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Comptroller of the Currency  
Administrator of National Banks

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## **Public Disclosure**

**November 14, 1997**

# **Community Reinvestment Act Performance Evaluation**

**FirstBank of Boulder, N.A.  
Charter Number: 16465**

**6500 Lookout Road  
Boulder, Colorado 80301**

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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.**

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## 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 **FirstBank of Boulder, N.A.**, prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **November 14, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Community Reinvestment Act (CRA)** - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Metropolitan Statistical Area (MSA)** - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Census Tract (CT)** - Small, locally defined statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

**Home Mortgage Disclosure Act (HMDA)** - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and its disposition (e.g., approved, denied, withdrawn).

**Median Family Income (MFI)** - The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of census tracts. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Low Income** - Income levels that are less than 50% of the MFI.

**Moderate Income** - Income levels that are at least 50% and less than 80% of the MFI.

**Middle Income** - Income levels that are at least 80% and less than 120% of the MFI.

**Upper Income** - Income levels that are 120% or more of the MFI.

**Small Business Loans** - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

**Small Farm Loans** - Loans with an original amount of \$500,000 or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

## CRA Rating

**Institution's CRA Rating:** This institution is rated “Satisfactory.”

The major factors which support this rating include:

- ▶ An adequate responsiveness to the credit needs of FirstBank of Boulder's assessment area.
- ▶ A reasonable distribution of loans throughout FirstBank of Boulder's assessment area and to borrowers of all income levels and businesses of all sizes.
- ▶ A very good level of community development loans, totaling \$2.7 million.
- ▶ A low level of qualified investments, at only \$13,000.
- ▶ A reasonable accessibility of services through branch/ATM locations and telephone/computer banking services. And, the bank has provided an adequate level (86 hours) of community development services.

The following table indicates the performance level of **FirstBank of Boulder, N.A.**, with respect to the lending, investment, and service tests:

Performance Levels	FirstBank of Boulder, N.A. Performance Tests		
	Lending Test *	Investment Test	Service Test
Outstanding			
High Satisfactory	X		
Low Satisfactory			X
Needs to Improve		X	
Substantial Noncompliance			

\*Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

### Description of Institution

FirstBank of Boulder, N.A., (FBB) is located in Boulder, Colorado, and serves the population of Boulder County. The bank was chartered in 1979 and reported 76 full-time equivalent employees as of June 30, 1997. Its main office and three branches are situated in Boulder and two branches are located in Louisville. Three of the five branches are located in King Soopers

grocery stores. FBB provides its customers with access to services through six full-service automated teller machines (ATMs) located at its banking offices. The bank also offers 24-hour telephone banking. FBB reported total assets of \$192 million and net income of \$2 million as of June 30, 1997.

FBB offers a wide range of loan products, including real estate, consumer, and commercial loans. The bank's primary lending focus is residential real estate. The table below illustrates the composition of the loan portfolio by type of lending product.

<b>LOAN PORTFOLIO COMPOSITION</b>		
<b>June 30, 1997</b>		
<b>Loan Type</b>	<b>Amount \$(millions)</b>	<b>Percentage of Total Loans</b>
Residential Real Estate	\$58	71%
Commercial Real Estate	\$10	12%
Consumer	\$ 5	6%
Commercial	\$ 3	4%
Other	\$ 6	7%
<b>Total Loans</b>	<b>\$82</b>	<b>100%</b>

Source: June 30, 1997, Call Report.

FBB is a wholly owned subsidiary of FirstBank Holding Company of Colorado (FHCC). FHCC operates 23 banking offices and 52 branches in Colorado and one banking office and one branch in Palm Desert, California. FHCC reported total assets of \$2.9 billion and consolidated net income of \$25.1 million as of June 30, 1997.

FBB's performance under the Community Reinvestment Act was last evaluated as of May 11, 1995. The bank was rated "Outstanding Record of Meeting Community Credit Needs."

