



## PUBLIC DISCLOSURE

August 08, 2022

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank  
Charter Number 14786

414 10th Street  
Alamogordo, NM 88310-6766

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 Outstanding.

**The lending test is rated:** Outstanding

**The community development test is rated:** Outstanding

The major factors that support this rating include:

- First National Bank's (FNB) loan-to-deposit ratio is reasonable when compared to similar institutions operating in the same general region.
- FNB originated a majority of its loans inside its delineated assessment area (AA).
- The bank's geographic distribution reflects an excellent distribution of lending across geographies of different income levels. The conclusion also considers the impact of lending in distressed middle-income geographies.
- The bank's borrower distribution reflects an overall excellent distribution of lending to individuals of different income levels and businesses of different sizes within the bank's AA.
- FNB demonstrated overall excellent responsiveness to the needs of the bank's AA through community development loans, qualified investments, and community development services. Community development lending, including loans originated under the Small Business Administration's Paycheck Protection Program (PPP), was considered particularly responsive.

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

Considering the bank's size, financial condition, and credit needs of the AA, the bank's loan-to-deposit (LTD) ratio is reasonable.

FNB's average quarterly LTD ratio over the evaluation period was 39.5 percent. The bank's ratio ranged from a high of 41.9 percent to a low of 36.1 percent during the period. The average LTD ratio of four comparable institutions operating in the same geographic region was 54.9 percent, with a high-average ratio of 63.8 percent and a low-average ratio of 49.5 percent during the evaluation period. While FNB's average is somewhat below the range of comparable institutions, the ratio does not reflect the impact of the bank's origination and sale of residential mortgage loans into the secondary market. In addition, the bank routinely originates smaller dollar consumer loans within the AA. These smaller dollar loans do not significantly impact the LTD ratio but do provide important access to credit within the AA. There have been no material limitations on FNB's capacity to lend during the evaluation period.

## Lending in Assessment Area

A majority of the bank's loans are inside its assessment area.

The bank originated and purchased 70.0 percent of its loans inside the bank's AA during the evaluation period, based on a representative sample of business and consumer loans. This analysis is performed at the bank, rather than the AA, level. Of note, a material percentage of consumer loans are made outside FNB's AA due to the bank's participation in a third-party consumer lending program.

<b>Lending Inside and Outside of the Assessment Area</b>										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Business	17	85	3	15	20	10,555	82	2,304	18	12,859
Consumer	11	55	9	45	20	158	17	793	83	951
<b>Total</b>	<b>28</b>	<b>70</b>	<b>12</b>	<b>30</b>	<b>40</b>	<b>10,713</b>	<b>78</b>	<b>3,097</b>	<b>22</b>	<b>13,810</b>

*Source: Evaluation Period: 1/1/2019-12/31/2021, Bank Data*

## Description of Institution

FNB is a community bank headquartered in Alamogordo, New Mexico, a non-metropolitan area in the southeastern part of the state. FNB is a subsidiary of a one-bank holding company, First Alamogordo Bancorp of Nevada, Inc. The holding company owns 100.0 percent of the bank's stock. The bank has no subsidiaries. As of December 31, 2021, FNB held \$467.0 million in total assets; \$257.3 million in investment security holdings (55.1 percent of assets), \$162.7 million in loans (34.8 percent of assets), and \$27.8 million in interest-bearing bank balances (6.0 percent). The investment portfolio is comprised primarily of mortgage-backed securities (55.3 percent of investments) and municipal securities (33.4 percent). The loan portfolio consists primarily of \$123.8 million in real estate loans centered in commercial real estate (76.0 percent of loans), \$22.7 million in consumer loans (13.9 percent), and \$16.2 million in other commercial loans (9.9 percent). Tier one capital at year-end 2021 totaled \$45.4 million.

