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Comptroller of the Currency  
Administrator of National Banks

**SMALL BANK**

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## **PUBLIC DISCLOSURE**

**August 20, 2001**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Alamosa National Bank  
Charter Number 8541**

**2225 Main Street  
Alamosa, CO 81101**

**Comptroller of the Currency  
Arizona/New Mexico Field Office  
9633 South 48th Street Suite 265  
Phoenix, AZ 85044**

**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.**

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## **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 CRA performance of **Alamosa National Bank** prepared by **The Office of the Comptroller of the Currency**, as of **August 20, 2001**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

### **INSTITUTION'S CRA RATING: This institution is rated Outstanding.**

Major factors supporting this rating are:

- Alamosa National Bank's lending performance reflects outstanding responsiveness to the community's credit needs. A significant majority of its loans are within its assessment area.
- The bank's loan-to-deposit ratio is good.
- The bank's distribution of loans to borrowers of different incomes reflects an excellent penetration among low- and moderate-income individuals. Furthermore, the distribution of loans to businesses of different sizes exceeds the area demographics.
- The distribution of loans shows a good penetration to low- and moderate-income geographies.
- Alamosa National Bank's level of local qualified investments is excellent, indicating the bank is a leader in investing in its community.

## DESCRIPTION OF INSTITUTION

Alamosa National Bank (ANB) is an independent bank located in Alamosa, Colorado, in the southern part of the state. Alamosa Bancorporation Ltd, a one-bank holding company, wholly owns ANB. The bank services most of the San Luis Valley, an agricultural community that is bordered by the San Juan Mountains on the west and the Sangre de Cristo Mountains on the east. As of June 30, 2001, the bank's reported \$87 million in total assets and \$63 million in gross loans comprised of 25% consumer loans, 21% business loans, and 12% agricultural loans.

The bank's primary operations are at the main office in the western part of the city. The main bank relocated to its new facilities on August 30, 1999. The former main office in the business district now operates as a branch office. The bank offers convenient hours of operation at both locations, drive-up facilities at their new office location, a full line of loan and deposit products, and telephone banking. In addition to these services, the bank operates an ATM on the main bank premise that is accessible on a 24-hour basis.

The bank has no legal or financial impediments that would prohibit the bank from meeting the credit needs of its assessment area. ANB's CRA performance was previously evaluated in November 21, 1996. At that time, the bank's performance was rated "Satisfactory".

## DESCRIPTION OF ANB's ASSESSMENT AREA

ALAMOSA NATIONAL BANK'S ASSESSMENT AREA DEMOGRAPHIC INFORMATION						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	17	11.76	58.82	23.53	0	5.88
Population by Geography	39,649	5.94	65.18	28.88	0	0
Owner-Occupied Housing by Geography	9,637	7.42	65.75	26.83	0	0
Businesses by Geography	1,947	3.59	56.45	39.96	0	0
Farms by Geography	249	4.02	71.49	24.50	0	0
Family Distribution by Income Level	10,512	33.61	22.26	18.63	25.50	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	5,873	8.33	70.56	21.11	0	0
Median Family Income = \$20,492		Median Housing Value = \$43,802				
HUD Adjusted Median Family Income for (2000) = \$42,300		Unemployment Rate (1990) = 3.47%				
Households Below the Poverty Level = 26.49%						

Source: 1990 U.S. Census and 1999 HUD updated MFI.

ANB's assessment area is comprised of five contiguous counties in the San Luis Valley. These are Alamosa, Conejos, Costilla, Rio Grande, and Saguache counties. None of the counties are part of a Metropolitan Statistical Area (MSA). As shown on the table above, the assessment area consists of seventeen block numbering areas (BNAs). Two of the BNAs are designated low-income, ten as moderate-income, four as middle-income, and one has no designation. The undesignated BNA is located in Rio Grande County and is a very small unoccupied tract. There are no upper-income BNAs in the assessment area. This is based on the statewide nonmetropolitan median family income from the 1990 U.S. Census. At that time the statewide medium family income for non-MSA areas in Colorado was \$28,257. The area contains significant population of low-income borrowers. Approximately 26% of the area households are below the poverty level and 13% are reliant on public assistance. The assessment area meets the requirements of the CRA and does not arbitrarily exclude any low- or moderate-income areas.

