



## PUBLIC DISCLOSURE

January 10, 2022

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank 34  
Charter Number 702889

500 10th Street  
Alamogordo, NM 88310

Office of the Comptroller of the Currency

Independence Plaza  
1050 17th Street  
Suite 1500  
Denver, CO 80265-1050

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, and should not 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.

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## Overall CRA Rating

**Institution's CRA Rating: This institution is rated Satisfactory.**

**The lending test is rated: Satisfactory.**

**The community development test is rated: Satisfactory.**

The major factors that support this rating include:

- The loan-to-deposit (LTD) ratio for Bank 34 (bank) is more than reasonable when compared to similar institutions operating in the same general region.
- Less than a majority of bank-wide lending was inside the bank's assessment areas (AAs) during the evaluation period. The bank's strategic shift from home mortgage lending to commercial lending during the period was a consideration, and a majority of commercial lending was in the AAs. Overall lending activity in the AAs was also reasonable when considering competitive factors in the bank's AAs.
- The geographic distribution of home mortgage loans in the AAs is reasonable overall. The geographic distribution of business loans in the AAs is excellent in Arizona and reasonable in New Mexico.
- The borrower distribution of home mortgage loans to borrowers of different income levels is excellent in both Arizona and New Mexico. The borrower distribution of loans to businesses of varying sizes is reasonable in Arizona and excellent in New Mexico, driven by performance in the Alamogordo AA.
- The Community Development (CD) Test is rated satisfactory in both Arizona and New Mexico based on the mix of CD loans, qualified investments, and CD services. Responsiveness to CD needs in all AAs was adequate overall during the evaluation period. However, the bank's participation in providing Paycheck Protection Program (PPP) loans through the Small Business Administration (SBA) demonstrated excellent responsiveness to the pandemic economy in 2020.
- The overall rating is based on performance in both Arizona and New Mexico. Where meaningful, performance in Arizona was weighted more heavily given the higher proportion of deposits in the state, at 57.4 percent.

### Loan-to-Deposit Ratio

Considering Bank 34's size, financial condition, and credit needs of the AAs, the bank's loan-to-deposit ratio is more than reasonable.

The bank's LTD ratio at December 31, 2020, was 92.3 percent. The bank's average quarterly LTD ratio from March 31, 2018 through December 31, 2020, was 98.7 percent, ranging from a low of 85.3 percent to a high of 114.4 percent during the evaluation period. The average LTD ratio was compared to five institutions identified as having similar characteristics to Bank 34, such as asset size, number of branches, regional footprint, and product offerings. The combined average LTD ratio for similar institutions was 68.5 percent, with a high ratio of 84.9 percent and a low ratio of 55.5 percent.

## Lending in Assessment Area

A majority of the bank's loans are outside its assessment areas (AAs).

Examiners evaluated the bank's reported home mortgage lending<sup>1</sup> and a representative sample of small business loans originated during the evaluation period. This analysis is performed at the bank, rather than the AA level. Based on reviewed data, Bank 34 originated 35.2 percent of the number of loans inside the combined AAs and 35.3 percent by dollar volume inside the AAs. The significant proportion of loans outside the AA is a result of significant home mortgage volume originated through mortgage offices outside of the bank's delineated AAs. It is important to note that the bank closed the mortgage offices in mid-2019 and shifted their strategic focus to commercial lending during the evaluation period. When considering bank aggregated information on commercial lending volumes only, the bank reports approximately 79.4 percent of loans inside the AA by number of loans. When combining bank-wide commercial lending with home mortgage lending, approximately 44.9 percent of bank-wide lending was inside the AAs. Examiners determined that the somewhat higher proportion of loans outside the AA was reasonable within the context of the institution's business strategy shift and competitive factors.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage 2018	587	35.2	1,081	64.8	1668	114,721	33.0	232,939	67.0	347,659
Home Mortgage 2019	199	30.8	447	69.2	646	48,206	35.9	86,098	64.1	134,304
Home Mortgage 2020	19	82.6	4	17.4	23	2,749	80.6	660	19.4	3,410
Small Business ( <i>sample</i> )	38	63.3	22	36.7	60	20,590	48.1	22,209	51.9	42,799
<b>Total</b>	<b>843</b>	<b>35.2</b>	<b>1,554</b>	<b>64.8</b>	<b>2,397</b>	<b>186,266</b>	<b>35.3</b>	<b>341,906</b>	<b>64.7</b>	<b>528,172</b>

## Description of Institution

Bank 34 is a wholly owned subsidiary of Bancorp 34, Inc., a public company currently trading on the mid-tier over-the-counter stock exchange (OTCQB) under the symbol BCTF. Bancorp 34 manages its operations as one unit and does not have separate operating units. Bank 34 does not have any affiliates or operating subsidiaries. The bank is a multi-state institution serving select markets in New Mexico and Arizona, and is headquartered in Alamogordo, New Mexico. As of December 31, 2020, Bank 34 had \$441.0 million in total assets with net loans of \$348.7 million, or 79.1 percent of total assets. The bank's tier 1 capital totaled \$42.3 million. The bank's loan portfolio is heavily concentrated in real estate and commercial loans.

<sup>1</sup> 'Reported loans' refers to residential mortgage loans required to be reported under the Home Mortgage Disclosure Act. A separate review was conducted to ensure that reported data was substantively accurate and reliable for use in the CRA Evaluation.

Bank 34's delineated AAs consist of three full counties: Otero and Dona Ana Counties in New Mexico, and Maricopa County in Arizona. The bank offers a traditional mix of loan and deposit products within their AAs. Through mid-2019, the bank operated multiple mortgage loan production offices (LPOs) in Washington, Oregon, Arizona, New Mexico, and Texas. This led to a significant volume of 1-4 family residential loan originations during that time frame, much of which was outside the bank's delineated AAs. In mid-2019, the board and management made the business decision to close the LPOs and significantly reduce their mortgage product offerings. The bank still facilitates a small volume of mortgages conforming to secondary market standards; the bank accepts applications for such loans, but originations are processed through a third-party mortgage broker. The Bank's current lending focus is on commercial loan growth, particularly in Arizona where the robust economy provides greater opportunities for lending.

In 2020, Bank 34 originated 278 loans totaling \$36.1 million through the Small Business Administration's (SBA) Paycheck Protection Program (PPP). These loans were originated in 2020 prior to October 1 and helped stabilize local communities during the COVID-19 pandemic; 90.3 percent by number and 85.6 percent by dollar volume directly benefitted the bank's delineated AAs.