FNB offers a traditional mix of loan and deposit products that are delivered primarily through the bank's physical locations. The bank operates six full-service locations in New Mexico, in Alamogordo, Ruidoso, Tularosa, Cloudcroft, and Artesia. Except for Ruidoso, each banking location includes a deposit-taking ATM on the premises. The bank also has two additional cash-dispensing ATM locations associated with shopping locations in Alamogordo. There were no branch openings or closings during the evaluation period. Lending strategies and product offerings are consistent throughout the AA. There were no mergers or acquisitions impacting the bank during the evaluation period.

During the evaluation period, the bank made more than 150 loans under the Small Business Administration's PPP, which amounted to approximately \$10 million. These loans helped

stabilize the local economy during the initial phases of the COVID-19 pandemic, and primarily benefited small businesses. Additional detail is provided in the Community Development section.

FNB received an “Outstanding” rating on its previous CRA examination dated August 26, 2019. There were no legal, financial, or other factors impeding the bank’s ability to meet the credit needs in its AA during the evaluation period.

## **Scope of the Evaluation**

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

The evaluation period included an assessment of loan originations from January 1, 2019, through December 31, 2021. Primary loan products were determined based on the number of originations and purchases for each broad loan type made during the evaluation period. Based on the bank’s significant volume of commercial and consumer originations, these were both selected as primary products.

The bank originates a substantial volume of residential mortgage loans based on investor underwriting standards, which are then sold on the secondary market. Because the bank does not underwrite these loans, they were excluded from consideration as a primary product. The bank’s underwriting of residential real estate loans and farm loans represents minimal volumes and analysis of those products was not considered as part of this evaluation.

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

In each state where a bank has an office, one or more of the AAs within that state are selected for a full-scope review. For purposes of this evaluation, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. Refer to the “Scope” section under the State Rating for details regarding how full-scope AAs were selected. Also refer to appendix A, Scope of Examination, for AA details.

### **Ratings**

The bank’s overall rating is based on its performance in the state of New Mexico (NM). The state rating is based on performance within the bank’s single NM AA. Refer to the “Scope” section under each state Rating section for details regarding how the areas are 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 New Mexico**

#### **CRA rating for the State of New Mexico: Outstanding**

**The Lending Test is rated: Outstanding**

**The Community Development Test is rated: Outstanding**

The major factors that support this rating include:

- The geographic distribution reflects an excellent distribution of both consumer and business lending across geographies of different income levels within the bank's AA when considering the impact of lending in distressed middle-income tracts.
- The borrower distribution reflects an excellent distribution of lending to individuals of different income levels and businesses of different sizes within the bank's AA. The conclusion emphasizes competitive factors related to business lending.
- FNB demonstrated overall excellent responsiveness to the needs of the bank's AA through community development loans, qualified investments, and community development services. Community development lending, including loans originated under the Small Business Administration's PPP, was considered particularly responsive given pandemic impacts.

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

The bank has delineated a single non-MSA AA in Southeast New Mexico, comprised of Otero, Lincoln, Eddy, and Chaves Counties. The combined AA contains 49 individual census tracts, including 2 low-income tracts, 8 moderate-income tracts, 26 middle-income tracts, and 13 upper-income tracts. The bank has offices in Otero County (Alamogordo, Tularosa, and Cloudcroft), Lincoln County (Ruidoso), and Eddy County (Artesia). Alamogordo has two full-service locations, while other listed communities have one full-service location. The bank does not have any banking locations in Chaves County, which is to the north of Eddy County, and is geographically close to Artesia. FNB offers 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 banking access to all clients. FNB's primary lending focus is commercial loans. The bank also originates a meaningful volume of consumer and residential mortgage loans within the AA, although most residential mortgage loans are underwritten based on investor standards and then sold in the secondary market. Loans related to agricultural production and farmland represent a very small portion of the bank's lending activity.