The population in the assessment area totaled 39,649 based on the 1990 census data. Approximately 34% are in Alamosa County, 27% in Rio Grande County, 19% in Conejos County, 12% in Saguache County, and 8% in Costilla County. Per preliminary information provided by the bank on the 2000 census, the population in the assessment area increased by 3,414 persons representing an 8.6% increase in the total population. Saguache and Conejos counties demonstrated the most significant growth with population increases of 28% and 19%, respectively.

Competition in the assessment area is strong. In addition to various credit unions, ANB is one of eight financial institutions with 21 offices that compete for available business in the local area. Recently, however, two of the financial institutions merged. As of June 2000, ANB was a leader in deposit market share in Alamosa County with 31% of the market. Over the same time period, ANB's deposit market share in the assessment area represented 16%, ranking the bank third among the eight financial institutions. Since the merger of the two other financial institutions, ANB's deposit market share may drop to fourth place. The financial institution most similar in characteristics to this bank is the Bank of Monte Vista, which is about 15 miles west of Alamosa.

The area is rural and agriculture is the dominant industry in the Valley. Potato, barley, and alfalfa farming are main agricultural businesses. There are 249 farms and 1,947 businesses operating in the assessment area. Of these, 87% have annual revenues of less than \$1 million and 83% employ nine people or less. Although the economy is heavily dependent on agricultural related businesses, government spending and retail trade also drive the economy.

During the examination we contacted a representative of the chamber of commerce in the assessment area. Credit needs identified were related mainly to affordable housing and small business lending. The contact stated that financial institutions are sufficiently meeting the credit needs of the assessment area. The contact stated that banks could do more in terms of financial literacy services.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Scope of Examination:

We evaluated the bank's performance based on loans originated from December 1996 through August 20, 2001. We focused our evaluation on the bank's primary product lines: consumer, agricultural related, and businesses loans. We randomly selected 70 loans for our sample: 20 consumer loans, 20 agricultural related loans, and 30 business loans. We used the sampled loans to review the bank's geographic and income distribution of loans, and to assess the bank's CRA performance. Home mortgage loans products were not selected in our sample since the bank is not a major mortgage lender in this market.

### Loan-to-Deposit Ratio

ANB's average loan-to-deposit ratio is good. The bank's ratio averaged 77% over the last 19 quarters ended June 30, 2001, which is the evaluation period for this rating. The bank meets the peer group ratio. The ratio of similarly situated peer banks nationwide was 79% over the same time period. For purposes of this examination, we consider similarly situated banks to mean banks of similar asset size. When compared to three local financial institutions, the bank's loan-to-deposit ratio was also slightly lower compared to 81% for the competitors. However, the financial institutions are not comparable to the bank in relation to resources and other factors.

### Lending in Assessment Area

The bank's lending in the assessment area exceeds the standard for satisfactory performance.

#### Lending Within Assessment Area

Loan Product	Total # of Loans Sampled	# of Loans in AA	% of Number in AA	Total Dollar of Loans Sampled	Dollar Volume of Loans in AA	% of Dollar Volume in AA
Consumer	20	20	100%	\$ 155,331	\$ 155,331	100%
Ag Related	20	20	100%	\$ 1,654,584	\$1,654,584	100%
Business	30	29	99%	\$2,153,845	\$2,036,345	95%
Totals	70	69	99%	\$3,963,760	\$3,846,260	97%

A significant majority of the bank's loans are made to customers who reside within the bank's designated assessment area. Of the 70 loans sampled, the bank originated 69 loans or 99% of the number of loans to borrowers within the assessment area. Based on the dollar volume of loans, the inside ratio is also substantial at 97%.

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

The bank's distribution of consumer loans to borrowers of different incomes exceeds the standard for satisfactory performance. The bank's distribution of loans to farms and businesses of different sizes is also strong and substantially meets or exceeds the standard for satisfactory performance.

### Consumer Loans

The bank's distribution of consumer loans to borrowers of different incomes is excellent. The borrower distribution of consumer loans exceeds area demographics in the low- and moderate-income categories both in terms of number of loans and dollar volume of loans. The distribution of loans in the low- and moderate-income categories demonstrates a stronger penetration than in the middle- and upper-income categories when compared to the percentage of households in the assessment area. Loans to middle- and upper-income borrowers at 10% each were less than the area demographics of 19% and 27%, respectively. Refer to table below for details.