## **Description of Assessment Area**

FBB defines its assessment area as Boulder County, which comprises the entire Boulder-Longmont Metropolitan Statistical Area (MSA). The assessment area contains 58 contiguous census tracts. The Boulder-Longmont MSA is located northwest of Denver. It is the third largest MSA in the State of Colorado with a 1990 U.S. Census population of 225,339. The population of Boulder County is heavily concentrated in the eastern portion of the county, including the towns of Boulder, Longmont, Louisville, Lafayette, Broomfield, Superior, Lyons, and Erie. The western portion of Boulder County, which lies in the Rocky Mountains, is sparsely populated.

The following table provides demographic data, including a summary of how the census tracts are classified by income category and the income characteristics of the families in the assessment area.

<b>ASSESSMENT AREA PROFILE</b>							
<b>Boulder-Longmont MSA #1125</b>							
<b>Demographic Characteristics</b>	<b>#</b>	<b>\$</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>N/A % of #</b>
Population (#)	225,339		18%	18%	26%	38%	0%
Median Income(\$) - 1997 HUD est.		61,200					
Census Tracts	58		3%	16%	48%	31%	2%
Unemployment Rate - Jan. 31, 1997	3.4%						
Owner Occupied Housing (#)	54,027		0%	16%	52%	32%	0%
Median Housing Value (\$)		190,000					
Small Businesses	9,332		0%	24%	56%	20%	0%

Source: 1990 U.S. Census unless otherwise noted.

The 1990 U.S. Census median family income for the assessment area was \$43,782 and the 1997 Department of Housing and Urban Development (HUD) estimated median family income is \$61,200. Approximately 3% of the households in the assessment area receive public assistance.

There are 94,621 total housing units in the assessment area of which 16% are owner-occupied units in moderate-income census tracts, according to the 1990 U.S. Census. There are only a nominal number of owner-occupied units in low-income census tracts. The median year built for housing units is 1970. The Boulder County Assessor's office reports that, as of September 30, 1997, the median sales price of single-family homes in Boulder County is \$190,000 and the median sales price of condominiums/town homes is \$120,000. Slow growth policies in the city of Boulder have contributed to the high cost of housing and have spurred residential construction in smaller communities in eastern Boulder County. However, few of the newly constructed homes are affordable for low- or moderate-income families.

The economy of Boulder County continues to be good and compares favorably to both the State of Colorado and the national economies. The unemployment rate for Boulder County through January 1997 was 3.4%, compared with 3.3% for the State of Colorado and 5.0% for the national economy. The real estate market has been strong throughout the 1990's, with real estate construction activity remaining robust in Longmont, Lafayette, Broomfield, Superior, and Erie. Slow growth policies in Boulder have also pushed new commercial and residential development into these communities.

Boulder County is home to a large number of high-tech and computer software companies, including IBM and Storage Tek, which provide a significant employment base. The University of Colorado at Boulder is another major source of employment. The largest employers by industry include services, manufacturing, retail trade, and local/federal government. Small businesses also play a big role in Boulder County's economy.

Boulder County's financial services industry is very competitive. As of June 30, 1997, there were 7 national chartered banks, 9 state chartered banks, 3 savings banks, 8 credit unions, 15 finance companies, and over 60 mortgage companies. Several large interstate banking companies have a presence in Boulder County, including Banc One Corporation, Norwest Banks, and U.S. Bank.

### **Community Credit Needs**

We identified community credit needs through a review of recent community contacts by the bank regulatory agencies. We analyzed this information in conjunction with demographic and economic data to identify affordable 30-year fixed rate home mortgage loans and start-up loans for small businesses as the primary credit needs of the bank's assessment area. However, lack of affordable housing limits the bank's ability to make affordable home purchase mortgage loans within its assessment area.



## Conclusions with Respect to Performance Tests

### LENDING TEST

*In assessing lending performance, we focused on FirstBank of Boulder, N.A.'s lending activity; assessment area concentration; geographic distribution of loans; borrower profile; responsiveness to credit needs of economically disadvantaged geographies, low-income persons or small businesses; community development lending; and product flexibility. (Unless otherwise indicated, YTD 1997 means as of June 30, 1997.)*

Conclusions:

The bank's lending performance within its assessment area is rated as "High Satisfactory." This rating is based on the following:

- ▶ FBB's lending volume is reasonable within the context of market conditions and competition.
- ▶ FBB's lending activity reflects adequate responsiveness to the credit needs of its assessment area.
- ▶ FBB makes a high percentage of its loans within its assessment area.
- ▶ FBB's distribution of loans reflects reasonable penetration throughout assessment area geographies.
- ▶ FBB demonstrates a good record of serving the credit needs of low-income and moderate-income borrowers and small businesses, consistent with safe and sound banking practices.
- ▶ FBB originated a high volume of community development loans totaling \$2.7 million.