Based on FDIC deposit market share data as of June 30, 2021, the bank held 9.4 percent of the total deposits within the AA, ranking fifth in deposit market share out of 16 depository institutions in the market. Major banking competitors in the AA include Wells Fargo Bank, First American Bank, Pioneer Bank, and CNB Bank, who hold a combined 55.3 percent deposit

market share within the bank’s delineated AA. Various banks and other financial companies also offer loan products in the AA. Based on market share data from 2020, 88 lenders made at least one loan in the AA; the most significant lending competitors were Wells Fargo Bank, American Express National Bank, Synchrony Bank, City Bank, and JP Morgan Chase Bank, who collectively captured 45.2 percent of business loan market share by number of reported loans.<sup>1</sup>

*Economic Data:*

Based on economic data from Moody’s Analytics Reports dated March 2022, the state of New Mexico is currently in a recovery position compared to the early phases of the COVID-19 pandemic. Job growth in the state is somewhat outpacing the U.S. average and that of the mountain west region. However, weaknesses in the state include overreliance on public sector jobs, low worker productivity and below average income, as well as high poverty rates and some of the poorest rural areas in the nation. In addition, population growth is stagnant compared to the rest of the mountain west region. The public sector remains central to the state’s economic health. One in every five workers within New Mexico is a public sector employee, representing the second highest paying industry in the state, second only to energy. Energy jobs compose a greater share of employment than in most states, and tax revenues from oil and gas production fund the state’s sizable public sector, accounting for about one-third of the state’s budget. Drilling activity and oil production has largely recovered to pre-pandemic levels.

According to the U.S. Bureau of Labor Statistics, the average annual unemployment rate in the state of New Mexico was 4.9 percent in 2019, 8.1 percent in 2020, and 6.8 percent in 2021. The pandemic high point for unemployment in New Mexico was in July 2020, at 10.6 percent. New Mexico’s annual average unemployment rate was the same as the nationwide average in 2020 but was elevated over the nationwide average of 3.7 percent in 2019 and 5.3 percent in 2021.

The following chart details the annual unemployment rates for each county in the bank’s AA, which mirror national and statewide trends during the early pandemic shutdowns in 2020, followed by modest annual decreases.

<b>Unemployment Rates – Annual Averages</b>			
<b>County</b>	<b>2019 (%)</b>	<b>2020 (%)</b>	<b>2021 (%)</b>
Otero	5.0	8.1	6.6
Eddy	3.1	6.6	6.4
Lincoln	4.7	8.7	7.5
Chaves	4.9	7.8	7.1

*Source: Evaluation Period: 1/1/2019-12/31/2021, BLS Unemployment Data*

<sup>1</sup> Based on asset size, FNB is not required to report small business loan data, so market share data on lending competitors is limited to entities that are required to report this data. This information provides additional context to the competitive landscape of business lending activity in the AA.



***Otero County, New Mexico***

Otero County is the third largest county in the state, representing 5.5 percent of the land area in New Mexico. Major markets include Alamogordo, Cloudcroft, and Tularosa. Alamogordo is a service and retail economy, driven primarily by activity from Holloman Air Force Base (AFB), tourism at White Sands National Park, and nearby government research installations.

Alamogordo has a very low manufacturing presence. Holloman AFB is the largest employer in the area, directly employing 6,000 people, and has a major effect on the local economy. In addition, an estimated 6,700 military retirees live in the area. Otero County has two low-income census tracts and four moderate-income census tracts, including the reservation for the Mescalero Apache Tribe. In addition, there are seven distressed middle-income census tracts in Otero County.

***Lincoln County, New Mexico***

Lincoln County encompasses 4 percent of the land area in New Mexico and contains rural plains and mountainous areas. Important natural features in the county include the Lincoln National Forest, the Sacramento Mountains, the Capitan Mountains, Bonito Lake, and the Valley of Fires lava fields. Ruidoso is the largest town in the county and is a draw for tourism in the area.

Lincoln county also benefits from close proximity to White Sands National Park. Tourism declined significantly during the early days of the pandemic, when mandated shutdowns cut off demand for tourism in the area. This decline has since reversed based on local news sources. Lincoln County is comprised entirely of middle-income census tracts.

