



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

June 6, 2011

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Peoples National Bank  
Charter Number 21717

5175 North Academy Blvd.  
Colorado Springs, CO 80918

Office of the Comptroller of the Currency  
Denver Field Office  
1225 17<sup>th</sup> Street, Suite 450  
Denver, CO 80202

**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, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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

This rating is based on the bank's performance in regard to residential real estate loans and non-farm/non-residential loans.

- Peoples National Bank's (PNB) loan-to-deposit ratio is excellent given area competition and credit needs of the community.
- The majority of loans by number and dollar volume are originated within the bank's assessment area.
- PNB meets the standards for lending to families of different incomes and to small businesses.
- The geographic distribution of residential and non-farm/non-residential loans is reasonable.

## **SCOPE OF EXAMINATION**

The evaluation period for this examination focused on commercial real estate loan originations from January 2006 through May 2011 and Home Mortgage Data from January 1, 2010 through March 31, 2011. Our loan sample was selected from the bank's primary lending products, which are commercial real estate and residential real estate loans. We randomly selected a sample of 24 commercial real estate loans from the Assessment Areas (AA) and also reviewed Home Mortgage Disclosure Act (HMDA) reportable loans for the El Paso County Metropolitan Statistical Area AA.

## **DESCRIPTION OF INSTITUTION**

Peoples National Bank (PNB) is a \$171 million institution located in central Colorado. PNB is wholly owned by Peoples, Inc., a multi-bank holding company that is 96 percent owned by the Winter Family.

PNB also has a wholly owned 100 percent subsidiary, Peoples Mortgage Corporation (PMC). PMC originates, purchases, and processes residential mortgage loans, which are subsequently sold on the secondary market.

The bank currently has eight full-service branches and eight Automated Teller Machines (ATMs). Bank offices include four branches in Colorado Springs, two in Monument, one branch in Fountain, and one in Woodland Park, Colorado. Each branch has a 24-hour ATMs. There is an additional ATM in Colorado Springs that is not tied to a branch. One of the eight offices is located in a low-income census tract; the Colorado Springs location on 19 N. Tejon.

The bank has not opened or closed any offices in low- or moderate-income tracts since the prior CRA examination. However, since the last CRA examination the bank sold branches in Buena Vista, Fairplay, and two offices in Pueblo, Colorado. They also acquired four banking offices in

Colorado Springs, Colorado from the affiliated Peoples National Bank Leadville. And, they merged their Leadville office to the affiliated Peoples National Bank of Leadville. The two branches opened since the prior CRA examination, in Fountain and Woodland Park, Colorado, are both located in middle-income census tracts within the El Paso County MSA.

PNB received a “Satisfactory” rating at the last CRA examination dated December 19, 2005.

**DESCRIPTION OF ASSESSMENT AREA(S)**

Demographic Information for Full Scope Area: El Paso County MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	117	0.85	28.21	48.72	22.22	0
Population by Geography	537,484	0.32	25.37	49.82	24.49	0
Owner-Occupied Housing by Geography	212,790	0.11	18.75	51.81	29.33	0
Business by Geography	47,798	3.92	21.0	44.34	30.74	0
Farms by Geography	1,117	1.7	15.49	56.58	26.23	0
Family Distribution by Income Level	141,012	16.86	18.85	24.72	39.57	0
Distribution of Low and Moderate Income Families throughout AA Geographies	50,346	0.32	38.71	49.6	11.37	0
Median Family Income for 2000		\$54,037	Median Housing Value - 2009			\$217,400
HUD Adjusted Median Family Income for 2010		\$70,600	Unemployment Rate (April 2011):			
Households Below Poverty Level		7.7%	El Paso County			9.1%

(\*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 US Census and 2010 HUD updated MFI.