### **Lending Activity**

Lending volume and activity reflects adequate responsiveness to credit needs in the bank's assessment area. As noted in the following table, FBB originated 3,179 loans totaling \$53.4 million within the assessment area during 1996 and YTD 1997. A majority of these (82%) are consumer loans. The bank's ability to originate some types of home mortgage loans is hampered by a slow growth policy in the city of Boulder and the overall lack of affordable housing throughout the bank's assessment area. However, community development lending is very good and highly responsive to area needs.

As of June 30, 1997, the bank's eight-quarter average loan-to-deposit (LTD) ratio, expressed as a percentage, was 53%. This ratio has steadily declined over the past two years. The LTD ratio is significantly lower than similarly situated banks in the assessment area whose LTD ratios for the

same eight-quarter period ranged from 58% to 83%. The decline in the ratio does not reflect a change in lending practices, but is reflective of a change in the market. Previously, the bank was involved in financing several large construction projects. But bank management reports that aggressive pricing by competing financial institutions has caused FBB to lose out on several recent projects, which in turn has contributed to a decline in the LTD ratio.

A high percentage of FBB's loans are originated in the assessment area. As noted in the table below, 82% of the total number and 82% of the total dollar volume of loans originated by FBB in 1996 and YTD 1997 are within the assessment area.

<b>VOLUME OF FIRSTBANK OF BOULDER, N.A.'S LOAN ORIGINATIONS IN 1996 and YTD 1997</b>						
<b>Product</b>	<b>Total Originations</b>		<b>Within Assessment Area</b>			
	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>
Motor Vehicle Loans	141	\$ 1,410	99	70%	\$ 1,000	71%
Home Equity Loans	339	\$ 7,869	287	85%	\$ 6,573	84%
Other Secured Loans	136	\$ 5,063	108	79%	\$ 4,528	89%
Other Unsecured Loans	2,550	\$ 3,953	2,110	83%	\$ 3,286	83%
<b>Total Consumer Loans</b>	<b>3,166</b>	<b>\$18,295</b>	<b>2,604</b>	<b>82%</b>	<b>\$15,387</b>	<b>84%</b>
<b>Total Small Business Loans</b>	<b>231</b>	<b>\$19,639</b>	<b>189</b>	<b>82%</b>	<b>\$14,983</b>	<b>76%</b>
Home Purchase/Refinance Loans	216	\$19,579	178	82%	\$16,119	82%
Home Improvement Loans	245	\$ 4,998	203	83%	\$ 4,194	84%
Multifamily Loans	1	\$ 77	1	100%	\$ 77	100%
<b>Total Home Mortgage Loans</b>	<b>462</b>	<b>\$24,654</b>	<b>382</b>	<b>83%</b>	<b>\$20,390</b>	<b>83%</b>
Total Community Development Loans	4	\$ 2,675	4	100%	\$ 2,675	100%
<b>Grand Total Loans</b>	<b>3,863</b>	<b>\$65,263</b>	<b>3,179</b>	<b>82%</b>	<b>\$53,435</b>	<b>82%</b>

Source: Bank-prepared Consumer and Small Business Loan Data Collection Registers and HMDA Loan Application Register.

Based on dollar volume, home mortgage loans account for the largest segment of lending at 38% of loans originated during 1996 and YTD 1997. Home purchase and refinance loans account for 79% of the dollar volume of home mortgage loans. Available market share data for 1996 shows that FBB had an overall market share of 2.1% of the HMDA reportable loans in the assessment area. This is consistent with the bank's business strategy and lending focus.