***Eddy County, New Mexico***

Eddy County encompasses 3.4 percent of the land area in New Mexico. Major markets include Carlsbad and Artesia. Mortgage activity has been robust in Eddy County after record oil and gas prices from global volatility in the market drove an influx of people to the county. Carlsbad National Caverns additionally drives significant tourism to the area. Major employers in the county include Carlsbad Medical Center, Mosaic Company (potash/phosphate mining), and Holly Corporation (oil refinery). Eddy County census tracts are middle- and upper-income; the county has no low- or moderate-income tracts.

***Chaves County, New Mexico***

Chaves County encompasses 5 percent of the land area in New Mexico. It has a diverse economy led by healthcare and agriculture. Investment is driven further by energy, tourism, banking, and aviation. Roswell is also home to the New Mexico Military Institute. Chaves County is the twelfth largest dairy-producing county in the United States and is home to the largest mozzarella plant in the world. Roswell is the largest city in the county and is a popular tourist destination related to aerospace engineering and ufology museums and businesses, as well as alien- and spacecraft-themed iconography. Chaves County has mostly middle- and upper-income census tracts, as well as four moderate-income tracts.

***Housing Data:***

Per 2015 American Community Survey census data, displayed in Table A, a majority of housing units in the AA are in middle-income census tracts while less than 20 percent of units are in low- or moderate-income tracts. Owner-occupied units represent 53.4 percent of total units, renter-occupied units represent 24.0 percent, and vacant units represent 22.6 percent. Of total housing units, 75.0 percent are 1-4 family residential units, 19.9 percent are mobile homes, and 4.8

percent are multifamily complexes. Table A reflects that the weighted average of median housing values is \$122,264, compared to median family income of \$49,356, which indicates that owner-occupied housing in the AA is somewhat more affordable than many areas of the country but may still be out of reach for many lower-income families. Approximately 9.8 percent of owners and 9.2 percent of renters have housing costs that exceed 30 percent of income; housing expenses that exceed this level are less affordable overall. The median gross rent of \$775 is generally considered to be affordable for moderate-income families, but is not affordable for families in the low-income category as defined in Table B. In addition, a U.S. News article reports on a 2019 Moody's Analytics affordability ranking of each state in the nation, and NM ranks 24<sup>th</sup> in cost of living, and 37<sup>th</sup> in housing affordability (based on median housing prices compared against median family incomes).

The New Mexico Mortgage Finance Authority published a report on affordable housing needs in the state in 2020. The report notes that southeast New Mexico consists primarily of semi-urban regions, representing non-MSA counties with populations over 50,000; Lincoln County is an exception, and is more rural in nature. The study highlighted housing challenges in both Lincoln and Eddy County. In Eddy County, the booms and busts tied to oil production have created challenging lending conditions, which can create housing issues due to depreciation and disinvestment linked to the variable health of the oil industry. Lincoln County has a relatively stable economy, but the high rate of vacation rentals and second homes in Ruidoso result in a continuing struggle to provide affordable housing for many service and essential workers. Smaller communities in Lincoln County are more affordable, but they continue to develop tourist economies which may impact housing affordability in the future. While there has been some new housing development in the Carlsbad area, other areas of the bank's AA could support new owner-occupied housing. All counties in Southeast NM have a deficit of rental apartments and can support new development. Housing needs in the area include rental housing for a fluctuating workforce in oil and gas-producing counties, senior apartments, and ensuring a balance of affordable and market rate apartments to meet the needs of all residents. The study also highlighted manufactured housing as being an important avenue for affordable housing throughout NM, particularly for new homeowners and in rural communities that struggle to attract investment. In addition, the immediate impact of the COVID-19 pandemic reduced housing security in NM, particularly for Native Americans, individuals experiencing homelessness, and younger renters with low incomes.

