



**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 Leadville  
Charter Number 24396

400 Harrison Drive  
Leadville, CO 80461

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.**

Summarize the major factors supporting the institution's rating.

- The bank's loan-to-deposit ratio meets the standard for satisfactory performance. The bank's quarterly average loan-to-deposit ratio was 49 percent since the prior CRA examination in December 2005.
- A majority of the bank's home equity loans, 75 percent by number and 59 percent by dollar volume, were originated to borrowers within the bank's designated assessment areas (AA).
- Lending to borrowers of different incomes is reasonable and meets the standards for a satisfactory performance.
- The geographic distribution of loans within the AA is reasonable and meets the standards of satisfactory performance.

**SCOPE OF EXAMINATION**

The bank's primary loan product type by dollar volume is loans secured by 1-4 family residential loans, of which a majority are Home Equity Lines of Credit (HELOCs). Our rating of the bank's CRA performance is based on an analysis of this product between May 9, 2005 to June 6, 2011.

**DESCRIPTION OF INSTITUTION**

Peoples National Bank Leadville (PNBL) is a \$46 million institution located in central Colorado. PNBL is wholly owned by Peoples, Inc., a multi-bank holding company that is 96 percent owned by the Winter Family. Since the prior CRA examination the holding company restructured and consolidated its subsidiary banks. The restructuring reduced PNBL to one office as its former branches in Colorado Springs and Pueblo were merged into the sister charter, Peoples National Bank.

The bank operates one full-service facility in downtown Leadville, Colorado. This location also offers a drive-up facility and an ATM. Additionally, the bank operates a stand alone ATM at the City Market Grocery in Buena Vista. The bank faces some competition from two branch facilities in Leadville, but otherwise there are no other banking services in the town of Leadville or Lake County, Colorado. PNBL holds 54 percent of deposits inside the market and ranks first in market share of deposits for the three banking facilities located in Leadville.

PNBL offers a variety of credit products. The primary loan product by dollar volume is loans secured by 1-4 family residential loans, which comprise 27 percent of total loans. The majority of the 1-4 family residential loans (49 of 61) are Home Equity Lines of Credit (49 of 61). The portfolio also includes 1 to 4 family construction loans (24 percent of total loans) and owner-occupied commercial real estate (CRE) loans (20 percent of total loans). Other loans offered by the bank include commercial real estate non-owner occupied (9%), commercial and industrial

(2%), and other consumer (2%). Net loans represent 16 percent of the bank's total assets.

Our rating of the bank's CRA performance is based on an analysis of loans made since the prior CRA examination. The bank's small size and the generally weak economy have reduced loan activity, and there are only 101 loans originated since the last CRA examination. Home Equity Lines of Credit (HELOCs) comprise 27% of the loans made in that period, and we reviewed that portfolio to assess lending within the AA. The other portfolios of 1 to 4 family construction and owner-occupied CRE, while totaling 44 percent of total loans, include only 18 construction and 2 CRE loans made since the prior examination. These portfolios did not have a sufficient number of borrowers for us to do a meaningful analysis. The bank faces economic and financial impediments in its ability to meet the credit needs of the assessment areas.

The bank received a "Satisfactory" rating at the last CRA examination dated May 9, 2005.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

Management has identified the geography of Lake County as the bank's assessment area (AA). Lake County is not part of a metropolitan area.

Lake County is in mountainous terrain of steep and often inaccessible geographies. The tourist industry dominates the economy. The population tends to be near main highway arteries traversing through the mountains. 2010 census data shows the county has three census tracts, two of which are middle-income and one tract that is moderate-income. The Department of Housing and Urban Development updated non-MSA median family income is \$56,500. Based on 2010 census data the population of Lake County is 7,812 people including 2,917 households and 1,933 families. 40% of the population in the AA is deemed as low- or moderate-income. A meaningful percentage of the households (11%) are identified as having income below the poverty level. Income designations are determined based on annual income as a percentage of the AA median family income.

In conjunction with this examination we reviewed one current community contact in this AA. The community contact stated the economy in the City of Leadville, Colorado is fair. The local mine recently re-opened and is hiring employees. Lifetime Fitness continues to host the annual Leadville Race series which attracts thousands of people to the area each year.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

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

The bank's loan-to-deposit ratio is satisfactory given the one office location, the local economy, and credit demand.