FBB originated 231 small business loans totaling \$19.6 million during the time period noted above. This represents 30% of the total dollar volume of loans. Aggregate small business loan

data of the assessment area for 1996 reveals that FBB had a 2.2% market share for small business loans. The volume of small business lending is consistent with the bank's business strategy and lending focus.

Consumer loans account for 82% of loans originated but only 28% of loans by dollar volume. A substantial number of the consumer loans (81%) are Cash Reserve (check credit) loans which have a low credit limit. Banks are not required to collect and report data on consumer loan activity. Therefore, no market comparison is possible.

### **Geographic Distribution of Loans within the Assessment Area**

The overall geographic distribution of loans reflects adequate penetration throughout the assessment area. The following table provides a break down of loan penetration by loan category and census tract:

<b>GEOGRAPHIC DISTRIBUTION OF 1996 LOAN ORIGINATIONS BY CENSUS TRACT INCOME LEVEL*</b>						
<b>Census Tract Characteristics</b>			<b># Penetration % HMDA</b>	<b># Penetration % Small Businesses</b>	<b># Penetration % Consumer</b>	<b># Penetration % Total</b>
<b>Income Level of Tract</b>	<b>% Census Tracts by Income Level**</b>	<b>% Small Businesses within each Income Tract Level</b>				
Low Income	3%	0%	0%	0%	1%	1%
Moderate Income	16%	24%	9%	20%	16%	16%
Middle Income	48%	56%	39%	26%	41%	39%
Upper Income	31%	20%	52%	54%	42%	44%

\*Only 1996 loan numbers were used for this table because HMDA market share data, which corresponds to and further supports mortgage loan data, is only available for 1996.

\*\*Income was not available for 2% of the census tracts.

FBB's penetration of low-income census tracts is reasonable. Although the above table shows weak penetration of low-income census tracts, an understanding of the composition of low-income census tracts in the assessment area is necessary in interpreting the bank's loan distribution. There are only two low-income census tracts in Boulder County and both are associated with the University of Colorado. One consists primarily of the University of Colorado campus and nearby neighborhoods that provide multifamily housing for university students. The other consists primarily of University of Colorado student housing, the University of Colorado Research Park, and buildings occupied by various government organizations. The 1990 U.S. Census data indicates owner-occupied housing in low-income census tracts accounts for less than 1% of all owner-occupied housing in the assessment area. This results in very limited opportunity for HMDA (home mortgage) loans. HMDA data indicates the bank made 12 home

mortgage loans in these low-income census tracts in 1996. The opportunity for small business and consumer loans is also limited, given that the population of the census tracts consists primarily of university students.

HMDA market share data for 1996 indicates reasonable penetration of home mortgage loans in moderate-income census tracts. FBB ranks 21st with a market share of 1.35% for loans in moderate-income tracts. In comparison, the bank ranks 11th with a market share of 2.10% for overall home mortgage lending in tracts of all income levels. One reason for weaker penetration in moderate-income tracts is that five of the nine moderate-income census tracts in the assessment area are located in Longmont, which is also served by an affiliated bank. FBB's penetration of home mortgage loans in these census tracts is low. But HMDA data for the affiliate shows very good penetration of home mortgage loans in these five moderate-income census tracts. The volume of FBB's home mortgage loans in the other four moderate-income census tracts (three in Boulder and one in Lafayette) reflects good penetration, consistent with middle- and upper-income census tracts.

Overall, FBB's penetration of consumer and small business loans in moderate-income census tracts is good. The percentages reflect good penetration of consumer loans, equal to or in excess of demographic percentages. Distribution of small business loans in low- and moderate-income tracts is also good in comparison to distribution of tracts and also in comparison to the opportunities available in these tracts for small business lending. The table indicates the bank did not make any small business loans in low-income census tracts. In comparison, demographic data indicates limited opportunity; less than 1% of all the small businesses are located in the low-income census tracts. FBB originated 20% of its small business loans in moderate-income tracts. In comparison, 24% of all small businesses are located in moderate-income tracts.