The Office of the Comptroller of the Currency (OCC) last evaluated Bank 34's CRA performance on November 26, 2018, using the Small Bank CRA evaluation procedures. The bank received an overall rating of "Satisfactory" for this evaluation. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its AAs.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

The OCC performed a full-scope review of the bank's CRA performance using examination procedures for intermediate-small banks. The analysis included home mortgage lending and commercial lending, as these were both significant loan product types for the bank during the evaluation period, which encompassed calendar years 2018 through 2020.

Because the bank originated a minimal number of consumer loans, analysis would not be meaningful. The bank did not make any farm loans during the evaluation period. Therefore, no analysis was conducted for these loan types.

### **Selection of Areas for Full-Scope Review**

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. Refer to the "Scope" section under each State Rating for details regarding how full-scope AAs were selected. Also refer to appendix A, Scope of Examination.

### **Ratings**

The bank's overall rating is a blend of the state ratings. The state of Arizona was weighted more heavily in final conclusions, because the bank has been focused on commercial growth in their

Scottsdale AA during the evaluation period, as demonstrated by the shift into more loans and deposits in Arizona compared to New Mexico. In addition, the bank has shifted their strategic focus to business lending and significantly reduced their origination of residential mortgage loans during the evaluation period.

The state ratings are based on performance in all bank AAs. Refer to the “Scope” section under each state Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank’s or federal savings association’s (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank’s lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution’s next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## State Rating

### State of Arizona

**CRA rating for the State of Arizona: Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The major factors that support this rating include:

- The Lending Test conclusion considered the significant proportion of home mortgage loans outside the AA, and other contextual factors as previously discussed.
- The geographic distribution of home mortgage loans reflects an excellent distribution of loans in low- and moderate-income (LMI) tracts in the Scottsdale AA. The geographic distribution of commercial loans in LMI tracts is also excellent.
- The borrower distribution of home mortgage loans reflects an overall excellent distribution of loans to borrowers of different income levels when considering the impacts of poverty and high housing costs. The borrower distribution of loans to businesses of different sizes is reasonable.
- The bank's CD activities demonstrated overall adequate responsiveness through the evaluation period. The most significant activity was PPP lending, which helped stabilize the AA during the pandemic in 2020. Otherwise, CD activities were fairly limited during the evaluation period.

### Description of Institution's Operations in Arizona

Bank 34 operations within the state of Arizona consist of one AA, referred to as the Scottsdale AA; the AA boundaries include the entirety of Maricopa County, Arizona which is a significant portion of the Phoenix-Mesa-Chandler MSA. The bank has two full-service branches, which are located in Scottsdale and Peoria. The bank has no ATMs located in the state of Arizona, but they offer ATM access through the Allpoint ATM network, which features access to cash deposit-taking ATMs within the state. Banking locations in the AA offer a traditional mix of both consumer and business accounts, including deposit and lending products. The bank also offers internet and mobile banking solutions to increase access to all clients. Bank 34's primary focus has shifted from home mortgage lending to commercial lending. The bank currently offers limited consumer loan products.

#### *Economic Data:*

Based on economic data from Moody's Analytics, the Phoenix-Mesa-Chandler MSA has been recovering from pandemic impacts more quickly than other metro areas across the country, due in part to the strength of the financial services industry. Economic strengths include robust population growth including in-migration; the metro area's status as a financial hub for banks, insurance companies, and business services firms; and lower business costs than California. Weaknesses include average wages well below those of the Western U.S. and high cyclicity due to dependence on investment and population inflows. Major economic sectors include

professional and business services, education and health services, government, and retail trade. Top employers include Banner Health System, Walmart Inc., Fry’s Food Stores, Wells Fargo, and Arizona State University.

According to the U.S. Bureau of Labor Statistics, the average annual unemployment rate in Maricopa County was 4.1 percent in 2018, 4.2 percent in 2019, and 6.4 percent in 2020, with a pandemic-induced high point of 13.5 percent in April 2020. The state of Arizona fared somewhat worse overall, with annual averages ranging between 4.8 percent and 7.9 percent, with a pandemic high point of 14.2 percent. In the U.S. overall, the annual unemployment rate in 2018 through 2020 was 3.9 percent, 3.7 percent, and 8.1 percent, respectively.

There is significant competition in the Scottsdale AA from both depository institutions and other lenders. Bank 34 ranks 34<sup>th</sup> out of 59 depository institutions in the AA with just 0.14 percent deposit market share as of June 30, 2020. Major competitors in the AA include J.P. Morgan Chase Bank, Wells Fargo Bank, and Bank of America, who collectively hold 64.4 percent deposit market share in the AA. These banks also have significantly larger branch structures in the AA. Bank 34 deposits in the AA total \$190.8 million or 57.4 percent of their total deposits. Excluding residential mortgage loan production in 2018 and 2019, 53.4 percent of bank loans by number and 73.8 percent by dollar were originated by the Arizona branches. Home mortgage market share reports from 2018 reflect that Bank 34 ranked 159<sup>th</sup> out of 908 lenders in the AA, with a market share of just 0.1 percent based on their numerical share of originated home loans.

*Housing Data:*

Moody’s Analytics data reflects that housing affordability in the metro area has been negatively impacted and home prices have increased steadily in recent years, exceeding both Arizona and U.S. averages. Rental affordability also declined during the evaluation period. Table A data, which is based on the 2015 American Community Survey, shows that approximately 13.6 percent of homeowners and 15.8 percent of renters pay more than 30 percent of their income in housing costs, which is an indicator of affordability relative to income levels in the AA. Housing costs at or below 30 percent of income are generally considered to be affordable. A housing affordability assessment conducted by Moody’s Analytics shows that Arizona ranks 37<sup>th</sup> in affordability nationwide, based on 2019 data. Housing affordability is particularly challenging for LMI individuals, as homes around the median value are often out of reach.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Scottsdale AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	916	11.5	22.5	31.2	33.4	1.4
Population by Geography	4,018,143	11.1	22.9	31.3	34.4	0.3
Housing Units by Geography	1,668,555	9.8	23.4	33.3	33.4	0.1



Owner-Occupied Units by Geography	875,327	4.6	18.8	34.7	41.9	0.0
Occupied Rental Units by Geography	567,191	17.1	29.4	31.2	21.9	0.3
Vacant Units by Geography	226,037	11.8	25.6	33.2	29.3	0.2
Businesses by Geography	630,020	7.2	15.0	29.9	47.3	0.6
Farms by Geography	10,146	7.0	18.5	29.1	45.1	0.3
Family Distribution by Income Level	945,115	21.8	16.9	19.2	42.2	0.0
Household Distribution by Income Level	1,442,518	23.3	16.3	17.7	42.7	0.0
Median Family Income Phoenix-Mesa-Scottsdale, AZ MSA	\$63,686	Median Housing Value				\$203,811
		Median Gross Rent				\$993
		Families Below Poverty Level				12.6%
<i>Source: 2015 ACS and 2020 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

