



## **PUBLIC DISCLOSURE**

July 26, 1999

### **COMMUNITY REINVESTMENT ACT Performance Evaluation**

**Bank of the Rio Grande, N. A.  
Charter Number 20439  
411 North Downtown Mall  
Las Cruces, New Mexico 88001**

**OFFICE OF THE COMPTROLLER OF THE CURRENCY  
Western District  
50 Fremont Street, Suite 3900  
San Francisco, California 94105**

**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 performance of **Bank of the Rio Grande, N. A.** in Las Cruces, New Mexico, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 26, 1999**. 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.**”

- C The bank’s loan-to-deposit ratio is satisfactory given the bank’s size, financial condition, and assessment area credit needs.
- C A substantial majority of the bank’s loans are originated within their assessment area.
- C The bank’s lending to borrowers of different income and businesses of different sizes is satisfactory and representative of the demographics within the assessment area.
- C The geographic distribution of loans is satisfactory and representative of the various income census tracts.
- C There were no consumer complaints since the last CRA examination.

## **DESCRIPTION OF INSTITUTION**

Bank of the Rio Grande, N.A. is wholly owned by Las Cruces BRG, Inc., a one bank holding company. The bank is one of the smallest independent community banks in Las Cruces, NM with \$47 million in assets. They offer full service banking and have a drive-up facility. The bank has one branch located at 2535 South Telshor Blvd., one loan production office in Hatch, New Mexico, and operates nine automatic teller machines within the assessment area.

As of June 30, 1999, the bank had outstanding loans of \$29 million, or 62%, of total assets. Based on the dollar amount of these loans, 29% were consumer, 23% commercial, 19% residential real estate, 9% construction and land development, 9% agricultural related, 9% other real estate, and 2% other loans. The bank's lending focus is primarily on consumers (including residential real estate lending) and small businesses. This evaluation focuses on consumer and business lending. There are no legal or financial impediments preventing the bank from meeting the credit needs of its assessment area.

The evaluation period for this performance analysis is the thirteen quarters since the last evaluation. The last performance evaluation was dated March 31, 1996, when the bank received a Satisfactory rating.

## DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is the entire Metropolitan Statistical Area (MSA) of Doña Ana County, New Mexico. The MSA's total population is 135,510 persons. The MSA is comprised of 23 census tracts with one low income census tract (4%), seven moderate income census tracts (30%), ten middle income census tracts (44%), and five upper income census tracts (22%). The 1990 United States Census indicates the weighted average median family income for all census tracts within this MSA is \$24,720. The low income census tract is located between Interstate 10 and Interstate 25, also where New Mexico State University is located. The moderate income census tracts are located in the southern half of Doña Ana County, northwest Doña Ana County, and central Las Cruces. The middle income census tracts are located from the central to north-eastern part of Doña Ana County and surround the moderate income census tracts in the city of Las Cruces. The upper income census tracts are located in the eastern half of Las Cruces and extend out to the boundaries of the White Sands Missile Range. The bank's assessment area meets the legal requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The weighted average MSA median family income per the updated 1999 Housing and Urban Development (HUD) figures is \$33,200 for this MSA. Based on income information for the MSA, 24% are comprised of low income families, 16% are comprised of moderate income families, 19% are comprised of middle income families, and 41% are comprised of upper income families.

The assessment area's business community is comprised largely of small businesses with 82% reporting less than ten employees. The economy is largely driven by the government sector, service industry, and retail trade. The assessment area is experiencing a relatively strong economic environment. The New Mexico Department of Labor indicates the May 1999 unemployment rate at 8.8% for Doña Ana County.

The assessment area is located in a very competitive financial environment with three major nationwide banks and eleven community and saving banks. Also, numerous credit unions are located within the assessment area.

One county housing agency was contacted during this examination and four previous community contacts were reviewed. The current community contact and several prior community contacts believed the credit needs of the community are centered in housing and home improvement loans.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is satisfactory. The average quarterly loan-to-deposit ratio since the last CRA examination is 72.2% which is comparable to four other independent Las Cruces banks at 72.6%. During this time frame, the bank's loan-to-deposit ratio varied from a low of 65.4% to a high of 77.4%. In comparison, the four other independent Las Cruces Banks loan-to-deposit ratio's varied from 60.2% to 84.3%. The bank's March 31, 1999 loan-to-deposit ratio of 65.4% compared similarly to a national peer average of 66.3% for 238 banks. The national peer average was selected based upon financial institutions of similar size, number of branches, and banks located within a MSA.

### **Lending in the Assessment Area**

A substantial majority of its loans are centered in the bank's assessment area. The bank does not track this data on an ongoing basis for loan originations. We randomly sampled 25 business loans and 25 consumer loans from April 1996 to June 1999. We also reviewed all residential loans (purchase, refinance, and home improvement loans totaling 103 loans) from 1997 through June 1999. The results are in the following table

Percentage of loans inside/outside bank's assessment area (AA)	% of Dollar Amount of Loans		% of Number of Loans	
	Inside AA	Outside AA	Inside AA	Outside AA
Business Loans	100%	0%	100%	0%
Consumer	84%	16%	88%	12%
Residential	99%	1%	99%	1%

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

The bank's record of lending to individuals of various income levels and businesses of different sizes meets the standards for satisfactory performance. The demographics of the bank's assessment area reflect a lending presence to all income levels within the assessment area.