**Table A – Demographic Information of the Assessment Area**

**Assessment Area: New Mexico AA**

<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)	49	4.1	16.3	53.1	26.5	0.0
Population by Geography	206,701	5.5	14.8	49.5	30.2	0.0
Housing Units by Geography	98,478	4.6	12.1	56.1	27.2	0.0
Owner-Occupied Units by Geography	52,582	4.2	11.6	51.7	32.5	0.0
Occupied Rental Units by Geography	23,625	3.5	17.5	49.0	30.0	0.0
Vacant Units by Geography	22,271	6.9	7.5	73.9	11.7	0.0

Businesses by Geography	14,782	4.3	10.6	52.4	32.7	0.0
Farms by Geography	658	2.6	9.3	54.0	34.2	0.0
Family Distribution by Income Level	51,660	20.1	16.2	18.6	45.0	0.0
Household Distribution by Income Level	76,207	22.3	14.9	16.6	46.2	0.0
Median Family Income Non-MSAs - NM	\$49,356	Median Housing Value				\$122,264
		Median Gross Rent				\$775
		Families Below Poverty Level				14.5%
<i>Source: 2015 ACS and 2021 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 Median Family Income (99999)</b>				
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
2021 (\$54,600)	<\$27,300	\$27,300 to <\$43,680	\$43,680 to <\$65,520	≥\$65,520
<i>Source: FFIEC</i>				

*Community Contact*

In conjunction with the CRA evaluation, examiners conducted an interview with an organization that provides consulting services and training to small businesses in Otero and Lincoln Counties. The contact stated that local financial institutions are generally doing a good job of meeting banking and credit needs. The contact stated that down payments and good credit are challenges standing in the way of small business start-ups, but that resources are available in the AA to help coach and educate aspiring entrepreneurs and help them eventually get qualified for loans. Certain organizations, including the SBA and partner banks, provide an important service in facilitating loans for small businesses that represent higher credit risk and would otherwise have difficulty qualifying for a loan. The contact did not mention much regarding additional opportunities for local bank participation.

**Scope of Evaluation in New Mexico**

A full-scope review was performed for FNB’s single non-MSA AA in New Mexico. Refer to Appendix A for additional details.

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

**Lending Test**

The bank’s performance under the Lending Test in New Mexico is rated Outstanding.

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

Based on a full scope review, the bank's lending performance in the state of New Mexico is excellent overall. Performance is based solely on the non-MSA New Mexico AA, since this is the bank's only delineated AA in New Mexico.

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

The bank exhibits an excellent geographic distribution of loans in New Mexico, particularly when considering the impact of lending in distressed middle-income tracts. About 27 percent of all middle-income tracts throughout the AA were distressed due to poverty in 2020 and 2021, which is 14.3 percent of total tracts.

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

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 small loans to businesses.

The geographic distribution of small business loans in the AA is excellent overall. The bank's percentage of loans to businesses in low-income census tracts is slightly above the percentage of businesses in the AA and similar to peer aggregate lending performance. The bank's percentage of loans to businesses in moderate-income census tracts is slightly below the percentage of businesses in moderate-income census tracts and is consistent with peer aggregate performance. In addition, 25 percent of the bank's business loan sample was made in middle-income tracts that were designated as distressed.

#### ***Consumer Loans***

Refer to Table U 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 consumer loan originations and purchases.

The geographic distribution of consumer loans in the AA is excellent considering performance context. Based on a sample, the bank did not make any consumer loans in low-income tracts, which does not compare favorably to demographic data. However, low-income census tracts within the AA include one tract in Alamogordo and another in the rural portion of southern Otero County. Only 4.0 percent of households reside in low-income tracts, limiting lending opportunities. The bank's percentage of consumer loans in moderate-income census tracts is above the percentage of households in the AA. The bank's excellent distribution in moderate-income census tracts was given primary weight in the conclusion, given the more significant volume of households located in moderate-income tracts. In addition, 30 percent of the bank's consumer loan sample was made in middle-income tracts that were designated as distressed.

### **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.

***Loans to Businesses***

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 small loans to businesses.

The distribution of loans to small businesses in the AA is excellent. The bank's percentage of loans to small businesses is below the percentage of businesses in the AA, but significantly exceeds the peer aggregate lending performance for reporting institutions. The conclusion gives additional weight to the bank's performance compared to peer given overall strong lending competition in the AA.

***Consumer Loans***

Refer to Table V 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 consumer loan originations and purchases.