<b>Table B – Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Phoenix-Mesa-Scottsdale, AZ MSA Median Family Income</b>				
2018 (\$69,100)	<\$34,550	\$34,550 to <\$55,280	\$55,280 to <\$82,920	≥\$82,920
<b>Phoenix-Mesa-Chandler, AZ MSA Median Family Income</b>				
2019 (\$72,900)	<\$36,450	\$36,450 to <\$58,320	\$58,320 to <\$87,480	≥\$87,480
2020 (\$77,800)	<\$38,900	\$38,900 to <\$62,240	\$62,240 to <\$93,360	≥\$93,360
<i>Source: FFIEC</i>				

*Community Contacts:*

The OCC also considered information from two community contacts in the AA, made during the evaluation period.

One organization focuses on economic development in Scottsdale. In late 2020, this contact noted the previously strong local economy, and the subsequent impacts of the pandemic which hit the tourism and hospitality sector especially hard. However, the area has been resilient overall, though small business in particular have needed support to weather the pandemic economy. The contact noted funding sources made available through the CARES Act and other local funding but noted that more funding and loan opportunities are needed for small businesses. The real estate market remained strong through 2020, and affordable housing has remained a significant need in the community; Scottsdale employs a large number of individuals

in hospitality and tourism, but housing is generally unaffordable for this population. The contact noted that larger banking institutions are less engaged in the community than smaller, local institutions.

Another organization focuses on making home ownership more accessible for all residents of Maricopa County, through activities such as home ownership counseling, increased volume of affordable housing (for sale and rent), and financial access through flexible loan products and down payment assistance. In 2020, the contact noted the negative impacts of the pandemic shutdowns and the resulting loss of local service jobs; she mentioned the overall impact to municipal income which was also a concern for local government job stability. This contact echoed the lack of affordable housing inventory for sale and noted that residents often must travel to the outskirts of the metro area to find more affordable housing options, negatively impacting certain quality of life factors. New affordable housing and housing rehabilitation financing were identified needs in the AA, along with micro-loans to small businesses, and more affordable small-dollar consumer loans. Local banks are participating in local community development efforts with her organization, but more could be done. The contact noted that large U.S. banks are not involved with her organization. She also noted that her organization was offering an emergency assistance program for residents to help cover rent, mortgage, and utilities resulting from pandemic job loss, which was another way for financial institutions to potentially deploy investment dollars.

## **Scope of Evaluation in Arizona**

The bank has delineated one AA in Arizona, which received a full-scope review. Refer to appendix A for a list of all AAs under review.

## **Conclusions in Respect to Performance Tests in Arizona**

### **Lending Test**

The bank's performance under the Lending Test in Arizona is rated Satisfactory.

### **Conclusions for Area Receiving a Full-Scope Review**

Based on a full-scope review, the Bank's lending performance in the state of Arizona is reasonable overall. Performance is based on the Scottsdale AA, since this is the Bank's only delineated AA in Arizona. The conclusion considered the bank's smaller bank-wide level of lending inside the bank's AAs.

### **Distribution of Loans by Income Level of the Geography**

The bank exhibits an excellent geographic distribution of loans in the state.

### ***Home Mortgage Loans***

Refer to Table O in the state of Arizona section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The geographic distribution of home mortgage loans in the Scottsdale AA is excellent. The percentage of bank loans in both low- and moderate income CTs is above the percentage of owner-occupied housing units in both low- and moderate income CTs, and bank performance exceeds peer aggregate performance in these CTs.

### ***Loans to Businesses***

Refer to Table Q in the state of Arizona section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of loans to businesses.

The geographic distribution of loans to businesses in the Scottsdale AA is excellent based on a loan sample. The bank's percentage of loans to businesses in both low- and moderate-income CTs exceeds the percentage of businesses in low- and moderate-income CTs as well as peer aggregate performance in these CTs.

### **Distribution of Loans by Income Level of the Borrower**

The bank exhibits a reasonable overall distribution of loans to individuals of different income levels and businesses of different sizes, given the product lines offered by the bank. Business lending was weighted more heavily for this element of the analysis, as bank leadership actively sought to grow business loan relationships in the AA as they significantly reduced the scope of bank-wide mortgage lending activities.

### ***Home Mortgage Loans***

Refer to Table P in the state of Arizona section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The distribution of the bank's home mortgage loans to borrowers of different income levels is excellent. The percentage of the bank's home mortgage loans to low-income borrowers is significantly below the percentage of low-income families but exceeds the peer aggregate lending percentage to these borrowers. The bank's lower percentage of loans to low-income borrowers compared to the demographic is impacted to some extent by the high poverty level; 12.6 percent of low-income families are below the poverty level in the AA. The percentage of home mortgage loans to moderate-income families exceeds both the percentage of moderate-income families and the peer aggregate lending percentage. More weight was placed on performance relative to moderate-income individuals considering home affordability issues impacting those who have low or very low incomes. In addition, the AA has a higher proportion of moderate-income families compared to low-income families.

### ***Loans to Businesses***

Refer to Table R in the state of Arizona section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of loans to businesses.

The distribution of the bank's loans to businesses of different sizes is reasonable based on a loan sample. The percentage of the bank's loans to small businesses is below the percentage of all businesses that are small. However, the bank's performance compares favorably to peer aggregate lending performance. Small businesses are defined as those with gross annual revenues of \$1 million or less.

### **Responses to Complaints**

The bank did not have any complaints related to their CRA performance in Arizona.

## **Community Development Test**

The bank's performance under the Community Development Test in the state of Arizona is rated Satisfactory.

### **Conclusions for Area Receiving a Full-Scope Review**

Based on a full-scope review, the bank exhibits overall adequate responsiveness to community development needs in the state through community development loans, qualified investments, and community development services, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area. The bank's responsiveness in providing PPP loans was excellent in 2020, but bank participation in community development activities throughout the remainder of the evaluation period was limited in comparison to needs and opportunities in the AA.

### **Number and Amount of Community Development Loans**

In the Scottsdale AA, the bank originated 172 PPP loans totaling \$24.3 million, which helped stabilize the local economy during the COVID-19 pandemic. A majority of these loans benefitted small businesses. In addition, approximately 30.2 percent by number of loans and 50.2 percent by dollar benefitted businesses located in low- and moderate-income geographies within the bank's AA. Based on available information, examiners provided direct community development credit for half of PPP loan dollar amounts in the Scottsdale AA, or \$12.2 million.

