



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**June 12, 2002**

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

**First National Bank of the Rockies  
Charter Number 7435**

**504 Main Street  
Meeker, CO 81641**

**Comptroller of the Currency  
Denver Field Office  
1099 18th Street, Suite 2650  
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.**

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## **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 low- and moderate-income individuals and small businesses.

Specifically:

- The majority of loans by number and dollar volume are originated within the bank's assessment area.
- The bank's pattern of lending reasonably meets the demographics of the assessment areas.
- The bank's loan-to-deposit ratio is good given area competition and credit needs of the community.

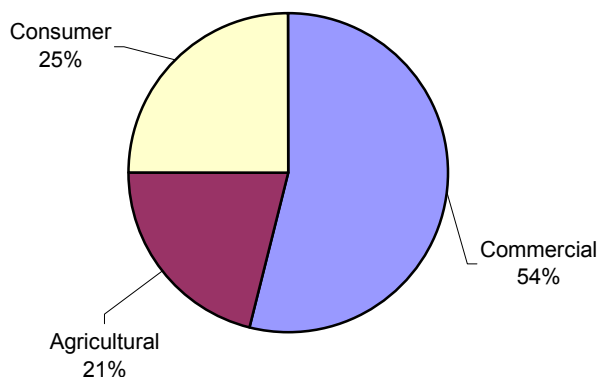
First National Bank of the Rockies is committed to serving the communities in which it operates and demonstrates satisfactory lending performance.

## DESCRIPTION OF INSTITUTION

First National Bank of the Rockies (FNBR) is a \$191 million bank. The bank is headquartered in Meeker, Colorado, and operates five branches located in Grand Junction, Oak Creek, Hayden, Craig, and Rangely, Colorado. Each branch operates a drive-up facility. The bank also owns and operates one cash-dispensing Automated Teller Machine (ATMs) at each location except Craig. Additionally, the bank operates a cash dispensing ATM at the Hayden Airport and a Craig supermarket.

FNBR is a subsidiary of First National Bank of the Rockies Holding Corporation, located in Meeker, Colorado. Bank assets represent substantially all of the holding company assets. The consolidated financial statement for year-end 2001 shows total assets of \$192 million.

**Loan Portfolio Distribution**



The chart to the left reflects the composition of the bank's loan portfolio by dollar volume. The portfolio can be segmented into three parts: Commercial Loans, Consumer Loans, and Agricultural Loans.

The commercial loan portfolio is the largest at 54 percent of total loans and includes loans secured by business assets, commercial real estate secured loans, and construction and development loans. The primary commercial product is loans secured by business assets, which comprise 22 percent of the total portfolio. The commercial lending analysis is based on a sample of these loans.

The consumer loan portfolio is the second largest segment of loans comprising 25 percent of the total loan portfolio. This portfolio is comprised of residential real estate, including home purchase, home refinance, and home equity installment loans. The consumer lending analysis is based on owner-occupied, home purchase loan originations.

The remaining 21 percent of the portfolio is comprised of agricultural loans. These include loans secured by equipment and land.

Net loans represent 76% of the bank's total assets.

This Performance Evaluation is an assessment of the bank's CRA performance from October 8, 1997, through June 12, 2002. The bank received a satisfactory rating at the previous CRA examination dated October 7, 1997. There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment area.

## DESCRIPTION OF MESA, MOFFAT, ROUTT, AND RIO BLANCO COUNTIES

Management and the board have designated two separate assessment areas (AA). One AA is a three-county region including Routt, Moffat, and Rio Blanco Counties. Located in northwest Colorado along the Wyoming and Utah border, cities within the three-county area include Meeker, Rangely, Oak Creek, Yampa, Steamboat Springs, Hayden, and Craig. The AA consists of 12 Block Numbering Areas (BNAs).