**Distribution by Borrower Income within the Assessment Area**

The following table summarizes FBB’s lending activities within the assessment area by product type, income level of census tract, and income level of the borrower. An assessment of HMDA lending activities for 1996 and YTD 1997 indicates the bank is effectively serving the home mortgage needs of borrowers of different incomes, including those with low- and moderate-incomes.

<b>LENDING TEST</b>								
<b>1996 and YTD 1997</b>			<b>MSA# 1125 (Boulder)</b>					
<b>Loan Type</b>	<b>#</b>	<b>\$ (000's)</b>	<b>CT</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>Income % of #</b>
			<b>B</b>					
Residential - Home Purchase	43	\$ 4,525	CT	0%	16%	42%	42%	0%
			B	12%	23%	21%	44%	0%
Residential - Refinance	135	\$11,594	CT	0%	7%	42%	51%	0%
			B	8%	20%	18%	53%	1%
Residential - Home Improvement	203	\$ 4,194	CT	0%	8%	37%	55%	0%
			B	8%	14%	29%	49%	0%
Residential - Multifamily	1	\$ 77	CT	0%	0%	0%	0%	100%
			B	0%	0%	0%	0%	100%
Consumer - Motor Vehicle	99	\$ 1,000	CT	0%	15%	42%	43%	0%
			B	40%	18%	21%	20%	1%
Consumer - Home Equity	339	\$ 6,573	CT	0%	12%	38%	50%	0%
			B	12%	14%	32%	41%	1%
Consumer - Other Secured	108	\$ 4,528	CT	0%	14%	34%	52%	0%
			B	34%	20%	19%	27%	0%
Consumer - Other Unsecured	2,110	\$ 3,286	CT	1%	17%	41%	41%	0%
			B*					
Small Business	189	\$14,983	CT	0%	20%	26%	54%	0%
Community Development	4	\$ 2,675						
<b>Total Lending</b>	<b>3,231</b>	<b>\$53,435</b>						

Source: Bank-prepared Consumer and Small Business Loan Data Collection Registers and HMDA Loan Application Register.

\* Borrower income information for Consumer - Other Unsecured loans is not consistently available.

CT = Census Tract.

B = Borrower.

Data indicates FBB is doing a good job of serving the home mortgage lending needs of low-income borrowers. The percentages of loan originations for home purchase (12%), refinance (8%), and home improvement (8%) to low-income individuals are lower than the demographic percentage for low-income families (18%) in the assessment area. However, 1996 HMDA market share data indicates the bank ranked 13th with a market share of 2.38% for all types of home mortgage loans to low-income borrowers. This compares very favorably with overall market share data which indicates the bank ranked 12th with a market share of 2.10% for home mortgage loans to borrowers of all incomes. Maintaining its overall market share with loans to low-income borrowers shows the bank is doing comparatively as well as its competition in reaching this segment of the populace. Also, the high median-housing value and limited supply of affordable housing limit lending opportunities to low-income individuals.

Data indicates reasonable efforts to serve the home mortgage lending needs of moderate-income borrowers. The percentages of home mortgage loan originations for moderate-income borrowers compare favorably with the percentage of moderate-income individuals (18%) in the assessment area. Loan originations to moderate-income borrowers represent 23% for home purchase, 20% for home refinance, and 14% for home improvement. However, the 1996 market share data for all HMDA originations indicates the bank has a lower market share for home mortgage loans to moderate-income borrowers than for all borrowers combined. The bank ranked 15th with a market share of 1.77%. This is somewhat lower than the overall market ranking and share of 12th and 2.10% respectively, for loans to borrowers of all incomes.

Consumer loan data indicates very good distribution of motor vehicle and other secured consumer loans to low- and moderate-income borrowers, but weaker distribution of home equity loans to low- and moderate-income borrowers. The percentage of motor vehicle loans represents 40% to low-income borrowers and 18% for moderate-income borrowers. Other secured consumer loans represent 34% to low-income borrowers and 20% to moderate-income borrowers. As noted above, demographic data indicates 18% of the families are low-income and 18% are moderate-income. The percentage of consumer home equity loans to both low- and moderate-income individuals is lower than the demographic percentages for these income categories at 12% and 14%, respectively.

