

PUBLIC DISCLOSURE

January 22, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank of The West
1447639/11482581**

**P.O. Box 99100
El Paso, Texas 79999**

Federal Reserve Bank of Dallas

**2200 North Pearl Street
P.O. Box 655906
Dallas, Texas 75265-5906**

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.

CRA PERFORMANCE

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

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Bank of the West, El Paso, Texas**, prepared by the **Federal Reserve Bank of Dallas, Dallas, Texas**, the institution's supervisory agency, as of January 22, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION'S CRA RATING: This institution is rated **Outstanding**.

The bank's loan distribution of its primary business emphasis, commercial lending, exhibits an excellent dispersion throughout the assessment area by both census tract and borrower revenue. Approximately 38 percent of the loans contained in a six month sample were made to borrowers with gross revenues less than \$250 thousand. Twenty-one percent of the sampled loans were extended to borrowers located in low- or moderate-income areas. Additionally, the bank's leadership role in organizations which promote small business lending and affordable housing further facilitates credit availability for small businesses and low- and moderate-income individuals in the bank's assessment area.

The following table indicates the performance level of Bank of the West with respect to each of the five performance criteria.

<u>BANK OF THE WEST, EL PASO, TEXAS</u>			
PERFORMANCE LEVELS			
SMALL INSTITUTION ASSESSMENT CRITERIA	EXCEEDS STANDARDS FOR SATISFACTORY PERFORMANCE	MEETS STANDARDS FOR SATISFACTORY PERFORMANCE	DOES NOT MEET STANDARDS FOR SATISFACTORY PERFORMANCE
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No Complaints were received since the last examination.		

DESCRIPTION OF INSTITUTION

Bank of the West is a locally owned bank in El Paso, Texas, with its main office located in the downtown area at 500 North Mesa. The bank also has two branches; the Alto Mesa Banking Center, located on the west side at 6700 North Mesa and the Lee Trevino Banking Center, located on the east side at 8340 Gateway East Boulevard. As of September 30, 1995, the bank reported total assets of \$225 million, up from \$191 million in March 1994. This reflects an 18 percent growth rate in assets. Loans represented 47.34 percent of deposits. The bank's primary lending focus continues to be commercial related, accounting for 67 percent of the loan portfolio.

Over the last two years, the bank has experienced rapid growth in both its loans and deposits. Total loans have expanded by nearly 23 percent and deposits have grown by more than 24 percent. Management indicated that deposit growth is attributed to some marketing efforts and a rising interest rate. With such growth in deposits and existing loans continually paying off, the bank finds it difficult to maintain a loan-to-deposit ratio consistent with its internal goals.

The bank's ability to meet various community credit needs has not been hampered by its capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment area, demographic and economic factors present in the assessment area, or the lending opportunities available in the institution's assessment area.

The asset distribution by loan type is as follows as of September 30, 1995:

LOAN TYPE	DOLLAR AMOUNT (THOUSANDS)	PERCENT OF TOTAL LOANS
Real Estate:		
Construction	\$9,652	10.10%
Residential 1-4	\$4,395	4.60%
Multifamily	\$12,042	12.59%
Commercial	\$31,644	33.09%
Agricultural	\$70	0.07%
Total Real Estate	\$57,803	60.45%
Consumer:		
Open-end credit	\$53	0.06%
All other	\$3,959	4.14%
Commercial and Industrial	\$32,333	33.82%
Agricultural	\$320	0.33%
State and Political Obligations	\$1,020	1.07%
Other	\$129	0.13%
Total	\$95,617	100.00%

DESCRIPTION OF EL PASO COUNTY

The bank has defined its assessment area as El Paso County, Texas. El Paso County is located in the far northwestern corner of the state. The city of El Paso serves as the county seat and comprises approximately 87 percent of the total county population. According to the city, El Paso's economy is expected to experience continued movement of low-skilled manufacturing jobs to Mexico, declines in the agricultural industry, and departures of raw material refining jobs. The result of movement away from traditional manufacturing and agricultural related industries has resulted in a high unemployment rate. The rate consistently remains between 10 and 12 percent and is reflected most in the shrinking garment industry.

According to the 1990 United States Census, the city of El Paso has a population of 515,342. The population is growing at a rate of about 2.1 percent each year. The greatest change has occurred in the Hispanic population, which experienced a 34 percent increase from 1980 to 1990. The ethnicity of the city is 70 percent Hispanic, 25 percent White, 3 percent Black, and 2 percent other.

