

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PUBLIC DISCLOSURE

Zia New Mexico Bank

102 East Main/P. O. Box 1248

Name of Institution

Street

Tucumcari

Quay

City

County or Parish

New Mexico

88401

State

Zip Code

Mario E. Fuentes

Examiner-in-Charge

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CRA PERFORMANCE ASSESSMENT**GENERAL INFORMATION**

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

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Zia New Mexico Bank, Tucumcari, New Mexico**, prepared by the **Federal Reserve Bank of Dallas, Dallas, Texas**, the institution's supervisory agency, as of June 3, 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 faces competition from two much larger institutions located in its assessment area. This factor has not prevented the bank from maintaining a high concentration of loans in its lending area. The bank also has a higher percentage of loans made to low-to-moderate income individuals than to middle-to-upper income individuals. Additionally, the bank is involved in two projects specifically designed for low-to-moderate income individuals.

The following table indicates the performance level of Zia New Mexico Bank Tucumcari, New Mexico, with respect to each of the five performance criteria.

ZIA NEW MEXICO BANK, TUCUMCARI, NEW MEXICO 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	Unable to conduct a meaningful analysis.		
Response to Complaints	No Complaints were received since the last examination.		

DESCRIPTION OF INSTITUTION

Zia New Mexico Bank is a locally-owned financial institution in New Mexico, with its main office located in Tucumcari. The bank also has one branch located in Logan, New Mexico. Both the main office and the branch are located in Quay County.

As of March 31, 1996, the bank reported total assets of \$14.98 million. Loans represented 73.41 percent of deposits as of the same date. The bank's primary lending focus continues to be consumer type loans, accounting for 36.2 percent of the loan portfolio, as of March 31, 1996.

The bank has experienced minimal deposit and asset growth for the past two years primarily due to limited growth opportunities in Quay County, New Mexico. However, it should be noted that this bank has experienced the same rate of growth as its competitors which are larger asset-sized institutions. The bank continues to be a strong consumer lender with commercial loans accounting for the next sizable loan product. Other institutions in the assessment area have developed their niche markets in commercial and agricultural lending.

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 March 31, 1996:

LOAN TYPE	DOLLAR AMOUNT (THOUSANDS)	PERCENT OF TOTAL LOANS
Real Estate:		
Construction	\$ 0	0.00
Residential	1,667	16.01
Open-End Home Equity	59	0.57
Multifamily	0	0.00
Commercial	2,518	24.18
Agricultural	431	4.14
Total Real Estate	4,675	44.90
Consumer:		
Open-end credit	0	0.00
All other	3,770	36.20
Commercial and Industrial	1,451	13.92
Agricultural	519	4.98
State and Political Obligations	0	0.00
Other	0	0.00
Total	\$10,415	100.00%

DESCRIPTION OF ASSESSMENT AREA

The bank has defined its assessment area as Quay County, New Mexico. Quay County is located in the northeastern corner of the state, along the Texas border. The population of Quay County is expected to experience modest but steady growth. Tucumcari, Logan, and San Jon are the largest communities in Quay County and account for 74 percent of the county's population. Approximately 17 percent of Quay County residents are over 65 years of age as compared to 11 percent of the state's population. The warm climate and inexpensive cost of living make this an ideal location for retirees.

The major industries in Quay County are agriculture and tourism. Quay County's large cattle industry has suffered due to the recent drought. Approximately 20,000-30,000 head are slaughtered in the county each year making a processing plant an ideal company for

Tucumcari. In July 1996, construction is to begin on a meat processing plant in Tucumcari. The plant is expected to bring over 1,000 new jobs to the community. Besides the construction of the processing plant, other projects are underway in Tucumcari, such as a new fast food restaurant and the remodeling of a hotel.

Tucumcari, according to one of the community contacts, is well poised for an explosion in growth. Public services such as recreation programs, the park and recreation department, and the water and sewer sanitation department are more than adequate for a city of this size. Additionally, the city is very proactive in trying to attract additional businesses to the area.

According to the 1990 United States Census, Quay County of New Mexico has a population of 10,823. The ethnicity of the county is 60.6 percent White, 38.2 percent Hispanic, 1.3 percent Black, and 0.09 percent other.