*By income level:*

The bank collects data based on borrower's income for residential real estate loans and reports it on their Home Mortgage Disclosure Act - Loan Application Register (HMDA-LAR). We used 100% of the 1997, 1998, and year-to-date 1999 loan originations for the purchase of residential real estate, refinancing, and home improvement loans. Our sample also consisted of 25 consumer loans randomly selected since the prior CRA examination. Our analysis revealed the bank lends to borrowers of all income levels, as shown in the following table.

<b>Loan Distribution by Borrower Income Level</b>								
By Weighted average of MSA <i>Updated</i> Median Family Income (\$33,200)	LOW < 50%		MODERATE 50 to 80%		MIDDLE 80 to 119%		UPPER ≥ 120%	
	----- - <\$16,599		----- -- \$16,600- 26,559		----- -- \$26,560- 39,839		----- -- \$39,840	
% of Families within the assessment area by income level (1990 census data)	24%		16%		19%		41%	
	\$	#	\$	#	\$	#	\$	#
% of the number of residential originations (sample = 103)	7%	12 %	19%	29%	12%	18%	62 %	41 %
% of the number of consumer originations (sample = 25)	13 %	16 %	27%	24%	14%	12%	46 %	48%

The number of residential real estate loan originations are not comparable for low income families with the bank originating 12% of the number of loans to low income families as compared to MSA demographics population of 24%. However, management exceeds in the number of residential real estate lending to moderate income families compared to MSA demographic population of 16%. The number of residential real estate loans the bank made to individuals of low- and moderate-income levels total 41% and compares favorably to the demographics of the area, which is 40%. A similar scenario is evident for consumer loans.

*By business revenue size:*

The bank does not analyze data based on business size. Therefore, we tested business loan originations based on a random sample of 25 business loans from April of 1996 through June of 1999. The loan sample was then compared to area business demographics as reported by Dunn & Bradstreet. The regulation defines “small businesses” as those with gross revenues less than

\$1 million. As the following table shows, the bank's distribution of business loans of different sizes is satisfactory:

<b>Lending to Businesses of Different Sizes</b>					
Business Gross Revenues	Business Gross Revenues (\$000's)				
	< \$100	\$101-249	\$250-499	\$500-999	>\$1,000
Business by Number	8%	28%	32%	24%	8%
Business by Dollar	2%	47%	16%	29%	6%
<u>Area Demographics</u> Business	91%				9%

### **Geographic Distribution of Loans**

Geographic distribution of loans within the assessment area is considered satisfactory. We randomly sampled 31 consumer loans since April 1, 1996. We also utilized the bank's HMDA-LAR for 1997, 1998, and year-to-date 1999. The HMDA-LAR includes residential purchases, refinancing, and home improvement loans. Our analysis indicated no consumer loans or residential loans were made to the one low income census tract within the assessment area. This is because New Mexico State University encompasses this low income census tract which does not have any owner occupied housing and a very low population of 4,520. Housing in this low income census tract is centered in rental units and multi-family dormitory style living. The following two tables illustrates the bank's consumer and residential distribution within their assessment area:

<b>Consumer Lending within Assessment Area by Type of Census Tract</b>			
Census Tract Income Level	# of Total Loans Sampled	\$ of Total Loans Sampled	Percent of Families Living Within Each Census Tract Income Level
Low	0%	0%	1%
Moderate	26%	31%	33%
Middle	55%	53%	45%



Upper	19%	16%	21%
Total	100%	100%	100%

The bank's consumer lending is representative of the demographic distribution of families living throughout the bank's assessment area.

<b>Residential RE Lending within Assessment Area by Type of Census Tract</b>			
Census Tract Income Level	# of Total Loans Sampled	\$ of Total Loans Sampled	Percent of Owner-Occupied Housing in Census Tract Income Level
Low	0%	0%	0%
Moderate	18%	17%	32%
Middle	64%	59%	47%
Upper	18%	24%	21%
Total	100%	100%	100%

The bank makes a lower level of residential real estate loans in moderate income census tracts in comparison to the number of owner-occupied housing units located within these census tracts. A mitigating factor is due to the large number of owner-occupied housing located outside the city proper of Las Cruces. Only 5.4% of owner-occupied housing is located within the moderate census tracts within the city of Las Cruces. The remaining 26.6% of owner-occupied housing is located in moderate census tracts outside the city of Las Cruces. As a result, management's distribution of residential loans in moderate census tracts appears small. However, there is a large population base living in moderate census tracts who work and commute to El Paso, Texas. In addition, the close proximity of these moderate income census tracts to El Paso indicate a large number would use banks in El Paso instead of Las Cruces. This close proximity and large population base impacts the percentage of residential housing loans the bank can make in moderate income census tracts.

### **Response to Complaints and Record of Compliance with Anti-discrimination Laws**

Bank of the Rio Grande, N.A. did not receive any CRA complaints since the last CRA examination. The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations.

Our fair lending review did not indicate any evidence of apparent disparate treatment or other illegal credit practices. We reviewed the bank's application process to ensure all applicants were treated equitably. Our sample included unsecured consumer loans, secured consumer loans and real estate loans made by all loan officers. We looked at denied applications and approved loans during May, June, and July 1999.