The bank's average loan-to-deposit ratio prior to the 2007 holding company restructure the bank's average loan-to-deposit ratio ranged between 59 percent and 80 percent. After the restructure, with the bank operating one location, the loan-to-deposit ratio ranged from 22 percent to 37 percent. Although the quarterly average for similarly situated banks over the 5 year period ranged between 55 and 91 percent, the similarly situated banks often offer multiple

banking locations. As a result, the similarly situated banks have expanded lending opportunities and may not be as severely impacted by the weak loan demand caused by current economic conditions. The weak loan demand hampered PNBL’s ability to generate loans.

**Lending in Assessment Area**

<b>Table 1 - Lending in Lake County</b>										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HELOCs	27	75	9	25	36	841	58.77	590	41.23	1,431
Total Loans	65	64.36	36	35.64	101	2,057	47.04	2,316	52.95	4,373

Source: Indicate source, i.e., total loans and total HELOCs from May 3, 2011 bank loan trial balance.

The bank’s lending within the assessment area is satisfactory.

From our review of the HELOC portfolio, the majority of loans by dollar and number were originated within the assessment area. The bank has made 36 HELOC loans totaling \$1,431 thousand. 27 by number (75 percent) and \$841 thousand by dollar (59 percent) are to borrowers located within the bank’s assessment area.

Because we were unable to pull a meaningful sample of other loan types, we also looked at the total loan portfolio for lending in the assessment area. The bank has a total of 101 loans that originated since the 2005 CRA examination. Of those loans 65 loans (64 percent) were located within the bank’s assessment area. And, \$2,057 thousand (or 47 percent) of the total dollars outstanding are to borrowers within the bank’s assessment area. This is reasonable given that the average size of the loans to borrowers within the assessment area are smaller.

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

<b>Table 2B - Borrower Distribution of Consumer Loans in Lake County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
HELOC Loans	21.27	7.41%	16.43	40.74%	26.62	37.04%	35.68	14.81%

Source: Indicate source, i.e., loan sample or data collected by the bank; U.S. Census data.

Lending to borrowers of different incomes is reasonable and meets the standards of a satisfactory performance.

The bank’s pattern of lending to low-and-moderate income borrowers reasonably reflects area demographics. Within the AA area demographics indicate low and moderate-income families comprise 21.27% and 16.43% of total families, respectively. Of the 27 HELOC loans originated in the Lake County AA, 7.41% by number and 8.27% by dollar volume were originated to low-

income families. At the same time, 40.74% by number and 29.94% by dollar volume were originated to moderate-income families. Although loans to low-income families are below area demographics, loans to moderate-income families exceed area demographics. In addition, the combined number of loans originated to low-and moderate-income families totals 48.15% by number and 38.21% by dollar volume. This exceeds the combined percentage of low and moderate-income families of 37.70%.

**Geographic Distribution of Loans**

Table 3 - Geographic Distribution of Residential Real Estate Loans in Lake County AA								
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
HELOCs			65.07	11.54%	49.94	88.46%		

*Source: Indicate source, i.e., loan sample or data reported under HMDA; U.S. Census data.*

The geographic distribution of loans within the AA is reasonable and meets the standards of satisfactory performance.

Of the 27 HELOC loans originated within the AA since the last CRA examination, 11.54% by number and 10.21% by dollar volume were originated in the moderate-income census tract. U.S. Census data shows that the Lake County AA contains only one moderate-income census tract with 65.07% of homes being owner-occupied. However, additional information provided by the bank reveals that only 12% of the households located in Lake County AA reside in the moderate-income census tract. Therefore, the number and dollar volume of HELOC loans originated in the moderate-income tract is consistent with the 12% of households that reside in the census tract.

Additional information also reveals that the moderate-income census tract contains a mobile home park. This mobile home park contains permanently fixed homes that do not meet the bank’s underwriting requirements for mobiles homes. Therefore, the bank has not financed any loans to the mobile home park. The economy is also a contributing factor for the number of originated loans. Loan demand continues to remain low.

**Qualified Investments and CD Services (Optional)**

There were no qualified investments or CD services since the beginning of the previous CRA exam.

**Responses to Complaints**

There were no CRA related complaints since the beginning of the previous CRA exam.

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

We found no evidence of discriminatory or other illegal credit practices inconsistent with

helping to meet community credit needs.