### **Number and Amount of Qualified Investments**

During the evaluation period, the bank made two donations totaling \$2,500. One donation benefitted a local organization that provides needed services to individuals with intellectual disabilities, and another to assist families that are experiencing hardship because of extended child illness or injury.

### **Extent to Which the Bank Provides Community Development Services**

Bank employees and directors provided at least 228 community development service hours during the evaluation period, and most of these hours demonstrated leadership roles in the provision of services. Approximately 90 percent of service hours supported economic development activities benefitting small businesses, while the remainder helped facilitate community services primarily benefitting low-and moderate-income individuals. For example, one bank representative provided essential coaching to women-owned small businesses to prepare these women for greater business success; the same representative also donated time to present educational topics of interest to small business audiences. Another bank representative served on the board for a nonprofit that provides lending opportunities to local small businesses, such as through the SBA 504 loan program.

## State Rating

### State of New Mexico

**CRA rating for the State of New Mexico: Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The major factors that support this rating include:

- The Lending Test conclusion considered the significant proportion of home mortgage loans outside the AA, and other contextual factors as previously discussed.
- The geographic distribution of both home mortgage loans and commercial loans reflects a reasonable distribution of loans in low- and moderate-income tracts in both AAs.
- The borrower distribution of home mortgage loans reflects an excellent distribution of loans to borrowers of different income levels. The borrower distribution of loans to businesses of different sizes is also excellent. The Alamogordo AA carried more weight in the analysis.
- The bank's CD activities demonstrated overall adequate responsiveness through the entire evaluation period. The most impactful activity was PPP lending, which helped stabilize the AA during the pandemic in 2020. Efforts to facilitate access to affordable housing loans are also noteworthy.

### Description of Institution's Operations in New Mexico

Bank 34's operations within the state of New Mexico consists of two AAs, the Las Cruces AA and the Alamogordo AA. Bank 34 operates two banking locations in these AAs as well as two ATMs. The bank also provides surcharge-free ATM access through the Allpoint ATM network. Allpoint ATM access in New Mexico does not include the cash deposit-taking feature that is available in Arizona. The bank also offers internet and mobile banking solutions to increase access to all clients.

#### **Alamogordo AA**

The Alamogordo AA consists of all of Otero County, NM with a single branch located in Alamogordo, NM. Otero County is not in an MSA. The bank has one cash-dispensing ATM located in Alamogordo. The branch offers a traditional mix of both consumer and business, deposit and lending products. The bank's primary focus has shifted from home mortgage lending to more commercial originations. The bank offers limited consumer loan products.

#### *Economic Data:*

Based on economic data from Moody's Analytics for New Mexico, the state's economy is in recovery, but does not compare as favorably to other states in the region, or to the national economy. Economic strengths include opportunities for renewable energy, high-tech industries (centered in Albuquerque), and a stable government presence via national labs and multiple military installations. Weaknesses include overreliance on the public sector for jobs, low worker

productivity and below-average per capita income, and the fact that NM has some of the poorest rural areas in the country. Major economic sectors statewide include government, education and health services, professional and business services, and retail trade. Top employers statewide include Walmart Inc., Sandia National Laboratories, and Presbyterian Healthcare Services. In Otero County, major employers include Holloman Air Force Base, White Sands Missile Range, and Alamogordo Public Schools.

According to the U.S. Bureau of Labor Statistics, the average annual unemployment rate in Otero County was 4.9 percent in 2018, 5.1 percent in 2019, and 8.3 percent in 2020, with a pandemic-induced high point of 12.7 percent in July 2020. The state of New Mexico was similar overall, with annual averages ranging between 4.9 percent and 8.4 percent, with a pandemic high point of 13.4 percent. In the U.S. overall, the annual unemployment rate in 2018 through 2020 was 3.9 percent, 3.7 percent, and 8.1 percent, respectively.

There is material banking competition within the Alamogordo AA from both depository institutions and other lending entities. Bank 34 ranks 3<sup>rd</sup> out of 9 depository institutions in the market and has 12.6 percent deposit market share in this AA as of June 30, 2020. Primary competitors include First National Bank (a community bank headquartered in NM) and Wells Fargo Bank, who hold a combined 56.7 percent deposit market share in the AA. Bank 34 deposits in the AA total \$85.5 million or 25.7 percent of their total bank deposits. Excluding residential mortgage loan production in 2018 and 2019, 33.6 percent of bank loans by number and 13.9 percent by dollar were originated through the Alamogordo branch. Home mortgage market share reports from 2018 reflect that Bank 34 ranked first out of 130 lenders in the AA, with a market share of 11.2 percent based on their numerical share of originated home loans.

*Housing Data:*

Moody’s Analytics data reflects that home prices have increased steadily in recent years in line with national trends, and NM is somewhat less affordable than the U.S. overall when considering local wages. However, housing affordability measures show that affordability did improve somewhat at certain points during the evaluation period. Table A data, which is based on the 2015 American Community Survey, shows that approximately 10.5 percent of homeowners and 11.2 percent of renters pay more than 30 percent of their income in housing costs, which is an indicator of affordability relative to income levels in the AA. Housing costs at or below 30 percent of income are generally considered to be affordable. A housing affordability assessment conducted by Moody’s Analytics shows that New Mexico ranks 35<sup>th</sup> in affordability nationwide, based on 2019 data. Housing affordability is particularly challenging for LMI individuals, as homes around the median value are often out of reach.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Alamogordo AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	16	12.5	25.0	43.8	18.8	0.0
Population by Geography	65,318	17.3	19.9	41.5	21.3	0.0
Housing Units by Geography	30,967	14.7	17.4	47.3	20.6	0.0

Owner-Occupied Units by Geography	15,218	14.5	15.6	45.3	24.6	0.0
Occupied Rental Units by Geography	8,450	9.7	25.1	41.3	24.0	0.0
Vacant Units by Geography	7,299	21.1	12.2	58.4	8.3	0.0
Businesses by Geography	2,870	17.8	19.4	37.2	25.6	0.0
Farms by Geography	115	13.0	18.3	57.4	11.3	0.0
Family Distribution by Income Level	15,586	24.9	16.6	19.7	38.8	0.0
Household Distribution by Income Level	23,668	26.3	14.7	17.2	41.8	0.0
Median Family Income Non-MSAs - NM	\$49,356		Median Housing Value			\$106,540
			Median Gross Rent			\$813
			Families Below Poverty Level			18.1%
<i>Source: 2015 ACS and 2020 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

<b>Table B – Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>NM Non-MSA Areas - Median Family Income</b>				
2018 (\$53,700)	<\$26,850	\$26,850 to <\$42,960	\$42,960 to <\$64,440	≥\$64,440
2019 (\$53,100)	<\$26,550	\$26,550 to <\$42,480	\$42,480 to <\$63,720	≥\$63,720
2020 (\$54,900)	<\$27,450	\$27,450 to <\$43,920	\$43,920 to <\$65,880	≥\$65,880
<i>Source: FFIEC</i>				

**Community Contacts:**

The OCC considered two community contacts made within the bank’s AA or the broader statewide region.