An analysis of small business loans by loan size indicates that FBB makes a significant number of business loans in small dollar amounts. The following table shows that 78% of the small business loans originated in the assessment area in 1996 and YTD 1997 involved loan amounts of less than \$100,000. To the extent that loan size is an indicator of the size of the business, the bank's efforts to extend small business loans are good.

Although FBB also tracks small business loans by revenue size of borrower, our sample of business loans revealed that the reported gross annual revenues for some of the businesses were incorrect. As a result, we are unable to use the data to determine what portion of the small business loans were actually to small businesses with gross annual revenues of \$1 million or less. In 1997, the bank implemented procedures which ensure the reported data is accurate. We found no errors in the bank's 1997 small business loan data.

<b>DISTRIBUTION OF SMALL BUSINESS LOAN ORIGINATIONS IN 1996 and YTD 1997 BY LOAN SIZE</b>						
<b>Distribution of Loans by Income Level of Census Tracts</b>	<b>Less than \$100,000</b>		<b>\$100,001-\$250,000</b>		<b>\$250,001-\$1,000,000</b>	
	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>	<b>#</b>	<b>\$(000)</b>
Low	0	\$ 0	0	\$ 0	0	\$ 0
Moderate	25	\$ 773	9	\$1,521	5	\$1,842
Middle	41	\$1,076	7	\$1,172	5	\$1,684
Upper	79	\$1,872	14	\$2,351	3	\$1,432
<b>Total *</b>	<b>145</b>	<b>\$3,721</b>	<b>30</b>	<b>\$5,044</b>	<b>13</b>	<b>\$4,958</b>

Source: Bank-prepared Small Business Loan Data Collection Register.

\*Total number of small business loans equals 189, but one loan is for an amount in excess of \$1 million and is not included in this table.

### **Community Development Lending**

Considering the bank's resources and limited opportunities available in the assessment area for community development lending, FBB has made a good level of community development loans. Community development loans are those which meet the definition of community development lending, as contained in the CRA regulation, and that have not been considered in the review of small business, small farm, home mortgage, or consumer loans.

Based on bank-prepared information, FBB originated four community development loans totaling \$2.7 million in 1996 and YTD 1997. The loans are all in the bank's assessment area. Three loans provided affordable housing and one loan provided assisted-living housing for low- and moderate-income senior citizens. In view of the critical need for affordable housing in the assessment area, this lending shows very good responsiveness to area needs.

### **Product Innovation and Flexibility**

FBB offers some flexible, but not innovative loan products. The bank offers credit products with flexible underwriting guidelines to serve the home mortgage credit needs of its assessment area. Three of these products help meet the home purchase needs of low- and moderate-income individuals. These products, named the "Affordable Housing Program," "Super Affordable Housing Program," and the "Fannie Mae 97 Program," are underwritten broadly to accommodate applicants with diverse qualifications.

The bank also offers the University of Colorado students unsecured cash reserve accounts with relaxed underwriting standards. The bank does not have data available on the number or dollar volume of these accounts.

Besides Small Business Administration (SBA) loans, the bank does not offer any other flexible small business loan products. The bank did not originate any SBA loans during this review period.

## **INVESTMENT TEST**

*To assess FirstBank of Boulder, N.A.'s performance under the Investment Test, we reviewed its investment and grant activity; responsiveness to credit and community development needs; and its initiatives with community development.*

Conclusions:

The bank's investment performance within its assessment area is rated as "Needs to Improve." This rating is based on the discussion that follows:

- ▶ The bank has a long standing investment in a micro-loan program operated by a community development corporation, and increased that investment during the evaluation period. However, the amounts are small relative to the size and earnings of the bank.
- ▶ The bank provided grants to Boulder County organizations whose primary purpose is community development. However, the overall level of the grants is low compared to the bank's size and earnings.

Qualifying investments can include but are not limited to: investments, grants, or depositor shares that have community development as their primary purpose, as defined in the CRA regulation. The bank rarely assumes a leadership role in this area, but exhibits some responsiveness to community development needs when opportunities are available. The need for affordable housing is evident given the strong Colorado economy, but Boulder County does not presently offer any investments for affordable housing. Consequently, FBB participates through yearly grants to organizations dedicated to providing housing for low- and moderate-income individuals, such as Habitat for Humanity.

