



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

PUBLIC DISCLOSURE

January 21, 1998

COMMUNITY REINVESTMENT ACT Performance Evaluation

**FIRST NATIONAL BANK OF DURANGO
Charter Number 2637**

**259 West 9th
Durango, Colorado 81301**

**OFFICE OF THE COMPTROLLER OF THE CURRENCY
Western District
50 Fremont Street, Suite 3900
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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 CRA performance of **First National Bank of Durango** prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of **December 31, 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: First National Bank is rated "**Satisfactory**."

- First National Bank of Durango has a high level of lending within its assessment area (La Plata County, Colorado).
- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, local competition and credit needs of the assessment area.
- The lending patterns are similar to the demographics of the assessment area and also reflect a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

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

FIRST NATIONAL BANK OF DURANGO Performance Levels			
Small Institution Assessment Criteria	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
<i>Loan-to-deposit ratio</i>		✓	
<i>Lending in assessment area</i>	✓		
<i>Lending to borrowers of different incomes and to businesses of different sizes</i>		✓	
<i>Geographic distribution of loans</i>		✓	
<i>Response to complaints</i>	No complaints relating to CRA activities during the evaluation period.		

DESCRIPTION OF INSTITUTION

First National Bank of Durango is a wholly owned subsidiary of First Bancorp of Durango, Inc., a one bank holding company. First National Bank of Durango has two sister banks through common ownership: The Minnequa Bank of Pueblo in Pueblo, Colorado with total assets of \$278 million, and Bank of Monte Vista in Monte Vista, Colorado with total assets of \$60 million. As of December 31, 1997, First National Bank of Durango had \$177 million in total assets. The main office is located in the downtown business district of Durango. Additionally, there is one in-store Albertsons branch and nine ATMs located throughout the Durango area. The Albertsons branch was the only office opened since our last (November 1995) examination.

The bank's lending focus is business and residential mortgage loans. The total outstanding loans as of December 31, 1997 was \$103 million. Of the outstanding balances, 77% were real estate secured (3/4 commercial and 1/4 residential), 10% commercial, and 13% consumer loans. There are no legal or financial factors impeding their ability to meet local credit needs.

DESCRIPTION OF ASSESSMENT AREA

First National Bank of Durango has defined its assessment area as La Plata County, Colorado. Although the US Census Bureau has designated census tracts within the county, it is not located within a metropolitan statistical area (MSA). The defined assessment area meets the requirements of the CRA and does not arbitrarily exclude low- or moderate- income geographies. According to 1990 census data, the population of the assessment area area was 32,284.

La Plata County is comprised of eight census tracts. Based on the statewide non-MSA family income information derived from the 1990 census, one census tract is designated as upper-income, six are middle-income, one is moderate-income, and none are low-income. *If the census tract is less than 50% of the statewide non-MSA median family income, it is categorized as low-income; moderate- is 50-79%; middle-income is 80-119%; and upper is 120% and higher.* The 1997 (annually) updated Colorado statewide non-MSA median family income is \$38,700. The median housing cost is \$85,305.

Primary employers in the assessment area are the Southern Ute Indian Tribe, Centura Health-Mercy Medical Center, Fort Lewis College, 9-R School District, government agencies, retail/service companies, and the Tamarron Hilton Resort.

The local banking environment is highly competitive. It includes two multinational bank branches, one local national bank, four state banks, two savings and loans, and one credit union. First National Bank of Durango is the largest independent financial institution in the assessment area.

We contacted several local civic leaders and they identified affordable housing and small business loans as the most pressing issues for the assessment area. Bank management is aware of these

issues and, in response, is participating in several small business and affordable housing projects. For additional detail, refer to the **Lending to Borrowers of Different Incomes and Businesses of Different Sizes** section of this *Public Evaluation*.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-To-Deposit Ratio

The loan-to-deposit ratio, at 66% as of September 30, 1997, is reasonable given the bank's size, financial condition, and credit needs of the assessment area. Over the past ten quarters, the evaluation period for this review, the average ratio was 65%. A similar local competitor had a ratio of 96% at September 30, 1997 and a quarterly average of 86%. However, this bank was the exception as the aggregate loan-to-deposit ratio of all local competition averaged 71% during the same period.

Lending in the Assessment Area

First National Bank of Durango has a high level of lending within its assessment area. During the evaluation period, 1,382 loans (all categories) were extended totaling \$94.4 million. Of this total, approximately 89% (1,231) were extended to borrowers located within the assessment area. In addition, La Plata County is a tourism dependent area and contains many second home properties. Of the remaining loans outside of the assessment area, a large percentage of those are actually for property located in the assessment area. We verified performance by testing internal loan reports.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Lending to individuals of various income levels and businesses of different sizes is satisfactory. Available demographic information for the assessment area reflects the presence of all family income levels throughout the population. Our analysis revealed lending patterns that are equitable across income levels, considering the demographics of the assessment area customer base.

Our conclusion is based on a sample of consumer, residential real estate, and business loans originated between January 1, 1997 and December 31, 1997. We focused on borrower income and business gross revenues. The following tables illustrate our findings.

LOAN DISTRIBUTION BY BORROWER INCOME LEVEL				
Loan Type (# loans sampled)	LOW	MODERATE	MIDDLE	UPPER
	<\$19,350	19,351-30,960	30,961-46,439	\$46,440+
Assessment area Demographics % of families; by income level (1990 Census)	18%	16%	22%	44%
Consumer (29)	0%	28%	24%	48%
Residential Real Estate (34)	15%	21%	26%	38%
Total	9%	24%	25%	42%

Residential real estate loans originated in 1997 were comparable to the demographics of the assessment area, with a slightly stronger penetration to moderate- and middle-income individuals. Although our relatively small sample did not reveal any consumer loans to low-income individuals, management provided numerous examples of recent consumer loans extended to low-income individuals.

LENDING TO BUSINESSES OF DIFFERENT SIZES						
Loan Type (# loans sampled)	Business Gross Revenues (000s)					
	<\$100	\$100-250	\$251-499	\$500-749	\$750-1,000	\$1,000+
Business (33)	28%	25%	18%	9%	9%	10%

The distribution to businesses of different sizes reflects the economic activity of the assessment area. We verified our findings through a random sample of commercial loans originated in 1997. Of the 33 businesses reviewed, 29 were "small businesses" by the banking regulatory agency standards.

First National Bank is also involved in various projects and loan programs which address small business and affordable housing issues:

- ▶ Certified Small Business Administration (SBA) lender;
- ▶ Community Home Buyers Program;

- ▶ Mercy Housing Affordable Housing Project; and
- ▶ Consumer financial management and home ownership educational courses.

The Community Home Buyers Program, offered to residential loan applicants through an affiliation with Maple Park Mortgage Co., provides for reduced minimum down payment requirements. First National Bank has also taken the lead in financing for the Mercy Housing Project, which will provide up to 50 low-income housing units in the Durango area.

Geographic Distribution of Loans

The geographic distribution of loans within the assessment area is reasonable. For our analysis, we utilized the internal mapping system employed by the bank.

Although the mapping is not performed by census tract, it did demonstrate that 1997 commercial and consumer loan originations were well dispersed throughout the designated assessment area. No particular area was excluded.

Response to Complaints

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