In the Alamogordo AA, a contact with a local housing authority commented that the AA has a strong influence from Holloman Air Force Base (HAFB) which is a significant employer in the area and helps support a robust service sector. The prevalence of government-related employment in general helps to somewhat cushion the blow of economic swings in the AA. The contact noted ongoing needs for affordable housing, and the high-demand rental market in the AA stemming from HAFB. This contact was made prior to the pandemic.

A NM representative of an organization dedicated to small business development noted that the impact of the pandemic on businesses in New Mexico has been very uneven, and some businesses have not survived. While unemployment is currently low, inflation is an issue overall



and negatively impacts consumers and businesses. NM tends to lag the country in recovering from economic distress. The contact noted that many NM businesses were able to participate in the PPP to help them through the pandemic, and this was made possible through the hard work of local community banks. The subject organization offers other programs designed to provide education to small businesses, and the contact noted that community banks typically do their part to facilitate these programs.

### **Las Cruces AA**

The bank's Las Cruces AA is comprised of the Las Cruces MSA which consists of the entirety of Dona Ana County, NM with a single branch located in Las Cruces, NM. The branch has one cash-dispensing ATM located in Las Cruces. The branch offers a traditional mix of both consumer and business accounts, including deposit and lending products. The bank's primary focus has shifted from home mortgage lending to more commercial originations. The bank currently offers limited consumer loan products.

#### *Economic Data:*

Based on economic data from Moody's Analytics, the Las Cruces MSA has been pulling ahead of the rest of the state, with job recovery tracking with the national average. However, the extended pandemic shutdown of NM State University was a negative factor in the local economy. Economic strengths include university and federal defense facility that add significant stability to the economic outlook, trade with Mexico given proximity to transportation connections in El Paso, and a younger than average population. Weaknesses include overreliance on the public sector, relatively low per capita income, an exceptionally high poverty rate, and the low rate of business formation. Major economic sectors include government, education and health services, retail trade, and professional and business services. Top employers include White Sands Missile Range, New Mexico State University, Memorial Medical Center, and Walmart Inc.

The average annual unemployment rate in Dona Ana County was 5.7 percent in 2018, 5.9 percent in 2019, and 8.3 percent in 2020, with a pandemic-induced high point of 12.8 percent in July 2020. In comparison, the state of New Mexico fared slightly better in 2018 and 2019, but slightly worse in 2020. In comparison, the U.S. unemployment rate was lower in each year, though the gap was smaller for 2020 overall.

There is significant banking competition within the Las Cruces AA, from both depository institutions and other lending entities. Bank 34 ranks 12<sup>th</sup> out of 18 depository institutions in the market and has 2.1 percent deposit market share as of June 30, 2020. Primary competitors include Wells Fargo Bank, Citizens Bank of Las Cruces, and Bank of America, who collectively hold 58.6 percent deposit market share in the AA. Bank 34 deposits in the AA total \$56.4 million or 17.0 percent of total Bank 34 deposits. Excluding residential mortgage loan production in 2018 and 2019, 13.0 percent of bank loans by number and 12.4 percent by dollar were originated through the Las Cruces branch. Home mortgage market share reports from 2018 reflect that Bank 34 ranked 6<sup>th</sup> out of 222 lenders in the AA, with a market share of 4.2 percent based on their numerical share of originated home loans.

*Housing Data:*

Moody's Analytics data reflects that housing affordability in the Las Cruces MSA has been somewhat impacted as home prices have increased steadily in recent years; this MSA is slightly less affordable than the U.S. overall, and slightly more affordable or consistent relative to NM overall. Rental affordability generally improved during the evaluation period. Table A data, which is based on the 2015 American Community Survey, shows that approximately 13.4 percent of homeowners and 15.4 percent of renters pay more than 30 percent of their income in housing costs, which is an indicator of affordability relative to income levels in the AA. A housing affordability assessment conducted by Moody's Analytics shows that New Mexico ranks 35<sup>th</sup> in affordability nationwide, based on 2019 data. Housing affordability is particularly challenging for LMI individuals, as homes around the median value are often out of reach.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Las Cruces AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	41	7.3	39.0	31.7	22.0	0.0
Population by Geography	213,963	7.7	36.0	26.4	29.8	0.0
Housing Units by Geography	83,586	7.1	33.0	26.9	33.0	0.0
Owner-Occupied Units by Geography	48,445	3.6	34.5	24.8	37.1	0.0
Occupied Rental Units by Geography	26,317	13.5	29.6	31.5	25.4	0.0
Vacant Units by Geography	8,824	6.9	35.2	25.3	32.7	0.0
Businesses by Geography	10,495	6.8	32.5	25.3	35.4	0.0
Farms by Geography	399	2.5	38.1	30.3	29.1	0.0
Family Distribution by Income Level	51,781	25.1	15.6	16.9	42.4	0.0
Household Distribution by Income Level	74,762	25.2	16.5	16.1	42.2	0.0
Median Family Income Las Cruces, NM MSA		\$45,044	Median Housing Value			\$143,830
			Median Gross Rent			\$710
			Families Below Poverty Level			22.1%
<i>Source: 2015 ACS and 2020 D&amp;B Data            Due to rounding, totals may not equal 100.0%            (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

<b>Table B – Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Las Cruces, NM MSA Median Family Income</b>				
2018 (\$44,700)	<\$22,350	\$22,350 to <\$35,760	\$35,760 to <\$53,640	≥\$53,640
2019 (\$50,800)	<\$25,400	\$25,400 to <\$40,640	\$40,640 to <\$60,960	≥\$60,960
2020 (\$52,100)	<\$26,050	\$26,050 to <\$41,680	\$41,680 to <\$62,520	≥\$62,520
<i>Source: FFIEC</i>				

### *Community Contacts:*

The OCC considered two community contacts made within the bank’s AA, as well as the statewide business organization, which is summarized under the Alamogordo AA section.

