>

Source: Loan sample and U.S. Census data.

### Responses to Complaints

No complaints have been received by the association or the OCC relating to the association's CRA performance during this evaluation period.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 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.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.