The bank has identified the MSA of El Paso County as their AA. The bank-defined AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Communities located in the El Paso AA include Colorado Springs, Manitou Springs, Monument, and Fountain. Colorado Springs is the county seat and is home to the US Air Force Academy. Consequently, the Colorado Springs’ economy is heavily supported by US military installations.

The 2010 census data shows the El Paso MSA is comprised of 117 census tracts of which one tract is designated as low-income (1 percent), 32 tracts as moderate-income (29 percent), 52 tracts as middle-income (47 percent) and 26 tracts as upper-income (23 percent). The Department of Housing and Urban Development (HUD) updated MSA median family income for 2010 is \$70,600. Based on 2000 census data there are 141,012 families residing in the MSA,

of which 36 percent are identified as low- or moderate-income. Income designations are determined based on annual income as a percentage of the MSA median family income.

In conjunction with this examination we reviewed one current community contact in this AA. The community contact stated that tourism and government presence were the primary drivers in the local economy. This area includes the Fort Carson army base, Peterson and Schriever air force bases, the Air Force Academy, and Cheyenne Mountain. General banking barriers include high consumer debt, unemployment and underemployment issues, and high medical expenses. The community contact commented that there is a sense that area banks have tightened overall credit underwriting. Opportunities for local financial institutions are pre-development and construction loans, especially if offered at below market or low interest rates and with longer terms. Grants and other relevant investments are also an opportunity the interviewee listed. Opportunities for volunteering include foreclosure prevention efforts.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is more than reasonable given area competition and credit needs of the community.

The bank's average quarterly loan-to-deposit ratio since the last CRA examination of the bank in December 2005 is 73 percent. The average quarterly loan-to-deposit ratio of similarly situated banks over the same time period ranged between 62 percent and 92 percent. This bank ranked fifth among seven banks. Similarly situated banks are those banks of similar business lines operating within the same geography.

### Lending in Assessment Area

Loan Type	Number of Loans				Total	Dollars of Loans (000's)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
HMDA loans	2,065	60.34	1,357	39.66	3,422	434,849	59.37	297,579	40.63	\$732,428
NFNR loans	22	91.67	2	8.33	24	14,064	85.85	2,317	14.15	\$16,381
Totals	2,087	60.56	1,359	39.44	3,446	448,913	59.95	299,896	40.05	748,809

Source: HMDA data 2010 – 2011; NFNR Sample

The extent of lending inside the AA is reasonable. A majority of loans by number and dollar volume are originated within the bank's AA. Based on the number of total loans in our sample, the bank originated 61 percent of total loans inside the AA; 60 percent by dollar amount.

We sampled all home mortgage loans reported under the HMDA in 2010 and year-to-date through March 31, 2011; and 24 non-farm/non-residential loans that originated since the beginning of the last CRA review, December 19, 2005. HMDA data collected from the bank identified 3,422 originations; of this number 2,065 are in the AA, or 60 percent. For commercial

real estate loans the sample resulted in an in/out ratio of 92 percent by number and 86 percent by dollar amount.

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Overall, lending to borrowers of different incomes and to small businesses is reasonable and meets the standards of a satisfactory performance. Borrower distribution of residential real estate lending to borrowers of different income is reasonable. Lending to small businesses is excellent.

Residential Real Estate Loans

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in El Paso County MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	16.86	15.65	18.85	31.87	24.72	24.53	39.57	27.22
Home Improvement	16.86	0.00	18.85	0.00	24.72	100.00	39.57	0.00
Home Refinance	16.86	3.94	18.85	13.38	24.72	16.85	39.57	38.35
Total	16.86%	10.90%	18.85%	24.36%	24.72%	21.45%	39.57%	31.72%

Source: HMDA data for 2010-2011 and U.S. Census Data

The distribution of residential real estate secured loans to borrowers of different income levels is reasonable. Within the AA, area demographics indicate low- and moderate-income families comprise 17 percent and 19 percent of total families, respectively. Of the 2,065 HMDA reportable loans in the El Paso MSA in 2010 and year-to-date through March 31, 2011, the bank originated 225 loans to low-income families, or 11 percent by number and 6 percent by dollar amount. However, 24 percent by number and 19 percent by dollar amount were made to moderate-income families. Median housing cost in the El Paso MSA is \$151 thousand. Demographic information indicates that 56 percent of the low-income families report income below the poverty level. Combined, these factors severely restrict the opportunity for low-income families to achieve home-ownership.