Additional community development grants made during the assessment period involved contributions to organizations such as Project Self-Sufficiency. This project is coordinated by the Boulder County Housing Authority (BCHA). BCHA directly assists low-income single parents with scholarships for schooling. The bank provided a grant toward the formation of the Boulder Technology Incubator and continues to make yearly grants, enabling this program to provide loans and technical expertise to small businesses.

FBB has a long standing commitment to the Boulder MicroLoan Program, which is a small business lending program operated by a multibank community development corporation. The bank made an original investment in 1994 of \$5,000 to help get the program started, and made another \$5,000 investment during the evaluation period.



<b>INVESTMENT TEST: FirstBank of Boulder, N.A.'s Assessment Area</b>					
<b>Investment Type</b>	<b>Equity</b>	<b>Deposit</b>	<b>Grant</b>	<b>Total</b>	<b># of Housing Units or Jobs</b>
Affordable Housing	0	0	0	0	
Economic Development	0	0	0	0	
Other	\$10,000	0	\$3,000	\$13,000	Not readily available
<b>Total</b>	<b>\$10,000</b>	<b>0</b>	<b>\$3,000</b>	<b>\$13,000</b>	

Source: Bank-prepared records for investments and grants.

## **SERVICE TEST**

*In assessing FirstBank of Boulder, N.A.'s performance under the Service Test, we focused on the accessibility of its delivery systems; changes in branch locations; reasonableness of its business hours and services in meeting the needs of its assessment areas; and level of community development services.*

Conclusions:

The bank's performance under the Service Test is rated "Low Satisfactory."

- ▶ The bank's delivery systems are reasonably accessible to essentially all portions of the assessment area.
- ▶ The bank's products are the same at all branches, and hours of service do not vary significantly at the branch locations.
- ▶ The bank has not opened or closed any branches since our last examination.
- ▶ The bank provided an adequate level (86 hours) of community development services.

### **Retail Banking Services**

The bank's delivery systems are reasonably accessible to the entire population within the assessment area. The bank and branches are distributed throughout the Boulder, Longmont, and Louisville area, where the majority of Boulder County's population resides. FBB has 5 branches located in the 58 census tracts that comprise the bank's assessment area. Two branches are stand-alone structures and three branches are located inside King Soopers grocery stores. The branches are distributed among census tracts of various income levels. The main bank and one branch are located in moderate-income tracts. Two branches are in middle-income tracts and two are located in upper-income tracts.

The bank operates six proprietary ATMs. They are attached to the bank branches, with one at the main bank location. The table below shows the distribution of FBB’s branches and ATMs in the assessment area.

<b>SERVICE TEST: Branch and ATM Distribution Boulder County Assessment Area</b>						
<b>Service Type</b>	<b>#</b>	<b>Deposits \$ (million)</b>	<b>Low % /#</b>	<b>Moderate % /#</b>	<b>Middle % /#</b>	<b>Upper % /#</b>
Branch Offices (#)	6	\$192	0%	34%	33%	33%
			0	2	2	2
ATMs - Attached - Full Service	6		0%	34%	33%	33%
			0	2	2	2
ATMs - Detached - Ltd Service	0		0%	0%	0%	0%
			0	0	0	0

Source: Bank-prepared record.

In an effort to reach more individuals within the assessment areas, the bank uses the following alternative delivery systems. However, bank management has not measured the effectiveness of the alternative delivery systems to low- and moderate-income individuals and in low- and moderate-income geographies.

- ▶ **Loan By Phone** - This is a 24-hour system which allows individuals to apply for most types of consumer and mortgage loans by phone. The applicant is informed of a loan decision within 24 hours. By calling the same telephone number, an individual can also apply for a new checking or savings account. Applicants that are approved for loans or new accounts are referred to the nearest branch for loan closing or account set-up.
- ▶ **Business PC Banking** - This system is designed to allow businesses access to electronic banking through a personal computer. Services include funds transfers, account reconciliation, and tax payment filing.
- ▶ **FirstBank Web Site** - The web site at [www.1stbank.com](http://www.1stbank.com) provides customers with product information, bank locations and hours, and telephone numbers. Customers can also apply for a consumer loan.

