



**Comptroller of the Currency
Administrator of National Banks**

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PUBLIC DISCLOSURE

June 30, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank, Cortez
Charter Number 14833**

**140 West Main Street
Cortez, Colorado 81321**

**Comptroller of The Currency
Western District
50 Fremont Street, Suite 3900
San Francisco, California 94105**

<p>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.</p>

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, Cortez** prepared by **The Office of the Comptroller of The Currency**, the institution's supervisory agency, as of **June 30, 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 "**Satisfactory.**"

Management is performing satisfactorily in meeting the credit needs of its assessment area, consistent with its resources and capabilities.

- A substantial portion of loans and other lending-related activities are in the bank's assessment area.
- The distribution of loans within its geographic area is reasonable.
- The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.
- First National Bank, Cortez's loan-to-deposit ratio is reasonable, considering available resources and competition.

DESCRIPTION OF INSTITUTION:

First National Bank, Cortez opened on May 29, 1958. The \$49 million dollar bank is located in Cortez, Colorado, a small community in southwestern Colorado, with the main office situated in the retail and commercial area of town. A branch is located in Mancos, Colorado, approximately seventeen miles east of Cortez. The Mancos office opened in April 1997. First National Bank, Cortez is publicly owned with no affiliates.

The bank offers a wide range of deposit and loan services to individuals, farmers, ranchers and small businesses, including Automated Teller Machines (ATMs) at both offices, that accept several network and reciprocal ATM and major credit cards. As of June 30, 1997, First National Bank, Cortez reported net loans of \$23 million, and deposits of \$44 million.

The last CRA examination was performed as of August 31, 1994, when the bank received a "Satisfactory" performance rating. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its assessment area.

DESCRIPTION OF FIRST NATIONAL BANK, CORT EZ'S ASSESSMENT AREA :

First National Bank, Cortez has designated their assessment area as all of Dolores and Montezuma counties and the adjacent communities of Aneth and Montezuma Creek located in southeastern Utah. The entire area is a non-metropolitan area. Population of the assessment area was 19,998 per 1990 census data. The assessment area is comprised of seven contiguous block numbering areas (BNAs). Of these, six are designated as middle income and one is moderate income. There are no low income BNAs within the bank's assessment area. This is based on the statewide non-metropolitan family income reported (from the 1990 census) within each BNA. If the BNA is less than 50% of the statewide income non-metropolitan median family income, it is categorized as low income; moderate is between 50% and 79%; the middle income range is 80% to 119%; and the upper range is income of 120% and above the median family income. The Colorado statewide annual non-metropolitan median family income is \$24,837.

Primary employers are federal/city/county governments, construction and energy companies, and retail/services industries. Government employment has declined somewhat, but is offset by an increasing demand in the retail/service sector.

The banking environment within First National Bank, Cortez's assessment is highly competitive, and includes ten independent commercial banks and branches of those banks,

a savings bank, and a Federal Land bank. First National Bank, Cortez is the third largest independent financial institution in the area.

Community members identified a critical need for affordable housing as the most pressing issue in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Lending in the Assessment Area

A substantial portion of loans and other lending-related activities are in the bank's assessment area. First National Bank, Cortez does not do a formal analysis of lending activities in and out of its lending area. However, they do prepare a report reflecting loan outstandings based on zip code locations. As of June 30, 1997, 87% of the total number of loans in the bank's consumer and commercial portfolio originated in the bank's assessment area. This translates to approximately \$18 million or 81% of the bank's dollar loan volume inside the assessment area.

Geographic Distribution of Loans

First National Bank, Cortez's distribution of loans within its geographic area is reasonable. An internal report designating loan originations for all loans based on zip code locations was reviewed to determine how the bank's loans are distributed among BNAs of different income levels. As discussed in the **Description of Assessment Area** section of this Evaluation, there are seven BNAs: one moderate income and six middle income. The internal report revealed that loans were made in all BNAs within the Assessment Area. No areas have been excluded.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Overall, lending to individuals of various income levels and businesses of different sizes is satisfactory. Our analysis revealed that the bank lends in all areas of its community equitably.

The bank does not conduct an internal analysis based on borrowers' income. Therefore, we reviewed a random sample of 43 consumer and 17 small business loans made from January

1, 1997 to June 30, 1997, focusing on borrowers income and business revenues. The tables below illustrate our findings in each area.

Loan Distribution by Borrower Income Level										
	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total # of Families	
% in Area	23%		18%		22%		37%		100%	
# of Families	1576		1261		1503		2485		6826	
	#	%	#	%	#	%	#	%	#	%
All consumer including residential	20	38%	5	5%	8	35%	10	22%	43	100%

Consumer loan findings revealed that the bank has a stronger penetration to low and middle income individuals in comparison to the demographics of the assessment area.

Lending to Businesses of Different Sizes										
Gross Revenues \$	Less than 100,000		100,000 - 250,000		250,000 - 1,000,000		Over 1,000,000		Total	
	#	%	#	%	#	%	#	%	#	%
Commercial	4	24%	6	35%	5	29%	2	12%	17	100%

Distribution of loans to businesses of different sizes demonstrates satisfactory lending in the assessment area. The sample of 17 loans represented 21% of the business loans made during the period.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable, considering resources and competition. As of June 30, 1997 it was 53.2%. Over the past eight quarters the average ratio was 52.1%. A comparison of lending activity places the bank slightly below the average loan-to-deposit ratio of banks having similar characteristics in the area. The loan-to-deposit ratio for banks in Montezuma and Dolores Counties ranges from 30% to 65.5%.

Response to Complaints

During the evaluation period, First National Bank, Cortez did not receive any complaints from the public regarding their CRA performance. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations.