



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 16, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Lake City & Creede
Charter Number 17801**

**231 Silver Street
Lake City, Colorado 81235**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105-2292**

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 National Bank of Lake City & Creede** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 16, 1996. 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.**”

The First National Bank of Lake City & Creede is committed to serving the community in which it operates and has demonstrated satisfactory lending performance. Its loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A substantial majority of the bank's loans are within its assessment area. Overall, lending activities reflect a satisfactory penetration among individuals of different income levels and businesses of different sizes.

The following table indicates the performance level of *The First National Bank of Lake City & Creede* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	First National Bank of Lake City & Creede Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans	Analysis of the geographic distribution does not provide meaningful data.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION:

The First National Bank of Lake City & Creede (FNB) is a commercial bank with total assets of \$18 million. It is widely held by approximately 194 shareholders. The principal shareholder owns 22.5% of the outstanding shares. The bank operates its main office in Lake City, Colorado. In May 1994, FNB opened a branch in the town of Creede, Colorado about 50 miles southeast of Lake City. Both the main office and branch offer full banking services. The bank has no constraints in its ability to meet various credit needs within its assessment area. Lending activities have steadily increased over the past year. As of June 30, 1996, the composition of the loan portfolio is as follows:

Real estate loans	76%
Commercial loans	14%
Consumer loans	10%
	<hr/>
Total	100%

The bank’s prior CRA Performance Evaluation is dated August 31, 1991.

DESCRIPTION OF ASSESSMENT AREA:

The bank’s assessment area is reasonable, complies with regulatory requirements, and does not arbitrarily exclude low- or moderate-income geographies. The assessment area encompasses three counties: Hinsdale, Mineral, and Rio Grande. Lake City, the location of the main office, is the county seat and only town in Hinsdale County. The branch in Creede serves Mineral and Rio Grande Counties. Like Lake City, Creede is the county seat and the only town in Mineral County. The bank intends to further cater to the residents of Rio Grande County and therefore has designated this county in its assessment area. The three counties are made up of seven block numbering areas (BNA). The one BNA that makes up Hinsdale County is categorized as middle-income. And Mineral County is designated as one moderate-income BNA. The remaining five BNAs are in Rio Grande County. Two of these BNAs are moderate-income, two are middle-income, and one has no available income designation.

Management states that its target market is all the people in its assessment area and describes that there are basically three groups with whom the bank conducts business. The groups are permanent residents, part-time residents, and businesses.

The chart below reflects the composition of the assessment area by BNA type. We found one BNA in which no information was available.

ASSESSMENT AREA COMPOSITION

<i>Block Numbering Area Type</i>	<i># of BNAs in Assessment Area</i>	<i>% of BNAs in Assessment Area</i>
Low Income	0	0%
Moderate Income	3	43%
Middle Income	3	43%
Upper Income	0	0%
No Available Income Level	1	14%
Total	7	100%

There are 11,795 residents in the assessment area. Of this total, 91% reside in Rio Grande County. Based on the 1990 United States Census, the population by income level consists of the following:

PERCENTAGE OF FAMILIES IN THE ASSESSMENT AREA BY INCOME CATEGORY

<i>Income Level</i>	<i>% of Assessment Area</i>
Low	28%
Moderate	25%
Middle	20%
Upper	27%
Total	100%

The 1990 United States Census median-family income is \$28,258. The median housing value (based on 1990 data) for the assessment area is \$50,600. The median housing value for each BNA ranges between \$42,900 to \$76,700. The cost of single-family homes, however, has increased significantly since 1990. A 1996 information brochure provided by the Lake

City/Hinsdale County Chamber of Commerce indicates the cost of single-family homes is between \$75,000 to \$300,000.

The services, retail trade, finance, insurance, and real estate industries make up the majority of the employment in the area.

We contacted an organization in Lake City to assess credit needs in the community. Our contact identified no unmet credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

The bank’s loan-to-deposit ratio is satisfactory. The average loan-to-deposit ratio for eight quarters beginning June 30, 1994, and ending June 30, 1996, is 78%. This is comparable to one other similarly situated bank. The bank was also selected based on similar business focus and asset size. For the same time period, the eight quarter average loan-to-deposit ratio for the comparable bank is 77%.

Lending in the Assessment Area

The bank makes a substantial majority of its loan within its assessment area. We prepared the following table based on random sampling of 40 one-to-four family residential real estate and commercial loan originations between January 1995 and August 1996.

LENDING INSIDE AND OUTSIDE OF ASSESSMENT AREA

	<i>Number of Loans Sampled</i>		<i>Dollar Value of Loans Sampled</i>	
	<i>#</i>	<i>% of total #</i>	<i>\$(000s)</i>	<i>% of total \$</i>
In Area	38	95%	\$1,395	96%
Out of Area	2	5%	\$ 51	4%
Total	40	100%	\$1,446	100%

We also found that 90% of originations were in either Lake City or Creede.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The lending activities reflect a satisfactory penetration among individuals of different income levels. We randomly sampled 20 one-to-four family residential real estate loan approvals between January 1995 to August 1996 and found the following income level distribution.

LENDING IN ASSESSMENT AREA BY BORROWER INCOME

		<i>Number of Loans Sampled</i>		<i>Dollar Value of Loans Sampled</i>	
	<i>% of Assessment Area by Income</i>	<i>#</i>	<i>% of total #</i>	<i>\$ (000s)</i>	<i>% of total \$</i>
Low	28%	3	15%	\$ 57	5%
Moderate	25%	5	25%	\$ 333	31%
Middle	20%	5	25%	\$ 157	14%
Upper	27%	7	35%	\$ 546	50%
Total	100%	20	100%	\$1,093	100%

The bank has demonstrated an excellent lending penetration to small businesses. Of the 20 commercial loans we sampled, no loan was extended to a business whose annual gross revenues exceeded \$1 million. Further, we noted only one loan in an amount greater than \$100,000.

Geographic Distribution of Loans

We did not analyze the geographic distribution of loans. We felt that this analysis would not be meaningful as 90% of the loans we sampled originated in Lake City or Creede. All of Lake City is considered middle-income while Creede is entirely moderate-income.

Response to Substantiated Complaints

The bank has not received any written complaints regarding its CRA performance since the prior examination.

Other Information

We found no evidence of disparate treatment or practices intended to discourage applicants from applying for credit. We also found no violations of the substantive provisions of antidiscrimination laws and regulations during this examination.