



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 20, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Western National Bank
Charter Number 9840**

**501 Main
P.O. Box 719
La Jara, Colorado 81140**

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

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 Western National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 20, 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 “**Outstanding.**”

First Western National Bank's lending performance reflects outstanding responsiveness to its community credit needs, including a strong focus toward low- and moderate-income borrowers. The bank's loan-to-deposit ratio is good, indicating it is an active lender in the community. The bank makes a substantial majority of loans within its assessment area. The distribution of loans reflects good penetration among individuals of different income levels and businesses of different sizes. The distribution of loans also shows a good penetration to low- and moderate-income geographies.

DESCRIPTION OF INSTITUTION:

First Western National Bank is a \$41 million community bank located in the San Luis Valley of southern Colorado. The bank serves Alamosa, Conejos, and Costilla Counties. The bank's main office is located in La Jara, Colorado. In addition, the bank has a full-service branch located in the town of Alamosa and two deposit-taking branches in the towns of Antonito and San Luis. First Western National Bank has two automated teller machines, one located at the main office and one at the Alamosa branch. The bank's holding company, Community Bankshares, Inc., owns 100% of the bank. The holding company owns four other community banks in Colorado and Kansas.

The bank's primary business focus is agricultural lending. As of June 30, 1997, agricultural loans represented 50% of total loans. The remainder of the portfolio was comprised of commercial loans (18%), loans to individuals (23%), and 1-4 family residential real estate loans (9%). Loans represent 61% of the bank's total assets. There are no financial or legal impediments that affect the bank's ability to meet the credit needs of the assessment area.

The last Community Reinvestment Act examination was performed May 12, 1994. The bank received a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA:

The bank's assessment area consists of Conejos and Costilla Counties plus three of the four block numbering areas (BNAs) from Alamosa County. The area is rural and none of the three counties are part of a Metropolitan Statistical Area (MSA). According to 1990 census data, only 23,211 people live in the assessment area. The assessment area meets the requirement of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The assessment area consists of nine BNAs. As shown in the following table, seven of the nine BNAs are designated low- or moderate-income. The 1990 U.S. Census statewide non-MSA median-family income for Colorado was \$28,258.

ASSESSMENT AREA BNA CHARACTERISTICS

BNA	BNA Income as a % of Statewide Non-MSA Income (\$28,258)	U.S. Census Income Designation	County	Towns Included
9816	91%	Middle	Alamosa	Alamosa
9817	66%	Moderate	Alamosa	Alamosa
9818	101%	Middle	Alamosa	Alamosa
9746	36%	Low	Conejos	-
9747	65%	Moderate	Conejos	Sanford, La Jara
9748	53%	Moderate	Conejos	Antonito
9749	62%	Moderate	Conejos	Manassa, Romeo
9826	67%	Moderate	Costilla	Blanca
9827	46%	Low	Costilla	San Luis

The local economy is tied to agriculture, consisting of crop, cattle, and sheep production. Major crops in the area include potatoes, barley, and hay. Major employers in the assessment area are centered in Alamosa, including Adams State College, Rakhra Mushroom Farm Corporation, San Luis Valley Medical Center, Wal-Mart, and City Market. Other major employers include city, county, and state governments and various service industries throughout the community. In addition, tourism plays a supporting role in the local economy.

The overall local economy is stable and conditions have improved considerably over the past two years. In particular, livestock and crop prices have improved from weak levels. Area unemployment is low at 4%. However, the area contains a significant population of low-income borrowers. Conejos and Costilla Counties are considered the two poorest counties in Colorado. Approximately 28% of area households are below the poverty level and 14% are reliant on public assistance. As shown in the following table, a majority of the families in the area are low- or moderate-income families as compared to the 1990 census non-MSA median-family income.

FAMILIES IN THE ASSESSMENT AREA BY INCOME LEVEL		
Income Classification and % of Median-family Income	#	%
Low-income (0 - 50%)	2,149	35.9
Moderate-income (50 - 80%)	1,227	20.5
Middle-income (80 - 120%)	1,072	17.9
Upper-income (> 120%)	1,539	25.7
Total	5,987	100.0

First Western National Bank is one of seven financial institutions in the assessment area. The assessment area includes three community banks, three credit unions, and one savings and loan association. Most of these institutions serve the Alamosa area. First Western National Bank is the main institution serving Conejos and Costilla Counties.

We reviewed the results of two community contacts in the assessment area performed by our office and the Office of Thrift Supervision (OTS) dated August 1992 and November 1996. The contacts included a local chamber of commerce and an economic development corporation. Credit needs identified through the contacts were related mainly to small business and residential housing lending. The contacts stated that financial institutions are sufficiently meeting the credit needs of the assessment area.

We also contacted a local city government and a local social services organization as part of this examination. The contacts stated that First Western National Bank is very involved in the San Luis Valley and offers loans and services that directly meet community needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

First Western National Bank’s loan-to-deposit ratio is good. From September 30, 1995, through June 30, 1997, the bank’s quarterly loan-to-deposit ratio averaged 70.4%. The ratio is comparable to the other two community banks within the assessment area. Their average loan-to-deposit ratios for eight quarters ending June 30, 1997, were 61% and 72%. In addition, the loan-to-deposit ratio for all community banks located in Colorado averaged 64.4% over the same period.