Non-farm/Non-Residential Loans

<b>Table 2A - Borrower Distribution of Non-farm/Non-Residential Loans in El Paso County MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	81.68	3.32	15.00	100%
% of Bank Loans in AA by #	86.36	13.64	0	100%
% of Bank Loans in AA by \$	90.57	9.43	0	100%

Source: Loan sample; Dun and Bradstreet data.

The bank exceeds the standards of non-farm/non-residential lending to small businesses. The distribution of loans to small businesses (businesses with less than \$1 million in gross annual revenues) exceeds the demographic comparator. The bank originated 86 percent of non-

farm/non-residential loans to small businesses by number and 91 percent by dollar amount. This exceeds the demographic comparator of 82 percent of small businesses in the AA.

### Geographic Distribution of Loans

The geographic distribution of loans within the defined AA is reasonable and meets the standards for satisfactory performance. Our findings are based on the bank’s performance in the El Paso MSA.

#### Residential Real Estate Loans

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in El Paso County MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.11	0.16	18.75	15.73	51.81	49.96	29.33	34.15
Home Improvement	0.11	0.00	18.75	0.00	51.81	100.00	29.33	0.00
Refinancing	0.11	0.12	18.75	6.09	51.81	45.28	29.33	48.51
Total	0.11	0.15	18.75	11.82	51.81	48.09	29.33	39.95

Source: HMDA data for 2010-2011 and U.S. Census Data

The bank’s distribution of residential real estate loans reflects reasonable dispersion throughout the geographies of different income levels. Within the AA, less than 1 percent of the census tracts are low income while 28 percent of the tracts are moderate income. Further, within the moderate-income tracts, 19 percent of the housing units are owner occupied. Our sample revealed that of the 2,065 HMDA reportable loans in 2010 and year to date through March 31, 2011, loans made in low-income tracts totaled less than 1 percent by number and by dollar amount in low-income tracts. However moderate-income tracts totaled 12 percent by number and 8 percent by dollar volume.

For home purchase loans, the bank originated 1,227 HMDA reportable loans; two were in low income tracts (0.16 percent) and 193 in moderate income tracts (15.73 percent), which is reasonable. The bank made only one home improvement loan during this period (in a middle-income tract). Of 837 refinancing loans, one was in a low-income tract (0.12 percent). Of the refinancing loans, 51 (6.09 percent) were in moderate income tracts. The geographic distribution of home purchase loans meets the areas demographics. The geographic distribution of refinancing loans is below area demographics, but the penetration is reasonable given the bank’s competition in this market. In addition, the limited availability of owner occupied housing units limits the opportunity to make home mortgage loans.

#### Non-farm/Non-Residential Loans

<b>Table 3A – Geographic Distribution of Non-farm/Non-residential Loans in El Paso County MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	3.92%	0.00%	21.00%	31.82%	44.34%	27.27%	30.74%	40.91%
<i>Source: Loan sample; U.S. Census data.</i>								

The geographic distribution of business loans reflects excellent distribution within the AA. The percentage of business loans in the moderate-income census tracts exceeds the demographic comparator; 31.8 percent as compared to the demographic comparator of 21 percent. Our sample did not identify any business loans in a low-income census tract; however, there is only one low-income census tract in the AA, accounting for less than 1 percent of the census tracts. The demographic comparator lists 3.92 percent of businesses in the low-income census tract.

**Responses to Complaints**

There have been no CRA related complaints since the previous CRA review in December 2005.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet the community credit needs.