The bank also offers a service to small business owners called the “Simplified Employee Pension Account.” This service provides a simplified way for employers to establish a retirement plan for their employees by using Individual Retirement Accounts.

FBB has not opened or closed any branches since 1994. Bank management has a policy in place to address the impact of closing a branch to ensure that individuals will not be negatively affected.

FBB's business hours, products, and services are reasonable. The bank offers a wide array of products and services at all of its branches. There are no differences in the types of products and services offered at the various branches. The main bank and two stand-alone branches maintain the same business hours of 9:00 a.m. to 6:00 p.m., Monday through Friday, and 9:00 a.m. to noon on Saturday. One of the King Soopers branches is located in a moderate-income census tract. All the King Soopers branches are open from 10:00 a.m. to 7:00 p.m., Monday through Friday, and 9:00 a.m. to 2:00 p.m. on Saturday.

### **Community Development Services**

FBB provides adequate community development services within the assessment area. The bank's employees provided a total of 86 hours to three organizations whose primary purpose is community development. The bank's community development services center around providing technical expertise. Some services target small businesses, while others target low- and moderate-income individuals. The bank facilitated small business lending programs through its work with one of the groups. A majority of the hours were donated to the following two community development activities:

**Habitat for Humanity** - Two bank officers donate time and expertise to this organization on a regular basis. Their services include serving on the Financial Review Board and interviewing prospective low- and moderate-income applicants for home ownership. Total service time donated by these officers during the review period was 62 hours.

**Boulder Technology Incubator** - This organization provides loans for small start-up businesses. A senior officer serves in an advisory capacity, providing financial expertise to small business prospects. Total time of service donated during the review period was 15 hours.

In addition, the bank responds to community development needs by bank officers serving on a panel sponsored by the Boulder County Housing Authority to answer questions about affordable home ownership opportunities. An officer also participated on a panel for the participants of Project Self-Sufficiency, a welfare-to-work program. Total service time donated by bank officers on these panels during the assessment period was nine hours.

## **Fair Lending Review**

A fair lending examination was conducted in November 1996. The examination evaluated the uniform HMDA loan underwriting practices of the national bank subsidiaries of FirstBank Holding Company of Colorado. Lending policies and procedures were reviewed. And a comparative file analysis was done on a sample of 100 home improvement loans made to white applicants and 12 denied applications for home improvement loans from minority applicants to test for illegal discrimination on the basis of race. No violations of the substantive provisions of the antidiscriminatory laws and regulations were identified. The holding company's compliance program requires fair lending training for appropriate bank personnel, and the company's audit department performs fair lending reviews of the subsidiary banks.

## Appendix A: Scope of Examination

Time Period Reviewed						
<b>Lending Date: January 1, 1996, through June 30, 1997</b> <b>Other Performance Criteria: January 1, 1996, through November 14, 1997</b>						
<b>Financial Institution</b>	<b>Products Reviewed</b>					
FirstBank of Boulder, N.A.	<b>Loans:</b> Consumer, Home Improvement, Residential Mortgage, Small Business, and Community Development.  <b>Other:</b> Qualified Investments, Product Delivery Systems, and Community Development Services.					
<b>Affiliate</b>	<b>Products Reviewed</b>					
None.	None.					
List of Assessment Areas and Type of Examination						
Assessment Areas	Type of Exam	Deposits Attributed to Area Branches as of June 1997				
Boulder/Longmont MSA	On-site	<table style="width: 100%; border: none;"> <tr> <td style="text-align: center;"><b>Dollars (in millions)</b></td> <td style="text-align: center;"><b>Percent</b></td> </tr> <tr> <td style="text-align: center;">\$177</td> <td style="text-align: center;">100%</td> </tr> </table>	<b>Dollars (in millions)</b>	<b>Percent</b>	\$177	100%
<b>Dollars (in millions)</b>	<b>Percent</b>					
\$177	100%					