Prior to the pandemic, a contact with an affordable housing organization based in Las Cruces noted that NM tends to struggle economically by many measures. The contact commented on the significant percentage of unbanked individuals in the state, stemming from distrust of the banking industry. The organization tries to provide banking referrals to potential clients, who must have a bank account to purchase a home through the subject organization. The contact stated that banks should invest capital into local CD Financial Institutions, which provide low cost pre-development loans that can be important sources of capital to facilitate new subdivisions and apartment complexes that serve lower-income communities. In general, banks are often perceived to be less willing to originate smaller loans even though this is often a need. First time homebuyer loans for LMI clients is a need and opportunity for banks. The contact also suggested that banks should consider providing some operating support to local nonprofits.

Prior to the pandemic, a contact with an economic development organization based in Las Cruces stated that the middle class in the city is stagnant, and that any modest population growth has been driven by retirees. Home values have been increasing. The agricultural sector is strong. Primary credit needs in the AA include small personal loans and small business and farm loans, including funds for start-up businesses. The contact stated that banks in the AA are perceived favorably and are active in local charitable activities.

### **Scope of Evaluation in New Mexico**

The bank has delineated two AAs in New Mexico, which both received a full-scope review. The Alamogordo AA encompasses all of Otero County, which is not part of any MSA. The Las Cruces AA encompasses all of Dona Ana County, which is an MSA. Both AAs are subject to full-scope review because they both represent a meaningful percentage of bank lending and deposit activity within the state. Refer to appendix A for a list of all AAs under review.

## **Conclusions in Respect to Performance Tests in New Mexico**

### **Lending Test**

The bank's performance under the Lending Test in New Mexico is rated Satisfactory.

### **Conclusions for Areas Receiving Full-Scope Reviews**

Based on full-scope reviews the bank's lending performance in the state of New Mexico is reasonable. The conclusion considered the bank's smaller bank-wide level of lending inside the bank's AAs.

### **Distribution of Loans by Income Level of the Geography**

The bank exhibits reasonable geographic distribution of loans in the state.

#### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans in New Mexico is reasonable in both AAs. Refer to Table O in the state of New Mexico section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

#### **Alamogordo AA**

The percentage of bank loans in low-income CTs is well below the percentage of owner-occupied housing units and is also below peer aggregate performance in these tracts. The percentage of bank loans in moderate-income CTs is slightly below the percentage of owner-occupied housing units in moderate-income CTs, and bank performance exceeds peer aggregate performance in these CTs. Excellent performance in moderate-income tracts helps mitigate very poor performance in the low-income tract. Of note, there is a higher proportion of moderate-income tracts in the AA which supports overall reasonable performance.

#### **Las Cruces AA**

The percentage of bank loans in low-income CTs exceeds both the percentage of owner-occupied housing units and peer aggregate performance in these tracts. The percentage of bank loans in moderate-income CTs is significantly below the percentage of owner-occupied housing units, but bank performance is reasonably consistent with peer aggregate performance in these CTs.

#### ***Loans to Businesses***

The geographic distribution of loans to businesses in New Mexico is reasonable in both AAs based on loan samples. Refer to Table Q in the state of New Mexico section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of loans to businesses.

Alamogordo AA

The bank's percentage of loans to businesses in the low-income CT is significantly below both the percentage of businesses in this tract as well as peer aggregate lending performance. However, the bank's percentage of loans to businesses in moderate-income CTs exceeds both the percentage of businesses in moderate-income CTs as well as peer aggregate performance in these CTs. Excellent performance in moderate-income CTs helps mitigate poor performance in the low-income CT.

Las Cruces AA

The bank's percentage of loans to businesses in low-income CTs is below the percentage of businesses in this tract but is consistent with peer aggregate lending performance. The bank's percentage of loans to businesses in moderate-income CTs exceeds both the percentage of businesses in moderate-income CTs as well as peer aggregate performance in these CTs.

**Distribution of Loans by Income Level of the Borrower**

The bank exhibits an excellent distribution of loans to individuals of different income levels and businesses of different sizes, given the product lines offered by the bank. In this conclusion, additional weight was given to the Alamogordo AA given the higher proportion of deposits and loans in that AA.

***Home Mortgage Loans***

The distribution of the bank's home mortgage loans to borrowers of different income levels in New Mexico is excellent in the Alamogordo AA and reasonable in the Las Cruces AA. Refer to Table P in the state of New Mexico section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Alamogordo AA

The percentage of the bank's home mortgage loans to low-income borrowers is below the percentage of low-income families but exceeds the peer aggregate lending percentage to these borrowers. The bank's lower percentage of loans to low-income borrowers compared to the demographic is impacted to some extent by the high poverty level; 18.1 percent of low-income families are below the poverty level in the AA. The percentage of home mortgage loans to moderate-income families exceeds both the percentage of moderate-income families and the peer aggregate lending percentage.

Las Cruces AA

The percentage of the bank's home mortgage loans to low-income borrowers is below the percentage of low-income families but exceeds the peer aggregate lending percentage to these borrowers. The bank's lower percentage of loans to low-income borrowers compared to the demographic is impacted to some extent by the high poverty level; 22.1 percent of low-income families are below the poverty level in the AA. The percentage of home mortgage loans to moderate-income families is somewhat below the percentage of moderate-income families, but exceeds the peer aggregate lending percentage.

### ***Loans to Businesses***

The distribution of the bank's loans to businesses of different sizes is excellent in the Alamogordo AA and reasonable in the Las Cruces AA based on loan samples. Refer to Table R in the state of New Mexico section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of loans to businesses.

#### Alamogordo AA

The percentage of the bank's loans to small businesses is similar to the percentage of all businesses that are small. In addition, the bank's performance significantly exceeds peer aggregate lending performance benefitting small businesses. Small businesses are defined as those with gross annual revenues of \$1 million or less.

#### Las Cruces AA

The percentage of the bank's loans to small businesses is lower than the percentage of all businesses that are small. However, the bank's performance exceeds peer aggregate lending performance benefitting small businesses.

### **Responses to Complaints**

The bank did not have any complaints related to their CRA performance in New Mexico.

## **Community Development Test**

The bank's performance under the Community Development Test in the state of New Mexico is rated Satisfactory.

### **Conclusions for Areas Receiving Full-Scope Reviews**

Based on full-scope reviews, the bank exhibits overall adequate responsiveness to community development needs in the state through community development loans, qualified investments, and community development services, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment areas. The bank's participation in PPP lending in 2020 was considered the most responsive and impactful CD activity within the state. Efforts to facilitate affordable housing loans in 2018 and 2019 were also noteworthy.