The second AA is the Grand Junction Metropolitan Statistical Area (MSA). This MSA includes all of Mesa County. The city of Grand Junction is the largest city in the AA. Other towns include Palisades, Fruita, and Clifton. The AA consists of 21 Census Tracts (CTs).

The following chart illustrates the distribution of geographies (BNAs and CTs) by income designation:

<b>INCOME DESIGNATIONS OF ASSESSMENT AREAS</b> By Block Numbering Areas/Census Tracts				
<b>Income Designation</b>	<b>Routt, Moffat, and Rio Blanco Counties (BNAs)</b>		<b>Grand Junction MSA (CTs)</b>	
	Number	Percentage	Number	Percentage
Low Income	0	0	0	0
Moderate Income	0	0	4	19%
Middle Income	5	42%	13	62%
Upper Income	7	58%	4	19%
Total	12	100%	21	100%

The AAs meet the requirements of the regulation. The bank, given its size and location, can reasonably serve these AAs. The AAs are comprised of a whole political subdivisions and do not arbitrarily exclude any low- or moderate-income areas.

### **Routt, Moffat, and Rio Blanco Counties**

The Department of Housing and Urban Development (HUD) 2001 updated non-MSA median-family income for Colorado is \$43,700. Based on 1990 U.S. Census data there are 8,239 families residing within the non-MSA AA of which 25 percent are deemed low- to moderate-income.

Income designations are determined based on annual income as a percentage of the non-MSA median-family income. The following table demonstrates the income distribution of families in Routt, Moffat, and Rio Blanco Counties.

**DISTRIBUTION OF FAMILIES**  
By Income Designation

Income Designation (% of HUD 2001 Updated Median-Family Income)	Non-MSA Assessment Area	
	# of Families	% of Total
Low Income (less than 50%)	1,081	13%
Moderate Income (between 50% and 80%)	992	12%
Middle Income (between 80% and 120%)	1,762	21%
Upper Income (greater than 120%)	4,404	54%
Total Families	8,239	100%

Although the non-MSA AA is contiguous, the economy of Moffat and Rio Blanco Counties is substantially different from that of Routt County. Moffat County is located in the northwestern most corner of Colorado, along the Wyoming and Utah borders. The county seat is Craig, Colorado. Rio Blanco County is located immediately south of Moffat County. The county seat is Rangely, Colorado. Over half of the land in the combined counties is public land used for various recreational activities, including hunting, fishing, and cross-country skiing. Mining is the largest industry employing nearly 20 percent of the population, followed by retail trade and city and county governments.

Housing prices are stable. The Craig Chamber of Commerce states the average price in 2002 for a single-family residence in Craig is \$84,000. Similarly, the Rangely Chamber of Commerce indicates the average price of a single-family residence in Rangely is \$64,000, making housing in both communities available to individuals of all income levels.

Routt County is immediately east of Moffat County. Steamboat Springs is the county seat of Routt County and drives the economy within the county. The economy is largely dependant on tourism, driven by the ski industry and recreational activity. Consequently, the largest employment sectors are service and retail trade, employing over half of the work force. The largest area employer is Steamboat Ski and Resort Corporation, followed by the school district and city and county government.

Areas outside of Steamboat Springs are largely rural. Major industries include agriculture and mining. These towns also serve as bedroom communities to individuals employed in Steamboat Springs who are unable to find affordable housing within the city limits.

Housing prices in Routt County continue to increase. In 1999, the median housing cost was \$326,439, as reported by the Routt County Assessors Office. The non-MSA median-family income of \$43,700 is not sufficient to secure permanent housing for most low- and moderate-income individuals. Consequently, affordable housing has become a primary concern of city and county officials.

The economic outlook for the three-county area continues to be stable. Unemployment is equal to the state average unemployment rate of 5.2 percent. Tourism is rising after a decline during the national recession in 2001. Small businesses are the mainstay of the communities and are reporting good performance in 2002.