The median family income for Quay County is \$28,700, which is lower than the state's median family income of \$31,553. There are three block numbering areas within the assessment area and all are designated as middle-income. (Refer to 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 satisfactory 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 70.41 percent. As of March 31, 1996, the bank's total loans represented 73.41 percent of total deposits. The unadjusted national peer ratio for the same period was 64.24 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 banks chartered in Tucumcari, New Mexico. The two peer banks operating solely in Quay County had an average loan-to-deposit ratios of 73.43 percent and 69.32 percent, respectively.

The bank's loan-to-deposit ratio is in line with the other financial institutions in the Quay County assessment area. Furthermore, the loan-to-deposit ratio for this bank has remained consistently higher when compared against the bank's peer group on a national basis. As of March 31, 1996, the bank has committed 25 percent of the bank's total assets to consumer lending. On a national peer basis, this level of commitment is at 8.46 percent. The other banks in the assessment area commit 2 percent and 9 percent of their total assets to consumer lending. Each institution in the assessment area appears to have

selected its niche lending area. While this bank concentrates on consumer lending, the other banks in the assessment area concentrate on commercial and agricultural lending. This indicates that while the loan-to-deposit ratio is not higher than those of the other institutions in the area, the bank has been able to maintain lending levels in the consumer area above that of its competitors.

Comparison of Credit Extended Inside and Outside of the Assessment Area

A review of sampled loans originated indicated a majority of the loans extended were located inside the assessment area and the institution is considered exceptional in this performance criteria. Examiner analysis was comprised of a review of 40 commercial loans, and 79 consumer loans. The commercial and consumer loan review sampled were from October 1995 through March 1996. Of the loans sampled, 83 percent were found to be within the bank's assessment area.

Distribution of Credit Within the Assessment Area (By Revenue/Income)

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 revealed an excellent distribution of loans. Of the commercial loans sampled, 83 percent were made to businesses with revenues of \$250 thousand or less, and 17 percent were made to businesses with revenues greater than \$250 thousand.

OCTOBER 1995 - MARCH 1996 COMMERCIAL LOAN SAMPLE		
GROSS REVENUES OF BUSINESS (THOUSANDS)	NUMBER OF LOANS BY GROSS REVENUE OF BUSINESS	PERCENT OF TOTAL LOANS
\$0 - 100	17	49.00
\$100 - 250	12	34.00
\$250 - 1,000	5	14.00
OVER \$1,000	1	3.00
TOTAL *	35	100.00

* Total does not include five commercial loans which were located outside of the assessment area.

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

NEW MEXICO NON METROPOLITAN MEDIAN FAMILY INCOME \$28,700		
INCOME	INCOME RANGE AS A	UPPER LIMIT OF
LOW-INCOME	0 - 50%	\$14,350
MODERATE-	50 - 80%	\$22,960
MIDDLE-INCOME	80 - 120%	\$34,440
UPPER-INCOME	120% and over	over \$34,440

An analysis of the loan distribution among the various income levels is detailed on the following chart and revealed a higher distribution of loans to low-to-moderate income individuals than to middle-to-upper income individuals.

CONSUMER LOAN SAMPLE BY INCOME LEVEL				
NUMBER OF LOANS		INCOME CATEGORY	DOLLAR AMOUNT	
NUMBER OF LOANS BY INCOME OF APPLICANT	PERCENT OF TOTAL LOANS		NUMBER OF LOANS BY INCOME OF APPLICANT (THOU)	PERCENT OF TOTAL LOANS
22	35.00	LOW-INCOME	\$125	25.00
12	19.00	MOD-INCOME	94	19.00
10	16.00	MID-INCOME	83	16.00
19	30.00	UPP-INCOME	204	40.00
63	100.00%	TOTAL*	\$506	100.00%

* Totals do not include 1 consumer loan due to the inability to collect income data.

Distribution of Credit Within the Assessment Area (By Geography)

A review of the bank's distribution of loans in its assessment area among middle-income geographies was performed on the sampled loans. However, given that the bank's assessment area of Quay County contains three block numbering areas all of which are middle income, it was not possible to conduct a meaningful analysis of the distribution of loans among low-, moderate-, middle-, and upper-income geographies.

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.