### **Number and Amount of Community Development Loans**

#### Alamogordo AA

In the bank's Alamogordo AA, the bank originated 58 PPP loans totaling \$3.3 million, which helped stabilize the local economy during the COVID-19 pandemic. A majority of these loans benefitted small businesses. In addition, approximately 37.9 percent by number of loans and 20.6 percent by dollar benefitted businesses located in low- and moderate-income geographies within the bank's AA; an additional 19.0 percent by number and 17.1 percent by dollar benefitted businesses located in middle-income distressed tracts in Otero County. Based on available

information, examiners provided direct community development credit for half of PPP loan dollar amounts in the Alamogordo AA, or \$1.7 million.

#### Las Cruces AA

The bank made two SBA 504 loans totaling approximately \$1.1 million that helped finance a local child development center that was expanding their business; the center also accepts state support to provide services to a meaningful percentage of LMI children. It is also worth noting that the bank approved \$1 million of funding to a local affordable housing organization, but the organization did not end up using the approved funds.

In the bank's Las Cruces AA, the bank originated 21 PPP loans totaling \$3.2 million, which helped stabilize the local economy during the COVID-19 pandemic. A majority of these loans benefitted small businesses. In addition, approximately 61.9 percent by number of loans and 80.4 percent by dollar benefitted businesses located in low- and moderate-income geographies within the bank's AA. Based on available information, examiners provided direct community development credit for half of PPP loan dollar amounts in the Las Cruces AA, or \$1.6 million.

### **Number and Amount of Qualified Investments**

#### Alamogordo AA

The bank made two qualifying bond investment purchases in 2020 totaling approximately \$9.0 million. These investments provide needed funds to Otero County public schools; funds will be used to improve school facilities and upgrade computer equipment. In 2020, the county had seven distressed middle-income tracts due to poverty in the AA, and 71.4 percent of public schools in the county are enrolled in a program that provides free meals to all enrolled children, given the significant percentage of needy children enrolled at these schools.

The bank also made donations to nine organizations totaling \$19,470. Donations primarily supported community services targeted to individuals and families in need, as well as affordable housing organizations. As one example, significant donations were made to a local organization that provides support to many meaningful charities in the AA, which helps support affordable housing and other supportive services for LMI individuals.

#### Las Cruces AA

The bank made donations to three organizations totaling \$1,200. Donations supported community services to individuals and families in need. CD organizations included a local soup kitchen, and a literacy organization for adults.

### **Extent to Which the Bank Provides Community Development Services**

#### Alamogordo AA

Bank employees and directors provided 277 community development service hours during the evaluation period, and most of these hours demonstrated leadership roles in the provision of services. Approximately 70 percent of service hours helped facilitate community services primarily benefitting low- and moderate-income individuals, while the remainder supported economic development activities benefitting small businesses and helping to create new job opportunities for the area. For example, two bank representatives served on the board of an

organization that helps provide essential funding to a variety of local CD organizations, and two bank representatives served on the board of a local economic development organization to facilitate business development and needed resources to local businesses.

In 2018 and 2019, the bank also facilitated first-time homebuyer programs in New Mexico through their partnership with New Mexico Mortgage Finance Authority (NM MFA), who seek to serve low- and moderate-income individuals and families within certain income and home purchase price parameters. These homebuyer programs provide education to qualifying first time homebuyers, as well as down payment assistance. The bank assisted 181 borrowers in New Mexico, of which 40 were in the Alamogordo AA.

#### Las Cruces AA

Two employees provided 16 service hours related to financial education for local students.

In 2018 and 2019, the bank facilitated first-time homebuyer programs in New Mexico through their partnership with NM MFA. These homebuyer programs provide education to qualifying first time homebuyers, as well as down payment assistance. The bank assisted 68 qualifying borrowers in the Las Cruces AA.

#### Broader Statewide or Regional Area

Through partnership with the NM MFA, the bank provided first-time homebuyer assistance to 73 qualifying borrowers in New Mexico that were outside of the bank's delineated AAs.

The NM MFA also recognized Bank 34 as Rural Mortgage Lender of 2018.



## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed:</b>	<b>01/01/2018 to 12/31/2020</b>	
<b>Bank Products Reviewed:</b>	<b>Lending Test: Home mortgage loans, business loans CD Test: Community development loans, qualified investments, community development services</b>	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>State of Arizona</b>		
<b>Scottsdale AA</b>	<b>Full-scope</b>	Maricopa County
<b>State of New Mexico</b>		
<b>Alamogordo AA</b>	<b>Full-scope</b>	Otero County
<b>Las Cruces AA</b>	<b>Full-scope</b>	Dona Ana County

### Appendix B: Summary of MMSA and State Ratings

RATINGS: Bank 34			
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank/State/Multistate Rating
<b>Bank 34</b>	<b>Satisfactory</b>	<b>Satisfactory</b>	<b>Satisfactory</b>
MMSA or State:			
<b>Arizona</b>	<b>Satisfactory</b>	<b>Satisfactory</b>	<b>Satisfactory</b>
<b>New Mexico</b>	<b>Satisfactory</b>	<b>Satisfactory</b>	<b>Satisfactory</b>

## Appendix C: Definitions and Common Abbreviations

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The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder’ and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

**Full-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income Individual:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.
- Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area.



**State of Arizona:**

<b>Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography</b>																				<b>2018-20</b>	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts				
	#	\$ (000s)	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate		
Scottsdale AA	287	96,960	100.0	394,727	4.6	12.2	2.9	18.8	23.3	13.0	34.7	32.8	34.1	41.9	31.7	49.4	0.0	0.0	0.7		
<b>Total</b>	<b>287</b>	<b>96,960</b>	<b>100.0</b>	<b>394,727</b>	<b>4.6</b>	<b>12.2</b>	<b>2.9</b>	<b>18.8</b>	<b>23.3</b>	<b>13.0</b>	<b>34.7</b>	<b>32.8</b>	<b>34.1</b>	<b>41.9</b>	<b>31.7</b>	<b>49.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.7</b>		

*Source: 2015 ACS Census; 01/01/2018 - 12/31/2020 Bank Data, 2020 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

