



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

September 5, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank - Colorado
Charter Number 7637**

**117 Main
Fowler, Colorado 81039**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First National Bank - Colorado** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 5, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

First National Bank - Colorado's (FNB) record of meeting the credit needs of the community is satisfactory. A substantial majority of the bank's loans are originated in its assessment area. The bank lends to borrowers of all income levels and businesses of different sizes. The geographic distribution of loans made within the assessment area is reasonable. The bank's loan-to-deposit ratio exceeds other similarly situated local banks.

DESCRIPTION OF INSTITUTION:

FNB is a \$40 million independent financial institution located on the southeastern plains of Colorado. The main office is located in Fowler, Colorado, and two branches are located in Pueblo, Colorado. One of the branches is located in a King Soopers grocery store. Automated teller machines are located in each of the bank’s branches, offering services 24 hours a day.

Since our last CRA evaluation in 1994, the bank has added two branches in Pueblo and experienced significant growth. Total assets increased from \$17 million as of June 30, 1994, to \$40 million by September 30, 1998. The Pueblo branch located on Santa Fe Drive opened in January 1995 and the King Soopers branch opened in November 1997. These new offices, as well as consistent growth at the bank’s main location, are responsible for this growth.

FNB offers a wide range of real estate, consumer, commercial, and agriculture loans. As of September 30, 1998, the bank’s portfolio totaled \$30 million. The bank has an additional \$7 million in loans sold to other institutions. The following table details the bank’s loan portfolio by product type.

LOAN TYPE	PERCENT OF GROSS LOANS
Agriculture	37%
1 to 4 Family Residential Real Estate (RE)	25%
Commercial	24%
Individuals	8%
Construction	6%
Total	100%

FNB received a “Satisfactory Record of Meeting Community Needs” at the July 29, 1994, CRA examination. There are no legal or financial impediments which preclude the bank from its obligation under the CRA.

DESCRIPTION OF ASSESSMENT AREA:

The bank has identified as its assessment area Otero County and the Pueblo Metropolitan Statistical Area (MSA). Otero County contains the towns of Fowler, La Junta, Manzanola, Rocky Ford, and several smaller towns.

The designated assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The total population of the assessment area is

approximately 143,000. The Pueblo MSA has generally been experiencing growth, but Otero County's largely rural population is stable. The following table reflects income characteristics by census tract and block numbering areas, and the number of families in the assessment area.

FIRST NATIONAL BANK - COLORADO ASSESSMENT AREA (AA)				
Income Level	Number of Census Tracts (Pueblo County) and BNAs (Otero County)	Percent	Number of Families	Percent
Low	4	7%	9,067	23%
Moderate	17	31%	6,720	17%
Middle	21	38%	8,412	22%
Upper	11	20%	14,876	38%
NA*	2	4%	0	0%
Total	55	100%	39,075	100%

*The University of Southern Colorado and the Colorado State Hospital census tracts reported no income information.

Pueblo MSA

The Pueblo MSA consists of Pueblo County, Colorado. Pueblo County has a population of approximately 123,000, centered in the city of Pueblo. Major employers include various light manufacturing and warehouse facilities as well as county, city, and federal government offices. The MSA contains 48 census tracts, including 11 upper income, 18 middle income, 14 moderate income, and 3 low income, with 2 tracts reporting no income information. These unreporting tracts contain the University of Southern Colorado and the Colorado State Hospital.

Several independently chartered banks, as well as branches of other community and regional banks are located in Pueblo. There is also significant local competition from approximately 25 area mortgage companies.

Examiners reviewed the results of two community contacts in Pueblo made by the Office of the Comptroller of the Currency and one contact by the Federal Deposit Insurance Corporation. These contacts were all made in 1997. Two contacts were representatives of economic development organizations. The other contact was a local government representative. These contacts indicated that banks are generally meeting area credit needs. Two contacts indicated area residents could benefit from educational programs on how to apply for credit and build a good credit history.

Otero County

Otero County is located 35 miles east of Pueblo, Colorado, and borders Pueblo County. The county population is approximately 20,000 people, with Fowler having a population of 2,000. Other towns in the county are La Junta, Rocky Ford, Manzanola, and several other smaller communities. The county's major employment is farming and farm-related services. La Junta is the largest town in the county, with a population of approximately 8,000. The county is comprised of seven block numbering areas (BNAs). Three are middle income, three are moderate income, and one is low income. Competition in Fowler is provided by a state bank. La Junta and Rocky Ford have national banks, state banks, a credit union, and the Federal Land Bank as competition. President Herrick stated that competition in La Junta and Rocky Ford has limited FNB's presence in these towns.

Examiners made one contact in Otero County during this examination. The contact was a representative of a local housing organization. This contact stated that local banks meet area credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-deposit Ratio

FNB's overall lending level is good given the bank's size, financial condition, and assessment area needs. The bank's loan-to-deposit (LTD) ratio averaged 90% for the eight quarter period ending June 30, 1998. FNB compares favorably to four similarly situated banks serving the assessment area, which had average LTD ratios ranging from 56% to 82% during the same period. These banks were selected based on asset size, location, and similar business focus.