The median family income for the El Paso Metropolitan Statistical Area (MSA) is \$24,057, which is considerably lower than the state's median family income of \$31,553. In the city of El Paso, 23 percent of all households were at or less than one-half of the median family income and 21 percent of all families were below the poverty level in 1990. There are 8 low-income, 27 moderate-income, 34 middle-income, and 26 upper-income census tracts within the assessment area. (Refer to the Income Category chart in Distribution of Credit Within the Assessment Area section for definitions of income categories.)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The institution's average loan-to-deposit ratio is reasonable in light of its performance context, which includes the institution's capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the institution's assessment area.

The bank's average loan-to-deposit ratio since the last consumer affairs examination is 50.05 percent. As of September 30, 1995, the bank's total loans represented 46.46 percent of total deposits; however, when Bank of the West's loan-to-deposit ratio was adjusted to include unfunded portions of lines of credit, it increased to 63.52 percent. The unadjusted national peer ratio for the same period was 69.00 percent. To better understand the bank's performance in relation to its immediate peer group, a loan-to-deposit ratio analysis was made of all the El Paso chartered banks. As of September 30, 1995, the five peer banks operating solely in El Paso County had loan-to-deposit ratios ranging from 38.5 percent to 70.48 percent with the average being 53.4 percent.

Comparison of Credit Extended Inside and Outside of the Assessment Area

A review of sampled loans originated in 1995 indicated a significant majority of the loans extended were located inside the assessment area and the institution is considered outstanding in this performance criteria. Examiner analysis was comprised of a review of 84 commercial loans, 93 mortgage loans, and 53 consumer loans. The commercial and consumer loan review sampled six months of activity and the mortgage loan review included all loans approved in 1995. Of the loans sampled, 99 percent were found to be within the bank's assessment area.

Distribution of Credit Within the Assessment Area

A review of the bank's distribution of loans in its assessment area by business revenues and borrower income was performed on the sampled loans. A review of the loan distribution among the various business revenues concluded an excellent distribution of loans. Of the commercial loans sampled, 38 percent were made to businesses with revenues of \$250 thousand or less, and only 26 percent were made to businesses with revenues greater than \$1 million.

1995 COMMERCIAL LOAN SAMPLE		
GROSS REVENUES OF BUSINESS (THOUSANDS)	NUMBER OF LOANS BY INCOME OF APPLICANT	PERCENT OF TOTAL LOANS
\$0 - 100	7	9%
\$100 - 250	22	29%
\$250 - 1,000	28	36%
OVER \$1,000	20	26%
TOTAL *	77	100%

* Total does not include seven commercial loans due to the inability to collect income data.

The consumer loan analysis consisted of analyzing borrower income as a percentage of the El Paso median family income. A breakdown by income range for each category is detailed below:

EL PASO MSA MEDIAN FAMILY INCOME		
\$24,057		
INCOME	INCOME RANGE AS A	UPPER LIMIT OF
LOW-INCOME	0 - 50%	\$12,029
MODERATE-	50 - 80%	\$19,246
MIDDLE-INCOME	80 - 120%	\$28,868
UPPER-INCOME	120% and over	over \$28,868

An analysis of the loan distribution among the various income levels is detailed on the following chart and revealed an above average distribution of loans.

Loan Sample by Income Level				
	Mortgage Loan		Consumer Loan	
INCOME CATEGORY	NUMBER OF LOANS BY INCOME OF APPLICANT	PERCENT OF TOTAL LOANS	NUMBER OF LOANS BY INCOME OF	PERCENT OF TOTAL LOANS
LOW-INCOME	0	0%	1	2%
MOD-INCOME	31	36%	7	15%
MID-INCOME	13	15%	3	6%
UPP-INCOME	43	49%	36	77%
TOTAL *	87	100%	47	100%

* Totals do not include six mortgage loans and six consumer loans due to the inability to collect income data.

While there are no income levels which the bank did not penetrate, it is noted that only one loan was made to a low-income resident. However, the median family income for the El Paso MSA is much lower than the state average and most other MSAs in Texas. Therefore, low-income residents in El Paso county have less gross income to qualify for a loan, making it difficult for bank's to reach this population. The bank has met the consumer loan needs of moderate-income residents as evidenced by the large percentage (36 percent) of mortgage loans extended in 1995 to moderate-income residents. Additionally, 15 percent of the consumer loans sampled were made to this income segment.

