



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 23, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank in Alamosa
Charter Number 7904**

**720 Main Street
Alamosa, Colorado 81101**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105-2292**

<p>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.</p>

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 Alamosa** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 23, 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 (FNB) in Alamosa is responsive to the credit needs of the community. The majority of the bank's loans are extended in the bank's assessment area. The distribution of loans reflects a good penetration among borrowers of different income levels and small businesses, as well as to geographies with different income levels. The loan-to-deposit ratio is reasonable, considering the bank's resources and competitive environment.

The following table indicates the performance level of First National Bank in Alamosa with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank in Alamosa</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints received since last examination.		
Services	X		

DESCRIPTION OF INSTITUTION

First National Bank in Alamosa is located in Alamosa, Colorado, a small agricultural community. Alamosa is located about 250 miles south of Denver in the San Luis Valley. First National Bank in Alamosa, which was chartered in 1905, is the largest retail community bank in the San Luis Valley. As of June 30, 1997, the bank reported \$120 million in total assets and \$75 million in net loans.

The primary operations are at the main office in the business district of Alamosa, Colorado. The bank offers a wide range of deposit and loan products to individuals, farmers, ranchers, and small businesses. In addition to the main office, the bank has two branch offices located in Center and Saguache, Colorado. The Center branch opened in May 1994 and operates as a full service facility. The Saguache branch was acquired in September 1995. The bank has the largest automated teller machine (ATM) network servicing the San Luis Valley, with thirteen ATMs. The ATM sites have been selected by customers and were installed in response to customer demand. The bank is a subsidiary of Sky Valley Bank Corporation, a one bank holding company.

DESCRIPTION OF ASSESSMENT AREA

FNB in Alamosa has designated Alamosa, Rio Grande, and Saguache Counties as its assessment area. The assessment area is comprised of eleven block numbering areas (BNAs). Six of the BNAs are designated as moderate income, four as middle income, and one has no designation. There are no low or upper income BNAs in the assessment area. This is based on the statewide nonmetropolitan median family income (from the 1990 census) within each individual county. If the BNA is less than 50% of the statewide nonmetropolitan median family income, it is categorized as low income; moderate is between 50% and 79%; the middle income range is 80% to 119%; and the upper range is income of 120% and above the median family income. The assessment area meets the requirements of CRA and does not arbitrarily exclude any low- or moderate-income areas.

The population in the assessment area totaled 29,004 based on the 1990 census data. Approximately 47% of the population reside in Alamosa County, 37% in Rio Grande County, and 16% in Saguache County. Based on the 1990 Census, the median family income for Alamosa County was \$23,987, followed by Rio Grande County with \$21,278 and Saguache County with \$18,720. Over one-half of the population is considered low- to moderate-income. This is based on the Colorado statewide nonmetropolitan median family income which was \$28,258 per the 1990 Census data. The Department of Housing and Urban Development median income in 1997 for the nonmetropolitan area is \$38,700.

The economy of the assessment area is heavily dependent on agriculture and related businesses. The main cash crop for the area is potatoes, second only to Idaho for the production of table fresh potatoes. Other main agricultural businesses include barley, alfalfa and cattle farming. The economy is also driven by government spending and tourism. Most of the local residents in the assessment area rely on the community of Alamosa for shopping, medical, and entertainment. Alamosa is also home to Adams State College with a student population of approximately 2,500.

Competition among financial institutions in the San Luis Valley is strong. In addition to the First National Bank in Alamosa, the community is serviced by five banks, three savings and loans, and three credit unions. Most of the banks also have branches in the counties which comprise the bank's assessment area.

We reviewed two community contacts in Alamosa performed by the Office of the Comptroller of the Currency in October 1995 and November 1996. These contacts indicated a continued need for small business loans. They also indicated low-income housing needs are being met.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

First National Bank in Alamosa's loan-to-deposit ratio is reasonable considering resources and competition. Over the last nine quarters, the evaluation period for this rating, the ratio has averaged 62%. On June 30, 1997 the bank's net loan-to-deposit ratio was 70%. The ratio of 817 similarly sized banks nationwide was 73% as of June 30, 1997. When compared to local competitors, the bank's loan-to-deposit ratio was considerably lower. However, the financial institutions are not comparable to the bank in relation to other factors. One of the competitors is a savings and loan whose primary market niche is mortgage lending. The others are not of similar size.

Lending in the Assessment Area

The bank has done a good job of lending within its assessment area. The bank tracks outstanding loan applications for personal, real estate, business and agricultural loans by zip code locations. Their analysis of lending activities in and out of its lending area revealed that 80% of the total dollar amount of outstanding loans is within their assessment area.

To verify the accuracy of this information, we conducted a limited sample of consumer loans originated in July-September 1997. Our analysis revealed that 75% of the total number of the consumer loans were originated in the bank's assessment area. This translates to 78% of the dollar volume of loans.

Due to the rural area surrounding Alamosa, many of the loans located outside the bank's assessment area are from customers who reside in towns without banking institutions. The great majority of the bank's loans are made to customers who reside within a 65 mile radius of the bank.

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

The bank's distribution of loans to individuals of various income levels and businesses of different sizes is satisfactory. The bank does not conduct an internal analysis based on borrowers' income or business revenues. Therefore, we reviewed a sample of 118 consumer loans from July-September 1997 to determine the distribution by borrower income. In addition, we sampled 40 small business and small farm loans originated in 1996-1997 to determine the distribution based on gross revenues. The tables below illustrate our findings in each area.

