

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PUBLIC DISCLOSURE

Western Bank

Name of Institution

Lordsburg

City

New Mexico

State

Sharon Ford

Examiner-in-Charge

140 E. Railroad Avenue

Street

Hidalgo

County

88045

Zip Code

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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 Western Bank, Lordsburg, New Mexico, prepared by Federal Reserve Bank of Dallas, Dallas, Texas, the institution's supervisory agency, as of June 9, 1997. 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, with a primary emphasis on consumer lending, exhibits an excellent dispersion throughout the assessment area by geographies, borrower income, and small farm revenue. Seventy-eight percent of the sampled consumer loans were extended to borrowers located in a moderate-income area. Further, consumer loans to low- and moderate-income individuals totaled 44% and 22%, respectively. Approximately 94% of the small farm loans contained in a six month sample were made to borrowers with gross revenues of less than \$100 thousand. Additionally, the bank's investments and services further facilitate credit availability for small businesses and low- and moderate-income individuals in the bank's assessment area. Western Bank received a Satisfactory rating during the previous CRA performance assessment as of March 25, 1996.

DESCRIPTION OF INSTITUTION

Western Bank is a locally-owned financial institution in Lordsburg, New Mexico, with its main office located at 140 E. Railroad Avenue. The bank also has two branches: a drive-through banking facility in Lordsburg, located at 204 E. 4th Street and a full service banking facility approximately 70 miles southeast in Playas, New Mexico, located at #1 Plaza Boulevard.

As of March 31, 1997, the bank reported total assets of \$42 million. Loans represented 57% of deposits. The bank's primary lending focus continues to be consumer related, accounting for a total of 34% of the loan portfolio. Over the last year, the bank has experienced growth in loans of 6% and in deposits of 4%.

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, 1997:

LOAN TYPE	DOLLAR AMOUNT	PERCENT OF TOTAL LOANS
REAL ESTATE:		
Construction	\$ 265	1.23
Residential 1-4	4,374	20.27
Multifamily	41	.19
Commercial	1,970	9.13
Agricultural	1,557	7.22
CONSUMER:		
Open-end credit	102	.47
All other	7,218	33.45
COMMERCIAL/INDUSTRIAL:	2,101	9.74
AGRICULTURAL:	3,951	18.31
STATE/POLITICAL OBLIG:	0	0
OTHER:	0	0
Total	\$ 21,579	100.00%

DESCRIPTION OF ASSESSMENT AREA

The bank has defined its assessment area as the two counties covering the southwest corner of New Mexico: Hidalgo County and Grant County. According to the 1990 United States Census, these counties have a combined population of 33,900.

The city of Lordsburg serves as the county seat for Hidalgo County and is comprised of approximately 2,951 residents. This is roughly 50 percent of the population in Hidalgo County. The major industries in the county are cooper mining and agriculture.

The 1997 median family income (MFI) for Hidalgo County was \$27,090, which was significantly higher than the state's nonmetropolitan MFI of \$23,166. The Department of Housing and Urban Development updates median family income on an annual basis and reports the 1997 New Mexico nonmetropolitan MFI to be \$23,166. For CRA purposes, borrower income classifications for a nonmetropolitan area such as Hidalgo County are based on the latter figure. There are zero low-income, one moderate-income, eight middle-income, and three upper-income census tracts within the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

The institution's average loan to deposit (LTD) 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 LTD ratio since the last consumer affairs examination is 58%. As of March 31, 1997, the bank's net loans represented 54% of total deposits. To better understand the bank's performance in relation to its immediate peer group, a LTD ratio comparison was made with two other banks located in the bank's assessment area. As of March 31, 1997, the two peer banks operating in Grant County had LTD ratios ranging from 64% to 74%.

LENDING IN 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 satisfactory in this performance criteria. Examiner analysis was comprised of a review of 48 agricultural loans and 113 consumer loans. The agricultural and consumer loan review sampled six months of activity. Of the loans sampled, 75% were found to be within the bank's assessment area. That percentage is an average of 91% of the consumer loans and 38% of the agricultural loans located inside the assessment area. Discussions with management revealed that the low amount of agriculture lending within the assessment area is due to lack of demand.

