



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 5, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank - Colorado
Charter Number 7637**

**1715 S. Pueblo Blvd.
Pueblo, Colorado**

**Comptroller of the Currency
Denver Field Office
1225 17th Street, Suite 450
Denver, CO 80202**

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.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

A satisfactory rating is appropriate given the bank's demonstrated ability to meet the credit needs of the community including loans to low- and moderate-income individuals and small farms. Specifically:

- The bank's loan-to-deposit ratio is good given area competition and credit needs of the community.
- The majority of loans by number and dollar volume are originated within the bank's assessment areas.
- The geographic distribution of loans within the defined assessment areas is reasonable.

FNB Colorado is committed to serving the communities in which it operates and demonstrates satisfactory lending performance.

DESCRIPTION OF INSTITUTION

First National Bank - Colorado (FNB) is a \$69 million institution located in south eastern Colorado. FNB is wholly owned by First Fowler Bancorp, Inc., a one-bank holding company with assets of \$69 million located in Fowler, Colorado. The bank comprises substantially all of the holding company assets.

The bank operates four full-service facilities. One facility is located in Fowler, Colorado. Three other facilities are located in Pueblo, Colorado. Each location in Pueblo operates a drive-up facility and one deposit-taking ATM. The bank faces strong competition from numerous community and regional banks in their AAs.

FNB offers a variety of credit products. The primary loan products by dollar volume are commercial real estate secured loans at 21% of total loans, agricultural production loans at 16%, and loans secured by 1-4 family residences at 24%. Our rating of the bank's CRA performance is based on an analysis of these three products. Other loans offered by the bank include commercial and industrial (14%), construction and development (10%), multi-family (5%), farmland secured (4%), and other consumer (6%). Net loans represent 77% of the bank's total assets. The bank faces strong competition from community and large banks operating in the Pueblo market. There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment areas.

We made one community contact with this examination. We spoke with a representative of the Southern Colorado Economic Development District. This individual indicated the primary credit needs of the community are small farm/small business financing. In addition this individual stated that FNB is doing a good job of meeting the primary credit needs of the Pueblo community.

FNB received a "Satisfactory" rating at the last CRA examination dated November 5, 1998.

Refer to the bank's CRA Public File for more information.

DESCRIPTION OF PUEBLO MSA AND OTERO COUNTY

Management has designated two assessment areas (AA). These are contiguous counties located in central Colorado. One AA is comprised of the Pueblo MSA. Based on 1990 census data, this AA is comprised of 48 census tracts, of which three (6%) are designated as low-income, fourteen (29%) as moderate-income, eighteen (38%) as middle-income, and eleven (23%) as upper-income. Two (4%) census tracts do not have an income designation. The Department of Housing and Urban Development (HUD) 2002 MSA updated median-family income for this MSA is \$39,400. Based on 1990 US Census data, there are 33,574 families residing within the MSA of which 39% are deemed low- and moderate-income. Income designations are determined based on annual income as a percentage of the non-MSA median-family income.

Major employers in Pueblo County include School District 60, Parkview Hospital, and Colorado Institute of Mental Health. General economic conditions are stable but lagging behind the national economy and even the northern Colorado economy. Unemployment has remained steady between 5% and 7% over the past five years.

The second AA is comprised of Otero County. Based on 1990 census data, this AA is comprised of seven geographies, of which one (14%) is designated as low-income, three (43%) as moderate-income, and three (43%) as middle-income. The HUD 2002 non-MSA updated median-family income for Otero County is \$46,000. Based on 1990 US Census data, there are 5,501 families residing within the County of which 51% are deemed low- and moderate-income.

Agriculture is the primary economic driver in Otero County. The entire county is experiencing weak economic conditions largely due to the drought that Colorado has endured the last three years. The county is currently experiencing an unemployment rate of around 7%.

Both AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies.

Refer to the bank's CRA Public File for more information.