Lending in Assessment Area

We reviewed the bank's internal reports showing the geographic distribution of 1997 loans. A majority of the bank's loans are within its assessment area. Seven hundred fifteen loans have been made through November 4, 1997. Of these, 625 or 87% were within the assessment area. Similarly, the report showed that 81% of the dollar volume of these loans were located within the assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

First Western National Bank's lending patterns show a good distribution of loans among farms, businesses, and individuals of different income levels. Loan originations are well distributed among the four income levels and show a strong emphasis among low- and moderate-income borrowers. The following table demonstrates the income breakdown of the bank's total consumer loan portfolio as of November 4, 1997. As shown, a substantial majority of the bank's consumer loans are made to low- and moderate-income borrowers and compares favorably to assessment area demographics. The 1997 Department of Housing and Urban Development (HUD) median-family income for non-MSA areas of Colorado is \$38,700.

LOAN DISTRIBUTION TO BORROWERS OF DIFFERENT INCOME LEVELS			
Income Designation of the Borrower	# of Consumer Loans	% of Consumer Loans	% of Families in the Assessment Area
Low	575	48%	36%
Moderate	352	30%	21%
Middle	192	16%	18%
Upper	57	5%	25%
Income information unavailable	13	1%	NA
Total	1,189	100%	100%

Most of the consumer loans are small dollar loans that directly benefit low- and moderate-income borrowers. The average loan amount of the above 1,189 consumer loans is approximately \$5,900.

Nearly all of the bank's commercial and agricultural loans are to small farms and small businesses. There are only 12 loans to 3 customers whose gross annual revenues exceed \$1 million in the entire commercial portfolio. This represents less than 3% of commercial loans by number. The bank's lending to small farms and small businesses also compares favorably to assessment area demographics. According to current business demographic data provided by Dunn & Bradstreet, 31 of the 37 farms in the assessment area have gross annual revenues of less than \$1 million. In

addition, 320 of the 434 non-farm businesses in the assessment area have gross annual revenues less than \$1 million.

Geographic Distribution of Loans

The bank’s lending patterns show a good distribution among low- and moderate-income geographies. We reviewed the distribution of all 1997 loan originations and found that 82% of the loans were made to customers in low- or moderate-income BNAs. This distribution is also favorable to area demographics. Approximately 62% of the area population resides in low- or moderate- income BNAs. Seven of the nine BNAs comprising the assessment area are low- or moderate- income BNAs. The geographic distribution of 1997 loans is summarized in the following table:

GEOGRAPHIC DISTRIBUTION OF 1997 LOAN ORIGINATIONS				
Income Designation of BNA	% of BNA Tracts	% of Assessment Area Population	# of 1997 Loan Originations	% of 1997 Loan Originations
Low	22%	10%	99	14%
Moderate	56%	52%	419	58%
Middle	22%	38%	107	15%
Upper	0%	0%	0	0%
Location Unknown	NA	NA	90	13%
Total	100%	100%	715	100%

Community Development Lending

The bank has taken a leadership role in community development lending through involvement in affordable housing and small business loan programs. The bank has entered into partnerships with several non-profit economic development and housing groups. Examples of the bank’s involvement in these programs include:

- San Luis Valley Housing Coalition Affordable Housing Program: First Western National Bank, Colorado Rural Housing Development Corporation (CRHDC), and Neighborhood Housing Services of America Inc. (NHS) have entered into a partnership to provide affordable housing loans to first-time home buyers residing in the San Luis Valley. The program directly benefits low- and moderate-income borrowers by providing below-market interest rates and flexible loan terms.

First Western National Bank participates in this program by funding and servicing these mortgage loans. CRHDC and NHTSA participate by underwriting the loans. The bank made 22 loans under this program during 1996 and 1997 totaling \$1,126,000. The bank recently received a \$250,000 grant from the Federal Home Loan Bank of Topeka to provide further assistance under the program. The bank is using the grant to offer further reductions in the mortgage loan interest rates.

First Western National Bank also makes down payment assistance loans under the affordable housing program. The bank receives annual grants from the State of Colorado. These funds are used to make loans to people who qualify for an affordable housing loan but lack sufficient resources for the down payment. During 1996 and 1997, the bank made approximately \$70,000 in down payment assistance loans.

- Colorado Capital Initiatives (CCI): The bank has entered into a partnership with this local non-profit organization to provide loans to small, start-up businesses. Since 1995, First Western National Bank has made five loans for approximately \$25,000 under this program.
- Colorado Rural Rehabilitation Corporation (CRRC): First Western National Bank has teamed up with this local non-profit organization to provide loans with flexible terms for area farmers starting up operations. Since 1995, the bank made 14 loans for \$313,000 under this program.

Community Development Investments

First Western National Bank participates in community investments through donations to local non-profit economic development organizations. Over the past year, the bank donated \$6,000 to Colorado Capital Initiatives. In addition, the bank donated \$5,000 to the San Luis Valley Development Resource Group, a local non-profit organization providing small businesses training and technical assistance.

Community Development Services

First Western National Bank participates in services that directly benefit low- and moderate-income individuals and small business development. As mentioned above, the bank has formed partnerships with affordable housing and small business development groups. Several bank officers are active in these organizations. Through these organizations, bank officers meet with the community to educate low- and moderate-income individuals on areas such as improving housing conditions and how to apply for grants and special loan programs. Bank officers also participate in training start-up businesses on topics such as preparing business plans and basic accounting and finance.

With the exception of the Alamosa branch, all bank offices are located in low- or moderate-income BNA tracts. And, First Western National Bank is the only local community bank to provide banking services within Costilla County.

Response to Complaints

There have been no complaints regarding the bank's CRA activities since the last CRA Performance Evaluation dated May 12, 1994.

Record of Compliance with Antidiscrimination Laws

Our fair lending examination did not find any evidence of discrimination or practices intended to discourage applicants from applying for credit.