



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 6, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Limon
Charter Number 11504**

**790 Main Street
Limon, Colorado 80828**

**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 **The First National Bank of Limon** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 6, 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.”**

The First National Bank of Limon's lending performance reflects satisfactory responsiveness to the community credit needs. The loan-to-deposit ratio is good and exceeds that of similarly situated institutions in the assessment area. The majority of loans and related lending activities originate in the bank's assessment area. In addition, the distribution of loans reflects reasonable penetration to individuals of different income levels and businesses of different sizes.

DESCRIPTION OF INSTITUTION

The First National Bank of Limon (FNB) is a \$46 million community bank located in eastern Colorado. The main office and drive-up facility are located in Limon, Colorado, a rural town with a population of approximately 2,000. The bank operates a 24-hour automated teller machine (ATM) at the drive-up facility located one block east of the main office. Big Sandy Holding Company, a one-bank holding company, owns 100% of the bank.

The bank's primary business focus is agricultural lending. As of September 30, 1997, agricultural loans represented 63% of total loans. The remainder of the portfolio was comprised of commercial loans (27%), loans to individuals (6%), 1-4 family residential real estate loans (3%), and other loans (1%). Loans represent 78% of the bank's total assets. There are no financial or legal impediments that affect the bank's ability to meet the credit needs of the assessment area.

The last Community Reinvestment Act Examination was performed on July 21, 1994. The bank received a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of five counties in eastern Colorado: Cheyenne, Elbert, Kit Carson, Lincoln, and Washington. The assessment area consists of 15 block numbering areas (BNAs). The community is rural, and none of the five counties contain a Metropolitan Statistical Area (MSA). According to 1990 census data, only 28,524 people live in the assessment area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The following table shows the demographic composition of the assessment area by BNA tract characteristics. It shows that the bank's assessment area is comprised primarily of middle-income BNAs and contains no low-income tracts. Of the 15 BNAs, 4 (27%) are moderate-income tracts, 10 (67%) are middle-income tracts, and 1 (6%) is an upper-income tract.

ASSESSMENT AREA BNA CHARACTERISTICS			
County	BNA	Towns	Income Designation
Cheyenne	9906	Cheyenne Wells	Middle
	9907	Kit Carson	Middle
Elbert	9911	Simla, Agate, Matheson	Moderate
	9912	Kiowa, Elizabeth	Upper
Kit Carson	9921	Burlington, Bethune	Middle
	9922	Stratton, Vona	Middle
	9923	Flagler, Seibert	Middle
Lincoln	9916	Arriba	Moderate
	9917	Limon, Genoa	Middle
	9918	Hugo	Middle
	9919	Karval, Boyero	Moderate
Washington	9941	Otis	Middle
	9942	Akron	Moderate
	9943	Cope	Middle
	9944	Lindon	Middle

Note: The table is based on 1990 U.S. Census data. The 1990 state-wide non-MSA median-family income was \$28,258.

The assessment area economy is tied to agriculture, both livestock production and farming. Major crops in the area include wheat, beans, alfalfa, millet, and corn. The largest employers in the Limon area include the State Correctional Facility, Plains Medical Center, and Mountain View Electric Company. Other major employers include city, county, and state governments as well as various services throughout the community. Area unemployment is low at 2%. The following table illustrates the distribution of families within the assessment area by income level.

FAMILIES IN THE ASSESSMENT AREA BY INCOME LEVEL		
Income Classification and % of Median Family Income	#	%
Low Income (0% - 50%)	1,454	18%
Moderate Income (50% - 80%)	1,431	18%
Middle Income (80% - 120%)	1,790	22%
Upper Income (> 120%)	3,412	42%
Total	8,087	100%

Note: The table above is based on 1990 U.S. Census data. The 1990 state-wide non-MSA median-family income was \$28,258.

FNB is one of three financial institutions in Limon, including a saving and loan association and a branch of a community bank. However, the bank faces competition from throughout the five-county assessment area. The bank is one of 12 financial institutions within the assessment area. This includes 10 community banks and 2 savings and loan associations.

As part of this examination, we performed two community contacts. We contacted a local city government official and the local chamber of commerce. Both contacts stated that FNB is involved in the community and offers loans and services that directly meet community needs. The contacts did not identify any segments of the community under served or types of banking products that are needed.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB actively lends within the assessment area. This is reflected in a high loan-to-deposit ratio. From December 31, 1995, through September 30, 1997, the bank's quarterly loan-to-deposit ratio averaged 83%. The ratio exceeds the loan-to-deposit ratios for nine similarly situated banks located in the assessment area. These banks were selected based on similar asset size and product base. Their average loan-to-deposit ratios for the eight quarters ending September 30, 1997, ranged from 36% to 78%.

