



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 29, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Grand Valley National Bank
Charter Number 18058**

**925 North Seventh Street
Grand Junction, Colorado 81501**

**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 **Grand Valley National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 29, 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.**”

Grand Valley National Bank satisfactorily meets the credit needs of its community. The bank's loan volume is reasonable and the percentage of loans originated within the bank's assessment area is high. Management lends to individuals in all income levels and to both large and small businesses and farms. The geographic distribution of the bank's loans is reasonable and in line with the geographic distribution of the population throughout the assessment area.

DESCRIPTION OF INSTITUTION:

Grand Valley National Bank is a \$55 million community bank serving Mesa County. The bank’s main office is located in Grand Junction, Colorado. Grand Junction is 248 miles west of Denver, Colorado and 254 miles southeast of Salt Lake City, Utah. The bank has two branches located in the towns of Fruita, approximately 11 miles west of Grand Junction, and Collbran, approximately 45 miles east of Grand Junction. In addition, the bank has four automated teller machines none of which accept deposits. These are located in each office and the fourth is located in the Mesa Mall in Grand Junction.

Grand Valley Corporation is a one-bank holding company and is majority owner of the bank. The remaining ownership is distributed between several minority owners.

The bank offers a full range of credit products including agricultural, commercial, real estate, and consumer loans. As shown by the table below, the bank’s primary focus is on agricultural and commercial lending. In addition to the volume of real estate lending shown in the table, the bank also operates a mortgage department that originates conventional and Federal Housing Administration and Veterans Administration loans which are sold on the secondary market. There are no financial or legal impediments to the bank’s ability to meet the credit needs of the assessment area.

Loan Portfolio Composition	
Loan Type	% of Portfolio
Commercial/Agricultural	61.20%
Consumer	7.36%
Real Estate	31.44%
Total Portfolio	100.00%

DESCRIPTION OF MESA COUNTY METROPOLITAN STATISTICAL AREA (MSA):

The Board of Directors of Grand Valley National Bank has designated the Mesa County MSA as the bank’s assessment area. This includes all of Mesa County. Based on information from the Grand Junction and Mesa County Planning Departments, the estimated 1996 population of the county was 105,100. The city of Grand Junction is the largest metropolitan area in the county. The estimated 1996 population of Grand Junction was 37,000.

The Mesa County MSA consists of 21 census tracts. Four tracts are considered moderate-income tracts, 13 are considered middle-income tracts, and four are considered upper-income tracts. There

are no low-income tracts within this MSA but based on 1990 census information, 23.03% of the families in the MSA are designated low-income.

The local economy is diverse with agricultural, transportation, government, retail, and service industry bases. Local agricultural products include corn, wheat, pinto beans, and cattle. Government employers include city and county governments and state and federal agencies such as the Colorado Division of Wildlife, the National Forest Service, Bureau of Land Management, the Department of Energy, and National Park Service. The service industry is largely medical oriented.

Grand Valley National Bank faces strong competition throughout the assessment area. There are 14 banks located in or with branches in the MSA. In addition, there are eight credit unions with offices in the MSA.

Interviews with five quasi-government organizations indicate the primary credit needs of the MSA are affordable housing and small business loans. Bank management agrees the availability of low-income single-family housing is limited. The majority of low-income housing is in multi-family facilities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Lending in the Assessment Area

Grand Valley National Bank originates a significant portion of its loans within its assessment area. Ninety-seven percent of the eight hundred and fifty loans originated in a thirteen-month period from May 1, 1996, to May 31, 1997, were made within the bank's assessment area.

Lending to Borrowers of Different Income Levels and Businesses and Farms of Different Sizes

Grand Valley National Bank's lending patterns show a satisfactory distribution of loans to individuals of different income levels and to businesses and farms of different sizes. As discussed previously, the bank's primary focus is lending to businesses and farms, many of which are considered small based on the dollar amount of annual revenues. However, bank management also provides consumer and real estate loans to customers.

Loans to Individuals

The following table shows the distribution of consumer real estate loans to borrowers of different income levels. Our loan sample indicates a good distribution of consumer loans to borrowers of different income levels. The distribution of real estate loans to borrowers of different income levels is skewed toward middle- and upper-income customers. This is due to the limited amount of low-income single-family residences available in the MSA. As of July 28, 1997, the bank has received permission to provide loans under the Colorado Housing and Finance Authority Program. This program assists low-income families in obtaining affordable housing.