Farmers in Grant and Hidalgo counties typically have smaller farm operations, while farmers in nearby Arizona have larger operations and have established financial

relationships at Western Bank.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

A review of the bank's distribution of loans in its assessment area by borrower income and farm revenues was performed on the sampled loans. A review of the loan distribution among the various borrower incomes and farm revenues revealed an excellent distribution of loans. The consumer loan analysis consisted of analyzing borrower income as a percentage of the New Mexico nonmetropolitan median family income. A breakdown by income range for each category is detailed below:

1997 State NonMetropolitan Area Median Family Income \$23,166		
Income Category	Income Range as a Percent of Median	Upper Limit of Range
Low-Income	0-50%	\$11,583
Moderate-Income	51-80%	\$18,532
Middle-Income	81-120%	\$27,799
Upper-Income	121% and over	Over \$27,799

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

CONSUMER LOAN SAMPLE BY INCOME CATEGORY				
	NUMBER OF LOANS BY INCOME OF BORROWER	PERCENT OF TOTAL LOANS	DOLLAR AMOUNT OF LOANS BY INCOME OF BORROWER	PERCENT OF TOTAL LOANS
LOW-INCOME	45	44%	\$ 44,055	38%
MOD-INCOME	22	22	27,789	24
MID-INCOME	26	25	32,861	29
UPP-INCOME	9	9	10,783	9
TOTAL	102*	100%	\$115,488	100%

*Excludes 1 loan for which income information was not found.

Of the consumer loans sampled, 44% were made to low-income borrowers with income of \$11,583 or less, and an additional 22% were extended to moderate-income individuals. In addition, the bank serves community needs by providing small dollar loans to its customers. Of the 113 consumer loans sampled, 42% were originated for \$1,000 or less. Of the agricultural loans sampled, 94% were made to farms with revenues of \$100 thousand or less.

Small Farm Loan Sample by Gross Revenue				
NUMBER OF LOANS		GROSS REVENUE (GR)	DOLLAR AMOUNT	
Number of Loans by Gross Revenue	PERCENT OF TOTAL LOANS		Dollar Amount of Loans by Gross Revenue	PERCENT OF TOTAL LOANS
17	94%	GR < 100M	\$522,577	89%
1	6	100M <GR< 250M	65,062	11
0	0	250M <GR< 1MM	0	0
0	0	GR > 1MM	0	0
18	100%	Total	\$587,639	100%

*Analysis excludes 30 loans which were outside of the assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS

A review of the bank's distribution of consumer and agricultural loans in its assessment area among low-, moderate-, middle-, and upper-income geographies was performed on the sampled loans. Of the bank's two-county assessment area, there is only one moderate-income block numbering area (BNA), comprised of the city of Lordsburg, with the remaining BNAs for both Hidalgo and Grant counties being middle- and upper-income. An analysis of the loan distribution among the various geographies is detailed on the following chart and revealed an outstanding distribution of loans.

Loan Sample by Block Numbering Area (BNA)				
	Consumer Loans		Small Farm Loans	
Income Category	Number of Loans by BNA Income	Percent of Total Loans by BNA Income	Number of Loans by BNA Income	Percent of Total Loans by BNA Income
LOW-INCOME	0	0%	0	0%
MOD-INCOME	80	78	4	22
MID-INCOME	21	20	13	72
UPP-INCOME	2	2	1	6
TOTAL *	103	100%	18	100%

Of the consumer loans sampled, 78% were made in the moderate-income BNA. This distribution is outstanding since only 8% of the families in the bank's assessment area are located in that moderate-income BNA.

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 efforts.

! The bank made contributions during 1997 to Big Brothers/Big Sisters, Hidalgo Medical Services Clinic Health Fair, Polaroid Project at Lordsburg Independent School District, Lordsburg Fire Department, Learn to Read, and La Escuelita Headstart in Lordsburg. The Health Fair occurs five or six times a year and provides transportation to and from the health facilities. The Polaroid Project takes current pictures and fingerprints for all students enrolled in the school for identification purposes. These donations totaled \$2,100.

! The bank purchased a \$100,000 revenue bond maturing in 1999 to rebuild the gas lines in Lordsburg.

! The bank established and funds an annual college scholarship of \$500 at the Lordsburg Independent School District.

- ! The bank made a loan in the amount of \$86,750 to Engineers, Inc. in Silver City to build a new sewage plant in Lordsburg.

Services

Western Bank has demonstrated leadership in providing community development services to Hidalgo and Grant counties. The following reflects the bank's exemplary performance in this area.

- ! The bank employs a bi-lingual staff, provides bi-lingual forms and bi-lingual information that can be received on the automated account service telephone number.

RESPONSE TO COMPLAINTS

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

COMPLIANCE WITH ANTIDISCRIMINATION LAWS (ECOA, FHA, OR HMDA)

No substantive violations involving illegal discrimination or discouragement were found.