Consumer Loan Distribution by Income Categories						
Income Designation	# & % of Families in Assessment Area		# of Loans to Borrowers Inside Assessment Area		\$ Volume of Loans to Borrowers Inside Assessment Area	
	#	%	#	%	\$ (000's)	%
Low	2,255	30%	20	23%	209	7%
Moderate	1,750	23%	19	22%	346	12%
Middle	1,470	19%	18	20%	458	15%
Upper	2,157	28%	31	35%	1,933	66%
Total	7,632	100%	88	100%	2,946	100%

Of the 118 borrowers in our consumer sample, 88 were in the bank's assessment area. As indicated in the **Lending in the Assessment Area** section, this translates to 75% of the loan volume and 78% of the dollar volume of loans inside the assessment area. The analysis of distribution by income levels reflected a lower penetration in the low income category and a corresponding stronger penetration in the upper income category based on the number of loans when compared to the percentage of families in the assessment area. The number of loan originations in the moderate and middle income levels closely matched the area demographics for the corresponding income categories.

Lending to Businesses and Small Farms of Different Sizes										
Gross Revenues \$	Less than 100,000		100,000-250,000		250,000-1,000,000		Over 1,000,000		Total	
	#	%	#	%	#	%	#	%	#	%
Comm & Farm	8	20%	11	27%	13	33%	8	20%	40	100

Based on gross revenues, 32 of the loans (80%) were made to businesses and small farms with gross revenues of one million or less. Bank management considers establishments with gross revenues of \$500,000 or less as a small business and small farm. Approximately 70% of these loans were extended to small businesses and small farms with gross revenues of \$500,000 or less. This indicates the bank lends primarily to small businesses and farms, which is consistent with the counties' business patterns. Of the 840 business establishments in the three counties per the 1990 census data, 97% of the establishments are businesses with less than 50 employees. The census data categorizes an establishment by its size, not by the size of the business that owns it.

The bank is also a certified lender with the Small Business Administration (SBA) and an approved lender with the Farmers Home Administration (FmHA). As of June 30, 1997, the bank had 36 SBA and 23 FmHA loans in its portfolio. Approximately 83% of these loans were made in the bank's assessment area.

The bank meets the residential lending needs of the community by offering mortgage purchase loans primarily for the unconventional type loans that do not meet secondary market requirements. The bank also offers FHA Title II home improvement loans specifically targeted to help the low- and moderate-income families in the San Luis Valley.

Geographic Distribution of Loans

As discussed in the **Description of Assessment Area** section of this report, there are 11 BNAs in the three counties: six moderate income, four middle income, and one with no designation. Although the bank does not track their loan penetration by BNAs, they do track their loan applications by zip codes. Our review of the bank's analysis indicated that the bank's penetration closely matches the composition of the BNA characteristics. Approximately 54% of the bank's consumer loans less than \$25,000 were extended to borrowers residing in middle income BNAs. The bank's primary lending activity is centered in the cities of Alamosa and Center, Colorado. Alamosa, which is the largest town in the bank's assessment area, is primarily designated middle income (with only a small BNA designated moderate income). Center is designated as moderate income.

Although no areas appear to have been arbitrarily excluded, our analysis disclosed that fewer loans were extended in Rio Grande County. While 37% of the total population in the assessment area reside in Rio Grande County, approximately 14% of the consumer loans in our sample were extended in this county. The bank's Center branch facility, located just south of town in Rio Grande County, attempts to meet the credit needs of this rural community. However, competition for financial services in this county is extremely strong with two state banks and three savings and loans, one of which is a branch office.

The bank also strives to meet other community needs by providing financing outside their assessment area. For example, the bank financed a new doctor group in a contiguous county to keep a doctor in the area and meet the medical needs of mostly lower income families.

Response to Complaints

During the evaluation period, First National Bank in Alamosa did not receive any complaints regarding the bank's CRA performance.

Record of Compliance with Antidiscrimination Laws

We did not note any evidence of illegal discrimination or disparate treatment intended to discourage applicants from applying for credit. The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations.

Service/Investments

The bank has been highly responsive to community needs as evidenced by the exceptional level

of services. The following services, which were added or expanded since the previous performance evaluation, benefit the assessment area and contiguous counties.

- Automated Teller Machines (ATMs): The bank has installed an additional seven new ATMs which brings the total to thirteen ATMs. This comprises the largest ATM network in the San Luis Valley. Eleven of the ATMs are in the assessment area.
- Branch opening: The Board elected to purchase a branch facility in Saguache County in September 1995 when a regional bank decided to sell the office.
- Banking by Phone: This service was added on or about December 1995 and allows people to access account and other banking information 24 hours a day and 7 days a week.
- San Luis Valley Farm Worker Housing Corporation, Inc: SVP and Center Branch Manager Bob Suter is involved with this not-for-profit organization which is constructing a 65 unit housing facility for use by low- and moderate-income migrant farm workers. The bank pledged a \$1 million bond to enable the non-profit corporation to secure the funding. SVP Suter conducts periodic inspections during the construction phase and administers each disbursement from a controlled account.
- Multi-Family Housing Units: The bank took the lead in convincing a local construction company to build a 12 unit low income senior apartment complex in Crestone, Colorado by providing the financing. The project is in a moderate income BNA. The bank also financed the construction phase of a 42 unit housing complex in Alamosa, Colorado. This project was designated for low- and moderate-income individuals.
- Downtown Rehabilitation: The bank supports the rehabilitation of commercial downtown buildings directly and indirectly. The bank has provided financing to several individuals/businesses throughout the years and currently has two loans outstanding. President David E. Broyles is actively involved in the Alamosa Chamber Development Corporation (ACDC), a corporation whose primary purpose is to develop and rehabilitate the Alamosa Downtown store fronts. He currently serves as Treasurer.