The consumer sample detailed below is based on 22 randomly selected loans that originated in 1997. The real estate sample is based on all real estate mortgages either retained by the bank or sold on the secondary market that originated between January 1, 1996, and July 28, 1997.

Loans to Individuals of Different Income Levels			
Income Level	% of Families in the MSA of Different Income Levels	% of Consumer Loans To Individuals of Different Income Levels	% of Real Estate Loans To Individuals of Different Income Levels
Low	23.03%	36.36%	5.30%
Moderate	16.18%	31.82%	16.67%
Middle	20.32%	4.55%	24.24%
Upper	40.47%	27.27%	53.79%
Total	100.00%	100.00%	100.00%

Loans to Commercial and Agricultural Borrowers

The bank lends to commercial and agricultural borrowers of all income levels with an emphasis on small farms and businesses. The following tables are based on a sample of the 34 commercial or agricultural customers that received loans during a two-month period from April 1, 1997, to May 31, 1997. The percentage of farm and business customers of different income levels is in line with the demographic makeup of the MSA. Over 90% of the businesses and 95% of the farms in the MSA report annual revenues under \$1 million and are considered small businesses and farms.

Farm and Ranch Customers		
Farm Size By Revenue \$(000's)	# of Farm Loans	% of Sample
Revenues < \$100	8	80.00%
Revenues \geq \$100 < \$500	2	20.00%
Revenues \geq \$500 < \$1,000	0	0.0%
Revenues \geq \$1,000	0	0.0%
Total	10	100.00%

Commercial Customers		
Business Size By Revenue \$(000's)	# of Business Customers	% of Sample
Revenues < \$100	5	20.83%
Revenues ≥ \$100 < \$500	8	33.33%
Revenues ≥ \$500 < \$1,000	5	20.83%
Revenues ≥ \$1,000	6	25.00%
Total	24	100.00%

To better serve the needs of the small business and farm customer, the bank actively participates in government guaranteed loan programs sponsored by the Small Business Administration (SBA) and the Farm Services Agency (FSA). In the 12 months prior to June 30, 1997, the bank originated eight loans guaranteed by SBA and FSA totaling \$1,014,379. As of May 31, 1997, the bank held \$3,515,016 in SBA and FSA guaranteed loans. This equals 13.16% of the bank's loan portfolio and does not include an additional \$3,275,307 in guaranteed loans sold in the secondary market.

Geographic Distribution of Loans

The geographic distribution of loans throughout the MSA is reasonable. The bank lends in all census tracts and the volume of loans per census tract is in proportion to the percentage of the MSA's population residing within those tracts. The following table is based on all loans originated in the 13-month period from May 1, 1996, to May 31, 1997.

Volume of Loans In Census Tracts of Different Income Levels			
Income Level	% of Population In Designated Census Tracts	# of Loans Originated In Designated Tracts	% of Loans Originated In Designated Tracts
Low	0%	0	0%
Moderate	9.06%	56	6.78%
Middle	70.27%	613	74.21%
Upper	20.67%	157	19.01%
Total	100.00%	826	100.00%

Loan-to-Deposit Ratio

Grand Valley National Bank's loan-to-deposit ratio is low compared to other institutions in the state and the Grand Junction area. The bank's average loan-to-deposit ratio for eight quarters ending March 31, 1997, is 55%. This is lower than the state average for national banks of 62%. It is also below the average loan-to-deposit ratio for five local institutions of 66%. However, there are no local institutions considered similarly situated to this bank based on size and ownership.

The low loan-to-deposit ratio is partially the result of significant deposit growth and selling loans on the secondary market. Deposits have increased by 50% in 3.5 years. Much of the deposit growth is attributable to the opening of the Fruita and Collbran branches within the last two years. In addition, the bank actively sells loans on the secondary market. The sold portion of government guaranteed loans currently outstanding totals \$3,275,307; and, the mortgage department originated and sold \$6,279,591 since June 1, 1996. The volume of sold loans is equal to 36% of the current loan portfolio.

Response to Complaints

No complaints have been received regarding the bank's CRA performance since the last CRA Performance Evaluation dated August 17, 1995.

Record of Compliance with Antidiscrimination Laws

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