**Borrower Distribution of Income - Consumer Loans**

Income Type	Households (Hhlds) in Assessment Area		Number of Loans Originated Within AA		Dollar Volume of Loans Originated Within AA	
	# of Hhlds	% of Hhlds	# of Loans	% of Number	Dollars	% of Dollars
Low	4,981	35%	13	65%	\$108,216	70%
Moderate	2,674	19%	5	25%	\$ 42,258	27%
Middle	2,646	19%	1	10%	\$ 1,857	1%
Upper	3,871	27%	1	10%	\$ 3,000	2%
Totals	14,172	100%	20	100%	\$155,331	100%

### Small Farm Loans

The percentage of lending that went to small farms within the assessment area that have revenues of \$1 million or less reflects an excellent performance relative to the need within the community. The bank extended 19 loans or 95% of the number and \$1,634,368 or 99% of the dollar volume of loans to small farms with revenues of less than \$ 1 million. These percentages exceed the area demographics of 91%. Furthermore, approximately 60% of the loans in our sample were extended to small farms with revenues of less than \$100,000. The average size of the loans was \$83,000. Refer to the table below for details.

**Revenue Distribution - Small Farm Loans**

Gross Revenues	Farms in Assessment Area		Number of Loans Originated within AA		Dollar Volume of Loans Originated within AA	
	# of Farms	% of Farms	# of Loans	% of Number	Dollar Volume	% of Dollar Volume
<\$1,000,000	226	91%	19	95%	\$1,634,368	99%
>\$1,000,000	16	6%	1	5%	20,216	1%
Not reported	7	3%	0	0%	0	0%
Totals	249	100%	20	100%	\$1,654,584	100%

## Business Loans

The bank's distribution of loans to businesses with revenues of \$1 million or less is good. The bank extended 24 loans or 83% of the number of loans to businesses with revenues of less than \$1 million. This percentage substantially meets the area demographics. This performance is reasonable. Based on the dollar volume, the percentage of loans to businesses with revenues of less than \$1 million is significantly less than the area demographics at 46% compared to 86%. Refer to the table below for details.

**Revenue Distribution - Business Loans**

Gross Revenues	Businesses in Assessment Area		Number of Loans Originated within AA		Dollar Volume of Loans Originated within AA	
	# of Businesses	% of Businesses	# of Loans	% of Number	Dollar Volume	% of \$ Volume
<\$1,000,000	1,690	86%	24	83%	\$ 929,291	46%
>\$1,000,000	128	7%	5	17%	1,107,054	54%
Not reported	129	7%	0	0	0	0%
Totals	1,947	100%	29	100%	\$2,036,345	100%

## Geographic Distribution of Loans

The bank's geographic distribution of loans meets the standard for satisfactory performance. There are no gaps in the bank's distribution of loans.

## Consumer Loans

The geographic distribution of sampled consumer loans reflects a good penetration. The bank originated loans to households within tracts of different income levels in the bank's assessment area.

**Geographic Distribution of Consumer Loans**

Tract Income Type	Households (Hhlds) in Assessment Area		Number of Loans Originated		Loans Originated Within Assessment Area	
	# of Hhlds	% of # of Hhlds	# of Loans	% of Number	Dollar Volume	% of Dollar Volume
Low	912	6%	1	5%	\$5,010	3%
Moderate	9,222	65%	14	70%	\$97,982	63%
Middle	4,038	29%	5	25%	\$52,330	34%
Upper	0	0%	0		0	0%
Totals	14,172	100%	20	100%	\$155,331	100%

As indicated in the table above, loans to borrowers in low-income tracts substantially meets the

area demographics. Borrowers in low-income tracts received 5% of the number of loans and 3% of the dollar volume compared to the percentage of households located in low-income census tracts. The bank's performance in the number of loans to borrowers in moderate-income tracts exceeded the demographics. Borrowers in moderate-income tracts received 70% of the number of loans and 63% of the dollar volume of loans compared to 65% for the area demographics. Loans to borrowers in the middle-income tracts substantially meet the area demographics.