*Bank 34 excluded from Aggregate*

<b>Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower</b>																				<b>2018-20</b>	
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers				
	#	\$ (000s)	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate		
Scottsdale AA	287	96,960	100.0	394,727	21.8	6.3	4.5	16.9	26.8	16.1	19.2	25.4	20.3	42.2	27.9	40.7	0.0	13.6	18.4		
<b>Total</b>	<b>287</b>	<b>96,960</b>	<b>100.0</b>	<b>394,727</b>	<b>21.8</b>	<b>6.3</b>	<b>4.5</b>	<b>16.9</b>	<b>26.8</b>	<b>16.1</b>	<b>19.2</b>	<b>25.4</b>	<b>20.3</b>	<b>42.2</b>	<b>27.9</b>	<b>40.7</b>	<b>0.0</b>	<b>13.6</b>	<b>18.4</b>		

*Source: 2015 ACS Census ; 01/01/2018 - 12/31/2020 Bank Data, 2020 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

*Bank 34 excluded from Aggregate*

<b>Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography</b>																			<b>2018-20</b>	
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$ (000s)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	
Scottsdale AA	20	16,959	100	119,378	7.2	15.0	6.7	15.0	20.0	16.6	29.9	35.0	26.4	47.3	30.0	49.1	0.6	--	1.2	
<b>Total</b>	<b>20</b>	<b>16,959</b>	<b>100</b>	<b>119,378</b>	<b>7.2</b>	<b>15.0</b>	<b>6.7</b>	<b>15.0</b>	<b>20.0</b>	<b>16.6</b>	<b>29.9</b>	<b>35.0</b>	<b>26.4</b>	<b>47.3</b>	<b>30.0</b>	<b>49.1</b>	<b>0.6</b>	<b>--</b>	<b>1.2</b>	

Source: 2020 D&B Data; 01/01/2018 - 12/31/2020 Bank Data; 2020 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%

Bank 34 excluded from Aggregate

<b>Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues</b>												<b>2018-20</b>	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available			
	#	\$ (000s)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans		
Scottsdale AA	20	16,959	100	119,378	93.1	50.0	40.2	2.3	40.0	4.7	10.0		
<b>Total</b>	<b>20</b>	<b>16,959</b>	<b>100</b>	<b>119,378</b>	<b>93.1</b>	<b>50.0</b>	<b>40.2</b>	<b>2.3</b>	<b>40.0</b>	<b>4.7</b>	<b>10.0</b>		

Source: 2020 D&B Data; 01/01/2018 - 12/31/2020 Bank Data; 2020 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%

Bank 34 excluded from Aggregate

**State of New Mexico:**

<b>Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography</b>																				<b>2018-20</b>		
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts					
	#	\$ (000s)	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate			
Alamogordo AA	236	29,784	45.6	1,988	14.5	1.3	6.3	15.6	13.6	12.3	45.3	42.4	36.4	24.6	42.8	45.0	0.0	0.0	0.0			
Las Cruces AA	282	38,931	54.4	8,475	3.6	6.7	1.7	34.5	10.6	12.8	24.8	40.4	29.0	37.1	42.2	56.4	0.0	0.0	0.0			
<b>Total</b>	<b>518</b>	<b>68,715</b>	<b>100.0</b>	<b>10,463</b>	<b>6.2</b>	<b>4.2</b>	<b>2.6</b>	<b>30.0</b>	<b>12.0</b>	<b>12.7</b>	<b>29.7</b>	<b>41.3</b>	<b>30.4</b>	<b>34.1</b>	<b>42.5</b>	<b>54.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>			

*Source: 2015 ACS Census; 01/01/2018 - 12/31/2020 Bank Data, 2020 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0% Bank 34 excluded from Aggregate*

<b>Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower</b>																				<b>2018-20</b>		
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers					
	#	\$ (000s)	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate			
Alamogordo AA	236	29,784	45.6	1,988	24.9	7.6	3.4	16.6	23.7	9.2	19.7	28.0	17.0	38.8	39.4	36.5	0.0	1.3	34.0			
Las Cruces AA	282	38,931	54.4	8,475	25.1	4.3	1.9	15.6	12.8	8.9	16.9	31.6	18.7	42.4	48.9	48.1	0.0	2.5	22.4			
<b>Total</b>	<b>518</b>	<b>68,715</b>	<b>100.0</b>	<b>10,463</b>	<b>25.0</b>	<b>5.8</b>	<b>2.2</b>	<b>15.8</b>	<b>17.8</b>	<b>8.9</b>	<b>17.6</b>	<b>29.9</b>	<b>18.4</b>	<b>41.6</b>	<b>44.6</b>	<b>45.9</b>	<b>0.0</b>	<b>1.9</b>	<b>24.6</b>			

*Source: 2015 ACS Census ; 01/01/2018 - 12/31/2020 Bank Data, 2020 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0% Bank 34 excluded from Aggregate*

<b>Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography</b>																			<b>2018-20</b>	
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$ (000s)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	
Alamo-gordo AA	20	8,590	50.0	522	17.8	10.0	24.4	19.4	25.0	21.1	37.2	20.0	30.8	25.6	45.0	21.8	0.0	--	1.9	
Las Cruces AA	20	9,766	50.0	2,608	6.8	5.0	5.2	32.5	40.0	34.8	25.3	20.0	25.3	35.4	35.0	32.1	0.0	--	2.6	
<b>Total</b>	<b>40</b>	<b>18,356</b>	<b>100</b>	<b>3,130</b>	<b>9.2</b>	<b>7.5</b>	<b>8.4</b>	<b>29.7</b>	<b>32.5</b>	<b>32.5</b>	<b>27.9</b>	<b>20.0</b>	<b>26.2</b>	<b>33.3</b>	<b>40.0</b>	<b>30.4</b>	<b>0.0</b>	<b>--</b>	<b>2.5</b>	

Source: 2020 D&B Data; 01/01/2018 - 12/31/2020 Bank Data; 2020 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%. Bank 34 excluded from Aggregate.

<b>Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues</b>												<b>2018-20</b>	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available			
	#	\$ (000s)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans		
Alamogordo AA	20	8,590	50.0	522	80.2	80.0	38.2	4.4	10.0	15.4	10.0		
Las Cruces AA	20	9,766	50.0	2,608	83.0	65.0	40.1	4.3	30.0	12.6	5.0		
<b>Total</b>	<b>40</b>	<b>18,356</b>	<b>100.0</b>	<b>3,130</b>	<b>82.4</b>	<b>72.5</b>	<b>39.8</b>	<b>4.3</b>	<b>20.0</b>	<b>13.2</b>	<b>7.5</b>		

Source: 2020 D&B Data; 01/01/2018 - 12/31/2020 Bank Data; 2020 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%. Bank 34 excluded from Aggregate.