CONCLUSION ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is good given area competition and credit needs of the community.

The bank's average quarterly loan-to-deposit ratio since the previous CRA exam is 89%. The loan-to-deposit ratio of similarly situated banks over the same time period ranged between 44% and 90%. This bank ranked second among seven banks. Similarly situated banks are those banks of similar business lines operating within the same geography.

Lending in the Assessment Areas

The majority of loans by number and dollar volume are originated within the bank's assessment areas (AA).

We sampled all home purchase loans reported under the Home Mortgage Disclosure Act (HMDA) in 2001 and 2002, 20 loans secured by commercial real estate and 20 agricultural production loans. Of 78 loans reviewed, 86% by number and 81% by dollar volume were originated within the AA.

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

The bank's pattern of lending to low- and moderate-income borrowers and small businesses is satisfactory.

The bank's volume home purchase loan originations to low- and moderate-income families is satisfactory. Within the Pueblo metropolitan statistical area (MSA), area demographics indicate low- and moderate-income families comprise 22% and 17% of total families, respectively. By number, 16% of all home purchase loan originations were to moderate-income borrowers located in the Pueblo MSA. There were no loans originated to low-income families. Increasing home prices coupled with significant competition from other financial institutions contributes to the lack of lending to this sector.

Within Otero County, demographics indicate low- and moderate-income families comprise 31% and 20% of total families, respectively. The bank did not originate any reportable home purchase loans in Otero County. This is not a significant concern as the bank's primary lending focus in Otero County is on agriculture. Further, Otero County is sparsely populated with declining growth and low demand for home purchase loans.

The distribution of commercial loans secured by real estate originated in the Pueblo MSA indicates good performance in lending to businesses of different sizes. Of the 20 loans sampled, 62% by number and 75% by dollar volume were originated to small businesses. This compares reasonably to area demographics in which 94% of the businesses for which revenue information was available are small businesses.

The distribution of agriculture loans in Otero County indicates good performance in lending to businesses of different sizes. Of the 17 loans sampled, 60% by number and 94% by dollar volume were originated to small businesses. Further, 26% by number and 82% by dollar volume were originated to very small farms with revenues less than \$250,000. This compares favorably to area demographics in which 87% of the farms, for which revenue information was available are small farms.

Geographic Distribution of Loans

The geographic distribution of loans within the defined AAs is satisfactory.

We sampled all home purchase loans originated in each AA. The bank’s performance in relation to area demographics is reasonable as shown in the following table.

Geographic Distribution of Home Purchase Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Assessment Area	% of Owner Occupied Housing	% Number of Loans	% of Owner Occupied Housing	% Number of Loans	% of Owner Occupied Housing	% Number of Loans	% of Owner Occupied Housing	% Number of Loans
Pueblo MSA	3%	3%	23%	19%	42%	50%	32%	28%
Otero County	13%	0%	41%	0%	46%	0%	0%	0%

As noted previously, the lack of home purchase loans in Otero County is not a significant concern given the bank’s lending focus and the declining population.

The geographic distribution of loans originated in the Pueblo MSA is reasonable. We sampled 20 commercial real estate loans. Low-income geographies in the MSA contained 15% of all small businesses. Moderate-income geographies in the MSA totaled 24%. Small business loans originated in low- and moderate-income geographies totaled 0% and 35%, respectively. We noted that the bank originated a \$165M loan in 1999 to refinance an apartment building in conjunction with the Pueblo Housing Authority (PHA). This building operates under the PHA Section 8 voucher program, which assists low-income individuals to obtain housing in the private rental market.

The geographic distribution of loans originated in Otero County is reasonable. Our analysis of 17 agricultural loans originated within the AA indicated 3% were originated in low-income geographies and 89% in moderate-income geographies. Farms located in low- and moderate-income geographies within Otero County total 5% and 41%, respectively.

Response to Complaints

The bank has not received any CRA related complaints since the previous examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.