The bank faces strong competition within the three-county AA. Three of the area’s seven banks are banks with total assets in excess of \$1 billion. FNBR holds the greatest share of deposits, totaling 28% of the market.

**Grand Junction MSA**

The HUD 2001 updated median-family income for the Grand Junction MSA is \$40,800. Based on 1990 U.S. Census data there are 25,582 families residing within the MSA AA of which 37 percent are deemed low- to moderate-income.

Income designations are determined based on annual income as a percentage of the Grand Junction MSA median-family income. The following table illustrates the distribution of families within the MSA by income level:

<b>DISTRIBUTION OF FAMILIES By Income Designation</b>		
<b>Income Designation (% of HUD 2001 Updated Median-Family Income)</b>	<b>Grand Junction MSA</b>	
	<b># of Families</b>	<b>% of Total</b>
Low Income (less than 50%)	4,980	19%
Moderate Income (between 50% and 80%)	4,616	18%
Middle Income (between 80% and 120%)	5,802	23%
Upper Income (greater than 120%)	10,184	40%
Total Families	25,582	100%

The Grand Junction MSA includes all of Mesa County. Grand Junction is the county seat and drives the economy of the county. The economy is largely dependant on various service industries including education and health care. The Mesa Valley School District and Mesa State College are the largest employers in the county. St. Mary’s Hospital and Medical Center is the second largest employer. The county is also a major supplier of the region’s gas, coal, and oil needs. Unemployment at 4.4 percent is below the state average unemployment rate.

The housing market is stable. The average price for a single-family residence in 2000, as reported by the Grand Junction Chamber of Commerce, was \$130,000. This indicates that housing is affordable to individuals of various income levels.

The bank faces strong competition within the Grand Junction MSA from 11 banks, including 6 banks with assets over \$1 billion. FNBR is the smallest bank in asset size and holds less than two percent of the total market share of deposits.

We relied on two community contacts during this review. We had previously interviewed the Executive Director of the Steamboat Chamber of Commerce in conjunction with another area CRA examination. During this examination, we interviewed the City Planner in Meeker, Colorado. Our contacts indicated the economy is expected to remain stable. Primary credit needs continue to be housing and small business loans. There is minimal opportunity for area financial institutions to participate in development, as the three-county area is not experiencing sizable growth and the current infrastructures are good.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

FNBR does a good job of meeting the credit needs of its AA, including lending to low- and moderate-income individuals and businesses of different sizes.

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is reasonable. As of December 31, 2001, the bank's 18-quarter average loan-to-deposit ratio calculated since the last CRA examination was 68 percent. The loan-to-deposit ratios over the same time period for six similarly situated banks range between 49 percent and 74 percent. FNBR had the third highest loan-to-deposit ratio of the seven institutions. Similarly situated banks are those banks of comparable asset size operating in the same geography.

### **Lending in Assessment Area**

The bank's level of lending within the AA is satisfactory. We reviewed all owner-occupied home purchase loans originated between January 1, 2000, and April 30, 2002, and a sample of commercial loans secured by business assets originated since the previous CRA examination. We found the majority of loans, by number and dollar volume, for both loan products are originated within the AA. The following table illustrates these findings:

<b>LENDING WITHIN THE ASSESSMENT AREA</b>		
<b>Loan Type</b>	<b>Percentage of Loans by Number</b>	<b>Percentage of Loans by Dollar Volume</b>
Residential Home Purchase Loans	87%	88%
Commercial Loans	78%	67%



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

FNBR's lending patterns reflect good distribution of credit among borrowers of different income levels and businesses of different sizes. Loan originations are well distributed among low-, moderate-, middle-, and upper-income level borrowers and among small businesses. The bank's lending practices reasonably represent the income demographics of the AA.

### Home Purchase Originations

We analyzed all home purchase loans originated within each AA for the time period described above, comparing each borrower's income to the HUD 2001 MSA and non-MSA median-family income. The results of our sample are detailed in the following charts.