### **Farm Loans**

The geographic distribution of the sampled farm loans originated in low-income census tracts is excellent. The distribution reflects a strong penetration compared to the percentage of farms throughout those geographies. Loans to farms located in low-income tracts at 25% compares favorably to the 4% of farms located in low-income tracts. The percentage by dollar volume also exceeds the demographics in low-income tracts. Loans to farms in moderate-income tracts were lower than the area demographics both in number and dollar volume of loans. However, we gave more weight to the bank's excellent penetration in the low-income tracts. ANB originated loans to 50% of the farms located in low-income tracts. The number of loans to farms in middle-income geographies was lower than the area demographics, but the dollar volume of loans exceeded the area demographics in that geography.

**Geographic Distribution of Farm Loans**

Tract Income Type	Farms in Assessment Area		Number of Loans Originated		Dollar Volume of Loans Originated	
	# of Farms	% of Farms	# of Loans	% of Number	Dollar Volume	% of Dollar Volume
Low	10	4%	5	25%	\$99,972	6%
Moderate	178	71%	11	55%	\$843,199	51%
Middle	61	25%	4	20%	\$711,405	43%
Upper	0	0%	0	0%	0	0
Totals	249	100%	20	100%	\$1,654,584	100%

### **Business Loans**

The bank's distribution of business loans by the percentage of number of loans in the low-income geography is consistent with the area demographics in that income tract. This reflects a good performance. However, as reflected in the table below, the bank's geographic distribution of business lending by the percentage of the number of loans is not consistent with the moderate- and middle-income tracts within its assessment area. Although this is indicative of a low level of performance, the percentage of bank lending based on dollar volume substantially approximates the moderate-income area demographics. Refer to the table below.

**Geographic Distribution of Business Loans**

Tract Income Type	Businesses in Assessment Area		Number of Loans Originated		Dollar Volume of Loans Originated	
	# of Businesses	% of Businesses	# of Loans	% of Number	Dollar Volume	% of Dollar Volume
Low	70	4%	1	3%	\$9,128	1%
Moderate	1,099	56%	9	31%	\$1,089,444	53%
Middle	778	40%	19	66%	\$937,773	46%
Upper	0	0%	0	0%	0	0%
Totals	1,947	100%	29	100%	\$2,036,345	100%

The inconsistent pattern of lending in the moderate-income tracts is mitigated by the fact that the bank's business lending is concentrated in the downtown and business districts in the City of Alamosa. These districts are located within middle-income tracts. Of the 29 loans originated within the assessment area, the bank extended 22 loans to local area businesses. This represents 76% of the number of loans. This is consistent with the fact that 77% of the businesses in Alamosa County are located in middle-income tracts. Additionally, 23% of the businesses in Alamosa County are located in moderate-income tracts, which is consistent with the 31% originated by the bank. It is apparent that the bank demonstrates a strong performance in meeting the credit needs of the business community where its facilities are located.

**Qualified Investments and CD Services**

**Investments**

ANB's level of community development investments is excellent. Over the evaluation period, the bank's investments in two local municipal bonds totaled \$1,175,000 representing 16% of net Tier 1 capital. The bonds are qualified investments as they are designed primarily to finance community services targeted to LMI individuals in LMI areas. One of the bank's investments for \$600,000 supports the acquisition and construction of a nonprofit mental health center and the expansion three affiliated medical facilities. The nonprofit mental health center, which is located in an LMI area, primarily serves the six counties in the San Luis Valley and benefits the LMI individuals. ANB was also instrumental in purchasing \$575,000 (representing 80%) of the bond issue in a local nonprofit school district corporation. The corporation was organized for the purpose of assisting in facilitating the financing and construction of a gymnasium and classrooms to be used by the school district. The district is located in Conejos County, an LMI community. Low- and moderate-income households represent 42% and 20% of the total households, respectively. The facilities will primarily benefit LMI school age children residing within its boundaries.

ANB participates in community development through donations and in-kind contributions to various organizations. Over the evaluation period, the bank donated \$19,000 to qualified community organizations, donated food to the local food bank by sponsoring six food drives, and provided office space at no charge and paid all the utilities to house the regional team for the 2000 U.S. Census.

## **Services**

ANB personnel provided financial services to various college and high school business classes, participated in financial seminars targeted to farmers and ranchers, and conducted training aimed at small businesses and minority-owned businesses. Senior management actively participates in a local nonprofit Community Development Corporation through their involvement in Board and loan committees.

## **Responses to Complaints**

No consumer complaints associated with the bank's performance under the provisions of the CRA have been made since the last examination.

## **Fair Lending Review**

An analysis of four years public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1996.