The income distribution of consumer loans in the AA is excellent. The percentage of the bank's consumer lending to low-and-moderate income borrowers exceeds the percentage of households in both low- and moderate-income tracts within the AA.

***Responses to Complaints***

The bank did not receive any CRA-related complaints during the evaluation period.

## Community Development Test

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

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

Based on a full-scope review, the bank exhibits excellent responsiveness to community development needs in the state through community development loans, qualified investments, and community development services, as appropriate, 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 overall CD lending activity is particularly responsive given the economic development and revitalization/stabilization impacts of these activities made during a period marked by pandemic disruption.

### Number and Amount of Community Development Loans

<i>Community Development Loans</i>				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
NM AA	120	99.2 %	16,300	88.7 %
Statewide Area	1	0.8 %	2,080	11.3 %

During the evaluation period, the bank made more than 150 loans under SBA's Paycheck Protection Program (PPP), which amounted to approximately \$10.0 million. These loans helped stabilize the local economy during the initial phases of the COVID-19 pandemic, and primarily benefitted small businesses. Some of these loans qualify for CRA credit. In 2021, the bank made 110 PPP loans totaling \$7.13 million or 15.7 percent of Tier 1 Capital; these loans generally qualify as disaster assistance under the OCC's June 2020 CRA rule, which was in effect during part of the bank's evaluation period.<sup>2</sup>

In addition to the PPP loans, the bank originated ten community development loans in the AA totaling \$9.17 million, which represents 20.2 percent of Tier 1 Capital. Several meaningful examples follow:

- FNB made a large loan to finance ongoing construction costs and refinancing needs related to White Sands Mall, which is in a moderate-income census tract. FNB staff facilitated a large loan over \$11 million, of which they retained \$5.62 million on their balance sheet. This lending relationship has funded additions and renovations to the mall to attract large national retailers and small businesses to operate in the mall. The mall provides jobs to the community, including jobs that are accessible for low to moderate income individuals, and helps to facilitate revitalization and stabilization of the area. The

<sup>2</sup> In December 2021, the OCC rescinded the June 2020 CRA Rule, but communicated changes regarding community development activities are applicable to the fourth quarter of 2020 and calendar year 2021. Refer to OCC Bulletin 2021-61 for the impact of the Rule rescission.

bank subsequently made another loan amounting to \$1.45 million, which funded construction costs to draw another national retailer to the mall.

- FNB originated two affordable housing loans totaling \$1.2 million that provided funds to an entity purchasing two separate mobile home parks in the AA, including some capital improvements to one of the parks. These units remain affordable too low to moderate income individuals and families.
- FNB originated two loans that exceeded \$519,000 to a local business located in a distressed middle-income census tract. The loans helped to fund business expansion, thereby facilitating new long-term jobs, and helping to revitalize and stabilize the area.
- FNB originated an economic development loan exceeding \$188,000 to a small business located in a low-income tract. The loan helped to facilitate a change in ownership and helped to retain eight jobs in the community.
- FNB originated an economic development loan exceeding \$163,000 to a small business providing childcare and early childhood education. The business had significant expansion plans given the elevated need for their services after a local daycare closed. This loan helped to facilitate new jobs as the business expanded their capacity. In addition, approximately 25 percent of enrollees were expected to qualify for state aid based on income parameters.

Because the bank met the community development needs of the delineated AA, examiners also considered community development loan activity outside the AA, but within the broader statewide region. The bank made one loan for \$2.08 million, which refinanced 58 apartment units in Albuquerque, NM. The apartment units are located in a moderate-income census tract and rents are affordable for moderate-income individuals.

**Number and Amount of Qualified Investments**

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
NM AA	3	1,690	30	1,361	33	86.8 %	3,051	55.5 %	0	0
Statewide/Region	2	1,311	3	1,140	5	13.2 %	2,451	44.5 %	0	0

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

The Qualified Investment Table, shown above, set forth the information and data used to evaluate the bank's level of qualified community development investments. These tables include all community development investments, including prior period investments that remain outstanding as of the examination date.

