



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 31, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 18787**

**398 West Colorado Avenue
Telluride, Colorado 81435**

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

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** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 31, 1996. 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 bank is rated “Satisfactory” for the following reasons:

- First National Bank exhibits a more than reasonable loan-to-deposit ratio when considering the economic conditions and loan demand within its assessment areas.
- A substantial majority of the bank’s loans and lending-related activities are within its assessment areas.
- The bank’s lending activity exhibits a reasonable distribution among businesses of different sizes and individuals of different income levels.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	First National Bank 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		Meaningful data not available.	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION:

First National Bank operates its main office in Telluride, Colorado, and has a branch in Ouray, Colorado. The bank has \$23 million in assets. It has no constraints in its ability to meet various credit needs within its assessment area. Lending activity has steadily increased since the bank's opening in 1992. As of June 27, 1996, the loan portfolio, including participations sold, consisted of:

Residential real estate loans	56%	
Commercial real estate loans		39%
Commercial loans	4%	
Consumer loans	<u>1%</u>	
	100%	

The main office in Telluride is a full-service financial institution and has a 24-hour automated teller machine (ATM) at the bank. Bank hours are reasonable. There is a full-service independent state bank and one loan production office in Telluride. The bank has not closed any branches since the last examination. The branch in Ouray, Colorado, was opened on June 7, 1996.

The Ouray office is a full-service branch and has a 24-hour ATM in the building. Bank hours are reasonable. There is one other full-service financial institution in Ouray.

The prior CRA Performance Evaluation is dated July 1, 1993. The bank's performance was rated "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF BANK ASSESSMENT AREA:

The bank's assessment areas are reasonable. They meet the requirements of the CRA and do not arbitrarily exclude low- or moderate-income geographies. The main office's assessment area is the eastern one-third of San Miguel County, including the towns of Telluride, Sawpit, Placerville, Ophir, and Trout Lake. The area coincides with the Telluride Census County Division (CCD). The community is bounded on the west by Beaver Creek and State Highway 62. The area to the north and east of Telluride is surrounded by the San Juan Mountains, limiting customer contact in that direction. The Ouray branch's assessment area is the County of Ouray.

The eastern one-half of San Miguel County and all of Ouray County each have a one block numbering area (BNA) for census purposes. First National Bank's assessment area is in an upper-income BNA. The Ouray branch's assessment area is in a middle-income BNA.

First National Bank is a community bank located at the base of the Telluride ski resort. The town hosts skiers during the winter and tourists during the summer months. There are numerous small

businesses that serve tourism and recreational needs. The small nearby towns are dependent on Telluride for employment opportunities and banking needs. Telluride's two largest employers are Telluride Ski and Golf Company and The Peaks at Telluride, a resort hotel.

Based on a recent study, the unemployment rate in 1993 for San Miguel County was 4.9%. The report stated the local unemployment rate is cyclical and fluctuates significantly by season and type of employment. The most stable employment is in government and real estate, while services and retail employment are the most cyclical. The 1990 Census shows a population of 1,700 for the town of Telluride and 5,000 for San Miguel County.

Ouray, Colorado, is dependent on summer tourism. Seven out of ten jobs in Ouray County are based in tourism. As of May 1996, Ouray County's unemployment rate was 5.6%. The 1990 Census shows a population of 690 for the town of Ouray and 2,950 for Ouray County.

The 1990 Census non-metropolitan statistical area (MSA) median-family income is \$28,258. The updated 1996 median income of all non-MSAs provided by the Housing and Urban Development (HUD) is \$36,300.

Since the last examination, we contacted five community/business leaders in the area to discuss economic conditions and credit needs. These individuals indicated there is a need for the following:

- ***Housing with a selling price of \$200,000 and under.***

In 1995 the average sales price of a single-family residential home and condominium in the town of Telluride was approximately \$668,000 and \$257,000, respectively. Management indicated that real estate developers are not building many homes under the \$200,000 price range. City ordinance specifies that developers must allocate a percentage of constructed units for affordable, or deed restricted, housing. The bank, as of May 31, 1996, has made deed restricted loans and construction loans for deed restricted development totaling approximately \$3.2 million (including participations sold). They also service low-income loans of approximately \$1.9 million originated by San Miguel County.

- ***Loans that enable borrowers to have a smaller than 20% down payment for a home purchase.***

Bank management is aware of the need for smaller down payments. There are nine mortgage companies within the town. Several of these companies offer Fannie Mae and Freddie Mac loans which require a lower down payment and offer lower fixed rate 30-year loans. The bank is unable to compete with these companies. The bank refers individuals who are unable to meet the bank's lending criteria to these mortgage companies.

- *Financial institutions to participate in and/or sponsor seminars for governmentally-insured, -guaranteed or -subsidized loan programs for housing and small businesses.*

Bank management is planning a Small Business Administration (SBA) seminar for September 1996. The seminar will focus on “how to” obtain financing for small businesses.

One contact indicated there was a need to support local youth activities through time and donations. The bank provides both time and donations to various local community activities.

The general perception is that credit needs are being reasonably addressed by the various lenders in the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

First National Bank exhibits a more than reasonable loan-to-deposit ratio when considering past and current economic conditions, loan demand trends, and the bank’s past lending activities. Competition in the area, including Ouray, is two full-service financial institutions, one loan production office, and nine mortgage companies. For comparison of the loan-to-deposit ratio, we considered three financial institutions of similar size that are located in resort areas. First National Bank’s ratio exceeds the ratios of the other three financial institutions. The ratio has averaged 77% for the past eight quarters compared to 75%, 65%, and 47% for the other three institutions during the same time period.

Lending Within the Assessment Area

A substantial majority of the bank’s loans and lending related activities are within its assessment areas. Approximately 96% of the total number of bank loans are originated in the assessment areas. Generally, loans outside the assessment area were made to individuals who resided within the area and subsequently moved out of the area. We reviewed a sample of the bank’s loans and found the data to be accurate.

The bank is the only approved SBA lender in the county. As of July 17, 1996, the bank has made seven SBA loans for a total amount of \$1,152,000.

Lending to Borrower’s of Different Incomes and Businesses of Different Sizes

The bank’s lending activity exhibits reasonable distribution among individuals of different income levels. Based on a random sampling of 20 residential real estate and 18 consumer loan borrowers, we found the following distribution by income level:

<i>Income Characteristics*</i>	<i>% of Families</i>	<i>Residential Real Estate</i>		<i>Consumer Loans</i>	
		#	%	#	%
Low	12	4	20	2	11
Moderate	17	1	5	8	45
Middle	23	4	20	2	11
Upper	48	11	55	6	33
Total	100%	20	100%	18	100%

*Based on 1996 updated median income of all non-MSAs of \$36,300 provided by HUD.

The 1996 HUD family distribution analysis indicates that within the bank’s assessment area 12% are low-income families and 17% are moderate-income families. Within our sample, 20% of the bank’s residential real estate loans were made to low-income families and 5% to moderate-income families. In the consumer loan sample, 11% of the loans were made to low-income families and 45% were made to moderate-income families.

Geographic Distribution of Loans

The bank has a reasonable distribution of loans within each BNA, but detailed geographic distribution analysis was not considered meaningful since various income levels are mixed within each BNA. There are two BNAs in the bank’s assessment areas. One is designated middle-income and the other is upper-income.

Other Information

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

No violations of the substantive provisions of antidiscrimination laws and regulations were identified during this examination.