Lending in Assessment Area

The majority of the bank's loans are originated within its assessment area. We reviewed all bank loans originated during 1997. These 788 loans totaled approximately \$25 million. Of these loans, 77% by number and 76% by dollar were made to borrowers within the assessment area.

Lending to Borrowers of Different Incomes and Farms/Business of Different Sizes

FNB's lending patterns show a good distribution of loans among individuals, farms, and businesses of different income levels. Loan originations are evenly distributed among the four income levels and compare favorably to assessment area demographics. We sampled 44 consumer loans made during 1997 and compared each borrower's income to the Colorado median-family income. Our analysis showed that 48% of loans by number were to low- or moderate-income customers. The results of our sample are summarized in the following table:

LOAN DISTRIBUTION TO BORROWERS OF DIFFERENT INCOME LEVELS			
Income Designation of the Borrower	# of Loans Sampled	% of Sample (Based on 1997 Income Levels)	% of Families in the Assessment Area (Based on 1990 Census Data)
Low	10	23%	18%
Moderate	11	25%	18%
Middle	13	29%	22%
Upper	10	23%	42%
Total	44	100%	100%

Note: The 1997 Department of Housing and Urban Development (HUD) median-family income for non-MSA areas of Colorado is \$38,700.

A substantial majority of the bank's commercial and agricultural loans are to small farms and small businesses. We sampled 56 commercial and farm loans made during 1997. As shown in the table below, approximately 97% of the loans were to businesses with gross revenues of less than \$1 million. This also compares favorably to assessment area demographics. According to current business demographic data provided by Dunn & Bradstreet, 93% of farms and 74% of non-farm businesses in the assessment area had revenues of less than \$1 million.

LOAN DISTRIBUTION TO FARMS AND BUSINESSES OF DIFFERENT SIZES				
Annual Gross Revenues	# of Loans Sampled	% of Loans Sampled	\$ Amount of Loans Sampled	% of Dollars Sampled
Less than \$100,000	29	52%	\$1,265,000	15%
\$100,000 to \$250,000	15	27%	\$2,365,000	27%
\$250,000 to \$500,000	7	12%	\$1,240,000	14%
\$500,000 to \$1 million	3	6%	\$1,811,000	21%
Greater than \$1 million	2	3%	\$2,010,000	23%
Totals	56	100%	\$8,682,000	100%

Geographic Distribution of Loans

The bank's lending patterns show a reasonable dispersion among low- and moderate-income geographies. We sampled 166 loans representing 21% of total 1997 loan originations. The sample showed that 36% of the loans by number, and 14% of the loans by dollar, were made to customers in moderate-income BNAs. The assessment area contains no low-income BNAs. This distribution is comparable to area demographics. See the following table.

GEOGRAPHIC DISTRIBUTION OF 1997 LOAN ORIGINATIONS				
Income Characteristic of BNA	Loans Sampled	% of Sample (Based on 1997 Income Levels)	Assessment Area Demographics⁽¹⁾	
			BNA Tracts in AA(%)	% of AA Population
Low	0	0%	0%	0%
Moderate	60	36%	27%	18%
Middle	96	58%	67%	53%
Upper	10	6%	6%	28%
Total	166	100%	100%	100%

⁽¹⁾Based on the 1990 state-wide median-family income for non-MSA areas of Colorado. Income characteristics are defined as follows: Low - less than 50%, Moderate- from 50% to 79%, Middle - 80% to 119%, and Upper - above 120% of the median income.

Community Development Investments

FNB participates in community investments through the purchase of bonds through the Colorado Agricultural Development Authority (CADA). CADA is a state organization whose mission is to provide financing to start-up farmers through the use of public financing. The tax-exempt bonds are passed on to beginning farmers in the form of below-market interest rate loans. The bank purchased two CADA bonds in 1995 and two in 1997 totaling \$511,000.

Response to Complaints

There have been no complaints regarding the bank's CRA activities since the last CRA Performance Evaluation dated July 21, 1994.

Record of Compliance with Antidiscrimination Laws

The bank is in substantial compliance with fair lending laws and regulations. Our fair lending examination did not find any evidence of discrimination or practices intended to discourage low- and moderate-income applicants from applying for credit.