<b>DISTRIBUTION OF HOME PURCHASE LOAN ORIGINATIONS ROUTT, RIO BLANCO, AND MOFFAT COUNTIES</b>			
<b>Income Designation of the Borrower</b>	<b>% of Families in the Assessment Areas</b>	<b>% of Loans by Number</b>	<b>% of Loans by Dollar Volume</b>
<b>Low</b>	13%	9%	4%
<b>Moderate</b>	12%	21%	13%
<b>Middle</b>	21%	30%	30%
<b>Upper</b>	54%	40%	53%
<b>Total</b>	100%	100%	100%

Percentages are based on 155 owner-occupied, home purchase loan originations for which applicant income information was available.

<b>DISTRIBUTION OF HOME PURCHASE LOAN ORIGINATIONS GRAND JUNCTION MSA</b>			
<b>Income Designation of the Borrower</b>	<b>% of Families in the Assessment Areas</b>	<b>% of Loans by Number</b>	<b>% of Loans by Dollar Volume</b>
<b>Low</b>	19%	1%	1%
<b>Moderate</b>	18%	15%	9%
<b>Middle</b>	23%	30%	27%
<b>Upper</b>	40%	54%	63%
<b>Total</b>	100%	100%	100%

Percentages are based on 90 owner-occupied, home purchase loan originations for which applicant income information was available.

The low penetration of home purchase loans by low-income individuals in the Grand Junction MSA is due, in large part, to the high demand for rental housing by Mesa State College students. Rental units comprise 33 percent of all available housing within the AA. Rental units within the moderate-income census tracts comprise 53 percent of all available housing in those tracts. The high demand for rental units reduces the availability of affordable homes for low-income individuals.

The three-county AA does not have a high demand for rental property or other similar housing constraints. In this AA the bank’s penetration of home purchase loans to low- and moderate-income individuals reasonably reflects the demographics of the area, indicating the bank strives to meet the credit needs of borrowers of all income levels.

**Commercial Loans Secured by Business Assets**

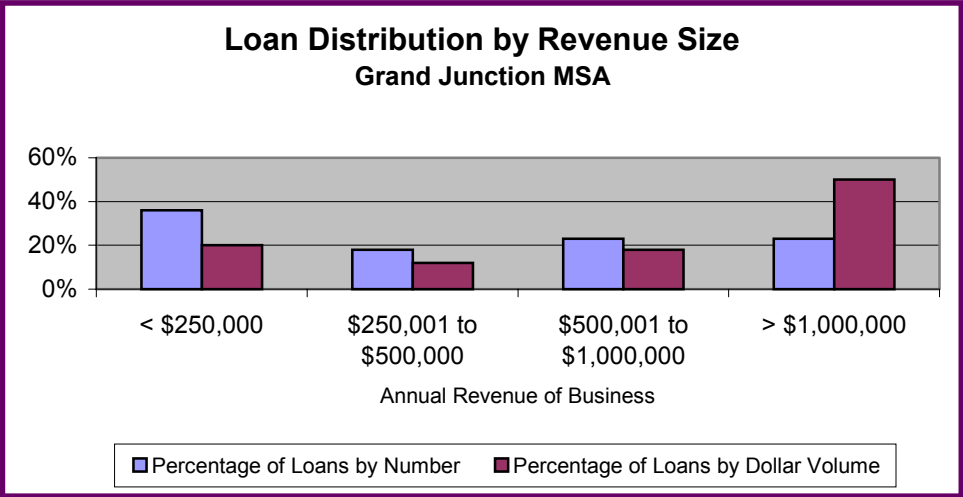
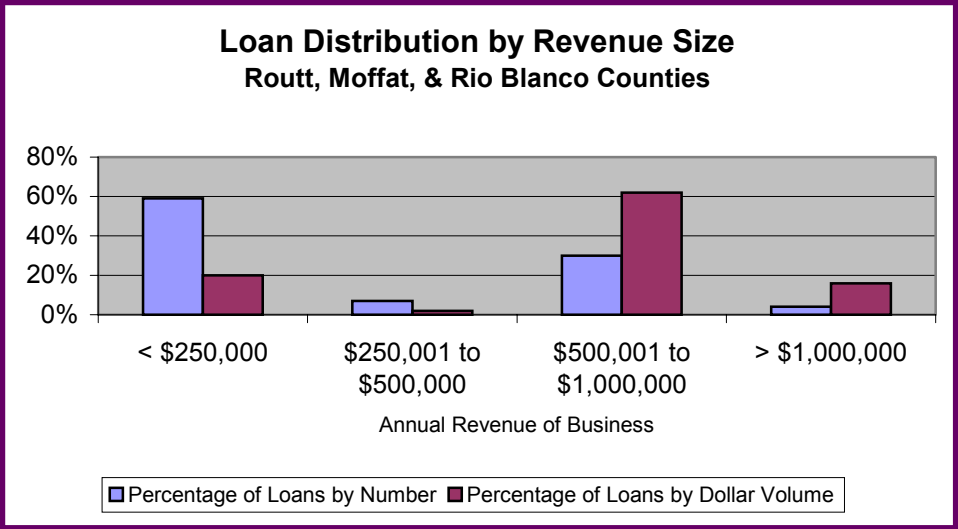
Businesses with annual revenues of \$1 million dollars or less are deemed to be small businesses. The percentage of small businesses within the Grand Junction MSA and non-MSA AA are 90 percent and 95 percent, respectively.