FNB invests significant funds in the state of NM, including qualifying investments under the CRA. Qualifying investment activity in the bank's AA represented a combined 6.7 percent of the bank's Tier 1 Capital. During the evaluation period, the bank purchased four qualifying investments that directly benefit the AA, which totaled \$1.32 million (2.9 percent of Tier 1 Capital). The bank also retained three qualifying investments benefitting the AA, which were

purchased in a prior period and totaled \$1.69 million as of year-end 2021 (3.7 percent of Tier 1 Capital). Invested funds benefitted public school districts in both Alamogordo and Ruidoso, which serve primarily low to moderate income students; investments provided new computer equipment as well as improvements to school facilities. In addition, the bank made 26 qualifying donations totaling more than \$41,000 to various community development organizations in the AA. Most of the donated funds benefitted THRIVE in Southern NM, a nonprofit organization that serves Lincoln and Otero Counties. The organization fundraises and distributes all donations to other local nonprofits in the community, with a primary focus on the various needs of low to moderate income individuals and families, including affordable meals for seniors; domestic violence counseling and outreach activities to assist victims; educational support, mentoring, and after-school programs for low to moderate income children; and legal advocacy and personal resources for children in need.

In 2021, FNB leadership also incentivized employee donations to Thrive by providing an extra day off to employees who reached certain giving levels. The additional time off amounted to 344 work hours compensated at just under \$25 per hour on average.

#### *Broader Statewide or Regional Area*

Because the bank met the community development needs of the delineated AA, examiners also considered community development investment activity outside the AA. Qualifying investment activity in NM outside the bank's AA represented a combined 4.8 percent of the bank's Tier 1 Capital. During the evaluation period, the bank purchased three qualifying investments that benefitted the broader statewide area, which totaled \$1.14 million (2.5 percent of Tier 1 Capital). The bank also retained one qualifying investment of \$1.04 million (2.3 percent of Tier 1 Capital), a prior period purchase benefitting the broader statewide area. These investments also provided investment in technology and improvements to facilities for other school districts in NM that serve primarily low to moderate income students (in Clovis, Silver City, and Albuquerque).

The bank also retained an El Paso, TX school bond with book value of about \$271,000 at year-end 2021, which benefitted the broader region by providing funding for school-related improvements in a school district with a majority percentage of low to moderate income students. El Paso shares a border with New Mexico and can be considered a part of a broader region that includes the bank's AA. There is approximately 90 miles between Alamogordo NM and El Paso TX.

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

Employees of the bank contributed approximately 390 qualified service hours to several organizations during the evaluation period. Each employee involved in providing community development services used their banking expertise to serve individuals in the AA. Bank employees assisted by preparing and/or reviewing budgets, balance sheets, accounts, and home mortgage applications. A majority of service hours were associated with multiple bank employees who served in leadership positions at qualifying organizations.

In partnership with the Federal Home Loan Bank of Dallas (FHLB), FNB facilitates home rehabilitation grant awards for elderly residents in the AA through the Special Needs Assistance Program (SNAP). Qualifying residents apply for funds through FNB, and applications are



reviewed and awarded through the bank, who manages the construction and payment process. FNB assisted 28 qualifying residents gain grant funding totaling approximately \$138,000. The bank also applied for and was awarded an affordable housing program subsidy of \$600,000 through the FHLB in Dallas, which will fund affordable housing projects in the bank's AA. While funds have not yet been deployed, the bank's efforts to pursue funding for affordable housing is noteworthy.

FNB's retail banking activities are responsive to the needs of the AA. FNB offers online and mobile banking services as well as ATMs. These services enhance the availability of retail banking to all customers, including low to moderate individuals throughout the AA. It is worth emphasizing that FNB provides free check-cashing services to members of the Mescalero Apache Tribe, who reside on a reservation in the northeast portion of Otero County (a moderate-income tract). Tribal members do not typically maintain personal bank accounts, and the bank does not require an account for this service. In some circumstances, the bank must order a large amount of extra currency from the Federal Reserve Bank at additional cost. For example, bank records indicate that teller transaction costs associated with tribal check cashing amounted to approximately \$31,000 in 2021.