Lending in the Assessment Area

FNB originates a majority of its loans in both number and dollar volume within its assessment area. Examiners selected samples of residential real estate, commercial/agriculture, and consumer loans to evaluate the bank's record of lending within the assessment area. Residential real estate and commercial/agriculture loans are the two most significant loan types by dollar volume, representing 86% of the bank's loan portfolio. Consumer loans represented 8% of all loans as of September 30, 1998.

The following table details our findings based on these samples.

LENDING WITHIN THE ASSESSMENT AREA (AA)				
Loan Type	Number of Originations	Percent Inside AA	Dollar Amount of Originations	Percent Inside AA
Commercial/AG loans ¹	174	74%	12,860,000	49%
Residential RE ²	46	85%	2,427,000	88%
Consumer Loans ³	306	86%	1,637,000	84%

¹ Sample represents all commercial/AG loans originated between September 1, 1997, and September 30, 1998.

² Sample represents all HMDA reported loans originated between January 1 and June 30, 1998.

³ Sample represents all consumer loans originated between September 1, 1997, and September 30, 1998.

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

FNB's lending patterns reflect reasonable dispersion among individuals of different income levels and businesses of different sizes. Examiners sampled 38 residential real estate loans originated between January 1, 1998, and August 30, 1998, and 38 consumer loans originated between September 1, 1997, and September 30, 1998. The following table illustrates the distribution of residential real estate related loans and consumer loans originated in the assessment area in the previously stated time frames.

LENDING TO BORROWERS OF DIFFERENT INCOMES			
Income Category	Families by Income Category*	Distribution of Sampled Residential RE Loans by Category**	Percentage of Sampled Consumer Loans by Number**
Low (Less Than 50% of Median Income)	23%	13%	29%
Moderate (50-79% of Median Income)	17%	11%	29%
Middle (80-119% of Median Income)	22%	16%	13%
Upper (Greater Than 120% of Median Income)	38%	60%	29%
Total	100%	100%	100%

*Based on 1990 MSA/Non-MSA 1990 Census Median Family Income of \$26,098.

** Based on 1998 MSA/Non-MSA updated Median Family Income of \$35,770. The percent of families also reflects the bank's combined assessment area which is Otero County and the Pueblo MSA.

The above table shows a reasonable penetration of loans to low- and moderate-income individuals with respect to consumer loans. However, the level of residential real estate-related lending to low-and moderate-income individuals is low as a percentage of the population. The Pueblo MSA, where two branches of the bank are located, have significant competition for real estate related loans.

Businesses and Farms of Different Sizes

The following table demonstrates that the bank is helping meet the small business and small farm credit needs of its community. Our sample of commercial and agricultural loans originated between September 1, 1997, and September 30, 1998, reflects that 87% were to businesses and farms meeting the small business/small farm definition of total revenues less than \$1 million. This compares favorably to the 1990 U.S. Census data, which shows that 75% of businesses and farms in the assessment area had annual revenues under \$1,000,000. Loans made to small businesses and farms with annual revenues under \$250,000 comprised 56.2% of our sample.

LENDING TO BUSINESSES AND FARMS OF DIFFERENT SIZES		
Annual Revenue	Number of Loans	Percentage of Loans
Revenues Less Than \$100,000	9	28%
Revenues \$100,000-\$250,000	9	28%
Revenues \$250,000-\$500,000	7	22%
Revenues \$500,000-\$1,000,000	3	9%
Revenues Over \$1,000,000	4	13%
Total Loans Sampled	32	100%

Geographic Distribution of Sampled Loans

The bank’s lending pattern reflects reasonable dispersion within the assessment area.

The following table of 38 residential real estate loans and 39 consumer loans reflects that over 50% of the loans sampled are concentrated in low- and moderate-income geographies. Much of the consumer lending in the geographies is generated in Fowler, where the main office is located. Fowler is a moderate-income area. The branch in Pueblo generates residential loans of which a significant number are located in low- and moderate-income areas.

GEOGRAPHIC DISTRIBUTION OF LOANS		
Income Characteristics of Census Tract/BNAs	Composition of Census Tract/BNAs in AA	Distribution of Sampled Loans by Location*
Low	7%	11%
Moderate	31%	47%
Middle	38%	34%
Upper	20%	8%
NA	4%	0%
Total	100%	100%

*Based on a sample of 100% of residential real estate loans originated between January 1 and June 30, 1998, and a sample of approximately 15% of consumer loans originated between September 1, 1997, and September 30, 1998. No loans were identified in the two undesignated census tracts.

Response to Complaints

The bank has not received any complaints regarding its CRA performance since the prior CRA examination.

Fair Lending Review

The bank is in substantial compliance with fair lending laws and regulations. Our fair lending review, conducted concurrently with this examination, found no unusual patterns or discriminatory lending practices.