Our analysis of commercial purpose loans secured by business assets for each AA indicates the bank’s efforts to lend to small businesses reasonably reflects area demographics.

<b>LOANS ORIGINATED TO SMALL BUSINESSES (Annual Revenues less than \$1 million)</b>			
<b>Assessment Area</b>	<b>% of Small Businesses within the AA</b>	<b>% of Loans by Number</b>	<b>% of Loans by Dollar Volume</b>
<b>Grand Junction MSA</b>	94%	77%	50%
<b>Routt, Moffat, and Rio Blanco Counties</b>	95%	84%	96%

The loan sample for the Grand Junction MSA included one large outlier resulting in the low penetration by dollar amount. If this outlier is excluded from the sample, the resulting percentage of loans to small businesses by number and dollar volume are 81 percent and 64 percent, respectively.

Further analysis of the original sample shows the bank originates a significant number of loans, by number, to very small businesses (annual revenues less than \$250,000). This is true for both AAs as illustrated by the following graphs:



These results demonstrate that the bank is committed to meeting the credit needs of small businesses throughout both AAs.

## Geographic Distribution of Loans

The geographic distribution of loans originated within the Grand Junction MSA is reasonable. By number, 19 percent of the census tracts within the MSA are deemed to be moderate-income. There are no low-income census tracts. The results of our analysis are as follows:

PERCENTAGE OF LOANS ORIGINATED WITHIN MODERATE-INCOME CENSUS TRACTS		
Loan Type	By Number	By Dollar Volume
Commercial Loans	18%	34%
Home Purchase Loans*	4%	4%

\*Percentages based on 93 owner-occupied, home purchase loan originations reported.

The moderate-income census tracts in Mesa County are located along the main street of Grand Junction. Various businesses and the Mesa State College campus dominate the area, reducing the number of residential housing units. Only 7 percent of all owner-occupied housing in the county is located in moderate-income census tracts. Consequently, there is little opportunity for the bank to originate owner-occupied home purchase loans in these areas.

An analysis of the geographic distribution of loans within the northwestern Colorado AA was not performed. All BNAs within this AA are designated as middle- or upper-income. Therefore, an analysis would not be beneficial.

## Responses to Complaints

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

## Fair Lending Review

An analysis of 2000 and 2001 public comments, consumer complaint information, and HMDA data 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 examination was performed in 1997.