## 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>	1/1/2019 – 12/31/2021	
<b>Bank Products Reviewed:</b>	Small Business Loans, Consumer Loans, Community Development Loans, Qualified Investments, Community Development Services	
<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>
New Mexico AA	Full-Scope	AA includes the counties of Otero, Lincoln, Chaves, and Eddy

## Appendix B: Summary of MMSA and State Ratings

RATING: First National Bank			
Overall Bank:	Lending Test Rating	CD Test Rating	Overall Bank/State/Multistate Rating
<b>First National Bank</b>	<b>Outstanding</b>	<b>Outstanding</b>	<b>Outstanding</b>
State:			
<b>New Mexico</b>	<b>Outstanding</b>	<b>Outstanding</b>	<b>Outstanding</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

<b>Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography</b>																			<b>2019-21</b>		
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts				
	#	\$ (000)s	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate		
New Mexico AA	20	12,363	100	2,570	4.3	5.0	5.1	10.6	10.0	10.2	52.4	60.0	54.4	32.7	25.0	30.3	0.0	0.0	0.0		
<b>Total</b>	<b>20</b>	<b>12,363</b>	<b>100</b>	<b>2,570</b>	<b>4.3</b>	<b>5.0</b>	<b>5.1</b>	<b>10.6</b>	<b>10.0</b>	<b>10.2</b>	<b>52.4</b>	<b>60.0</b>	<b>54.4</b>	<b>32.7</b>	<b>25.0</b>	<b>30.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		

*Source: 2021 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; 2020 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

<b>Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues</b>												<b>2019-21</b>	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available			
	#	\$ (Thousands)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans		
New Mexico AA	20	12,363	100	2,570	82.5	75.0	34.3	4.2	25.0	13.4	0.0		
<b>Total</b>	<b>20</b>	<b>12,363</b>	<b>100</b>	<b>2,570</b>	<b>82.5</b>	<b>75.0</b>	<b>34.3</b>	<b>4.2</b>	<b>25.0</b>	<b>13.4</b>	<b>0.0</b>		

*Source: 2021 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; 2020 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

<b>Table U: Assessment Area Distribution of Consumer Loans by Income Category of the Geography</b>													<b>2019-21</b>	
Assessment Area:	Total Consumer Loans			Low-Income Tracts		Moderate-Income Tracts		Middle-Income Tracts		Upper-Income Tracts		Not Available-Income Tracts		
	#	\$ (000)s	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
New Mexico AA	20	246	100	4.0	0.0	13.4	15.0	50.8	65.0	31.8	20.0	0.0	0.0	
<b>Total</b>	<b>20</b>	<b>246</b>	<b>100</b>	<b>4.0</b>	<b>0.0</b>	<b>13.4</b>	<b>15.0</b>	<b>50.8</b>	<b>65.0</b>	<b>31.8</b>	<b>20.0</b>	<b>0.0</b>	<b>0.0</b>	

*Source: 2015 ACS Census; 01/01/2019 - 12/31/2021 Bank Data.  
Due to rounding, totals may not equal 100.0%*

<b>Table V - Assessment Area Distribution of Consumer Loans by Income Category of the Borrower</b>													<b>2019-21</b>	
Assessment Area:	Total Consumer Loans			Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Not Available-Income Borrowers		
	#	\$ (000)s	% of Total	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	% of Households	% Bank Loans	
New Mexico AA	20	246	100	22.3	25.0	14.9	25.0	16.6	10.0	46.2	35.0	0.0	5.0	
<b>Total</b>	<b>20</b>	<b>246</b>	<b>100</b>	<b>22.3</b>	<b>25.0</b>	<b>14.9</b>	<b>25.0</b>	<b>16.6</b>	<b>10.0</b>	<b>46.2</b>	<b>35.0</b>	<b>0.0</b>	<b>5.0</b>	

*Source: 2015 ACS Census; 01/01/2019 - 12/31/2021 Bank Data.  
Due to rounding, totals may not equal 100.0%*