A review of the bank's distribution of loans in its assessment area among low-, moderate-, middle-, and upper-income geographies was performed on the sampled loans. The chart below details the loan distribution in each income category by loan type.

Loan Sample by Census Tract						
	Commercial Loans		Mortgage Loans		Consumer Loans	
Income Category	Loans in CT Income Category	Percent of Total Loans by Loan Type	Loans in CT Income Category	Percent of Total Loans by Loan Type	Loans in CT Income Category	Percent of Total Loans by Loan Type
LOW-INCOME	8	11%	0	0%	2	4%
MOD-INCOME	13	17%	3	3%	1	2%
MID-INCOME	23	30%	8	9%	17	36%
UPP-INCOME	32	42%	78	88%	28	58%
TOTAL *	76	100%	89	100%	48	100%

* Totals do not include eight commercial loans, four mortgage loans, and five consumer loans in which a census tract could not be determined.

The analysis of loan distribution among various census tracts concluded a reasonable disbursement of loans. The bank demonstrated exceptional loan distribution by census tract in its primary lending activity, commercial lending, with 28 percent of the sample located in low- or moderate-income census tracts. However, loans in the other two lending categories were not as evenly distributed among census tracts with varying income characteristics.

Of the total loans sampled, 5, 8, 22, and 65 percent were in low-, moderate-, middle-, and upper-income geographies, respectively.

The chart indicates that very few of the mortgage loans are secured by properties located in low- or moderate-income census tracts. While the bank does not do a preponderance of mortgage lending, it has utilized creative and innovative lending programs to address El Paso's affordable housing shortage. Bank of the West works as a financial partner with a local community development corporation (CDC) to provide construction and permanent loans for single family residences built under a self-help (sweat equity) program. Because areas for development within the city are limited by natural and man-made boundaries, many of the CDC homes were built in upper-income census tracts which had land available for development. As a result, 41 (53%) of the 78 loans indicated in the above chart as being located in upper-income tracts are homes built for predominately low- and moderate-income residents who participated in the CDC's sweat equity program.

It is noted that only six percent of the sampled consumer loans are located in low- or moderate-income geographies. This low penetration is mitigated by the fact that only four percent of the total loan portfolio is centered in consumer lending and the commercial loan distribution, which constitutes a much higher percentage of the loan portfolio, is considerably better.

Investments

The institution's investment record is considered adequate as it pertains to enhancing credit availability in its assessment area. The following activities serve as examples of the bank's community development investment efforts.

- ! The bank made contributions during 1994 and 1995 to El Paso Interreligious Sponsoring Organization (EPISO). EPISO is an advocacy group of minority and low- and moderate-income families which has brought attention to the community regarding affordable housing, education, and water resources.
- ! ACCION, a non-profit organization established to stimulate local economic growth by providing credit to small enterprises that do not have access to loans from commercial sources, received contributions from the bank.
- ! The bank donated funds to the Coalition for Affordable Housing in Greater El Paso.

Services

Bank of the West has demonstrated leadership in providing community development services to El Paso County. The following examples reflect the bank's exemplary performance in this area.

- ! Members of bank management serve in leadership positions on the El Paso Collaborative for Community and Economic Development. The Collaborative serves as a resource organization providing funding, technical support, and advocacy for diverse community development corporations (CDCs). Its goal is to strengthen CDCs engaged in affordable housing development and related activities by enhancing long term CDC stability and production capacities.

- ! An officer serves as a board member for ACCION providing technical assistance in the funding of micro business loans.

- ! For the past five years, the bank's president has served as chairman of the Coalition for Affordable Housing in Greater El Paso as the organization works to improve the accessibility of housing for low- and moderate-income residents.
- ! Bank management provided its technical expertise in small business lending by developing the curriculum for a small business seminar sponsored by the Hispanic Chamber of Commerce and the Small Business Development Center.
- ! Management wrote two grant proposals which were ultimately funded by the Federal Home Loan Bank of Dallas' Partnership Grant Program. Affordable housing programs sponsored by the Habitat for Humanity and the Lower Valley Housing Corporation were to benefit from the grant proceeds.
- ! Management also facilitates credit availability in its assessment area by providing bi-lingual advertising, applications, and disclosures. Additionally, the bank employs several Spanish-speaking employees.

Review of Complaints

The institution has not received any written complaints about its CRA performance since the last examination.

Discrimination

No substantive violations involving illegal discrimination or discouragement were found.