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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

December 5, 1997

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank in Walsenburg  
Charter Number 14826**

**501 Main Street  
Walsenburg, Colorado 81089**

**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 in Walsenburg** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 5, 1997. 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 in Walsenburg's lending performance reflects satisfactory responsiveness to the community credit needs. The loan-to-deposit ratio is reasonable and comparable to that of similarly situated institutions. The majority of loans and related lending activities originate in and are reasonably distributed throughout the bank's assessment area. In addition, the distribution of loans reflects good penetration among individuals of different income levels and businesses of different sizes.

**DESCRIPTION OF INSTITUTION:**

First National Bank in Walsenburg is a \$36 million community bank located in southern Colorado. The main office and detached drive-up facilities are located in Walsenburg, Colorado which is the county seat of Huerfano County. In addition, the bank has a branch located in LaVeta, Colorado. First National Bank in Walsenburg has 24-hour automated teller machines located at the drive-up facility and the LaVeta branch. Community Bankshares, Inc., located in Denver, Colorado, owns 100% of the bank. The holding company owns four other community banks located throughout Colorado.

The bank’s business focuses on consumer, small business, agriculture, and real estate lending. As of June 30, 1997, loans represent 59% of the bank’s total assets. The portfolio was comprised of agricultural loans (26%), 1-4 family residential real estate loans (24%), loans to individuals (10%), and commercial loans including commercial real estate (38%). There are no financial or legal impediments that affect the bank’s ability to meet the credit needs of the assessment area.

The last CRA Examination was preformed on January 6, 1995. The bank received an Outstanding rating.

**DESCRIPTION OF HUERFANO COUNTY:**

The bank’s assessment area is Huerfano County, Colorado. The community is rural and not part of any Metropolitan Statistical Area (MSA). This area includes three block numbering areas (BNAs). According to 1990 census data, 6,009 people live in the assessment area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas. The following table shows the 1990 census income designation for each BNA.

| BNA  | BNA Income as a % of Statewide Non-MSA Median Family Income (\$28,258) | U. S. Census Income Designation | Towns Included |
|------|--|---------------------------------|----------------|
| 9806 | 70%  | Moderate                        | Walsenburg     |
| 9807 | 72%  | Moderate                        | LaVeta         |
| 9808 | 41%  | Low                             | Gardner        |

The predominant land use is related to agriculture and ranching. Tourism is a growing industry. Major employers are city and county government, education, medical and health services, and a privately operated correctional facility. The area unemployment is moderate at 7%.

First National Bank in Walsenburg is one of three financial institutions in Huerfano County. The area is also served by a small credit union and a branch of a bank located in an adjacent county.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

### *Loan-to-Deposit Ratio*

First National Bank in Walsenburg's loan-to-deposit ratio is reasonable. From September 30, 1995, through June 30, 1997, the bank's quarterly loan-to-deposit ratio averaged 56%. During this same timeframe, the loan-to-deposit ratio has steadily increased from 42% to 63%. The ratio is comparable to eight similarly situated banks in rural southern Colorado communities. Their average loan-to-deposit ratio for the eight quarters ending June 30, 1997, ranged from 40% to 82%.

### *Lending in Assessment Area*

Most of the bank's loans are originated within its assessment area. We reviewed 585 loans made from January 1997 through November 1997 totaling \$9.6 million. The table below summarizes our findings.

| Loan Originations       | Number of Loans | Percent of Number of Loans | Dollar Amount (000's) | Percent of Dollar Amount |
|-------------------------|-----------------|----------------------------|-----------------------|--------------------------|
| Inside Assessment Area  | 464             | 79%                        | \$6,160               | 64%                      |
| Outside Assessment Area | 121             | 21%                        | \$3,443               | 36%                      |
| Total                   | 585             | 100%                       | \$9,603               | 100%                     |

### *Lending to Borrowers of Different Incomes and Business of Different Sizes*

First National Bank in Walsenburg's lending patterns show a good distribution of loans to individuals of different income levels and businesses and farms of different sizes.

We sampled 83 consumer loans made from January 1997 through November 1997, comparing the borrower's income to the updated Colorado median-family income. The 1997 Department of Housing and Urban Development (HUD) updated median-family income for non-MSA areas in Colorado is \$38,700. The results of our sample are summarized in the following table.

| Income Designation of the Borrower | % of Families in the Assessment Area | # of Loans Based on Sample | % of Loans Based on Sample | Dollar Amount of Loans Based on Sample | % of Dollars Based on Sample |
|------------------------------------|--------------------------------------|----------------------------|----------------------------|--|------------------------------|
| Low                                | 34%                                  | 43                         | 52%                        | \$88,156                               | 32%                          |
| Moderate                           | 27%                                  | 27                         | 33%                        | \$98,015                               | 36%                          |
| Middle                             | 20%                                  | 7                          | 8%                         | \$38,764                               | 14%                          |
| Upper                              | 19%                                  | 6                          | 7%                         | \$50,213                               | 18%                          |
| Total                              | 100%                                 | 83                         | 100%                       | \$275,148                              | 100%                         |

Most of the bank's commercial and agricultural loans are to businesses and farms with gross annual revenues of less than \$100,000. We sampled 35 business and farm loans originated in the assessment area between January and November 1997. The results of our analysis are summarized below.

| Annual Gross Revenues  | # of Loans Sampled | % of Loans Sampled | Dollar Amount of Loans Sampled | % of Dollars Sampled |
|------------------------|--------------------|--------------------|--------------------------------|----------------------|
| Less than \$100,000    | 22                 | 63%                | \$460,172                      | 26%                  |
| \$100,000 to \$500,000 | 10                 | 29%                | \$504,756                      | 29%                  |
| Greater than \$500,000 | 3                  | 8%                 | \$785,325                      | 45%                  |
| Totals                 | 35                 | 100%               | \$1,750,253                    | 100%                 |

The high dollar amount reflected in the greater than \$500,000 category is impacted by one loan in the original amount of \$550,000. Also, all three borrowers in this category had gross annual revenues in excess of \$1 million.

### ***Geographic Distribution of Loans***

We did not perform an analysis of the geographic distribution of loans. The assessment area does not have sufficient income variation in its geographies for a meaningful analysis. All three BNAs within the assessment area are low- or moderate-income geographies based on the state non-MSA median-family income.

### ***Response to Complaints***

There have been no complaints regarding the bank's CRA activities since the last CRA Performance Evaluation dated January 6, 1995.

### ***Record of Compliance with Antidiscrimination Laws***

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.