



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

September 27, 2010

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Solera National Bank  
Charter Number: 24737

319 South Sheridan Boulevard  
Lakewood, Colorado 80226

Office of the Comptroller of the Currency

Denver Field Office  
1225 17<sup>th</sup> Street, Suite 450  
Denver, CO 80202

**NOTE:** This document is an evaluation of this 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. 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.

## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

This rating is based primarily on the bank's performance in regard to commercial real estate loans since this is the bank's primary loan product. In assigning this rating, we also considered the local economy and the fact that this is a de novo bank which both contributed to the difficulty in diversifying and growing the loan portfolio.

- Solera National Bank originated a substantial majority of its loans in its AA.
- The borrower distribution of both commercial and commercial real estate loans is reasonable. However, the borrower distribution of home-equity loans to low- and moderate-income borrowers is very poor.
- The geographic distribution of commercial real estate loans is excellent. However, the distribution for commercial loans in low- and moderate-income census tracts is poor, and for home equity lines of credit is very poor.
- The bank also had the following qualified community development (CD) loans, investments, and services, which helped strengthen the bank's overall rating: two community development loans totaling \$1.4 million, 22 qualified donations/grants totaling \$37,340, and community development services to seven qualified organizations.

## **SCOPE OF EXAMINATION**

We reviewed a sample of 25 commercial loans, 43 commercial real estate loans, and 22 home equity lines of credit which were originated from September 2007 to July 31, 2010. We also reviewed all the bank's CD loans, investments, and services which the bank originated from September 2007 to July 31, 2010.

## **DESCRIPTION OF INSTITUTION**

Solera National Bank (Solera) is a full-service intrastate de novo financial institution with a full-service ATM headquartered in Lakewood, Colorado. The bank began operations with one office in September 2007 and has not opened any additional offices. As of June 30, 2010, the bank had total assets of \$140 million and Tier One Capital of \$15 million.

Solera is the wholly owned subsidiary of Solera National Bancorp, Inc., which is located in Lakewood, Colorado. Solera's assets represent substantially all of the holding company assets.

The bank's assessment area consists of six counties in the Denver MSA. Solera is strategically located on South Sheridan Boulevard. This location offers the bank the ability to target both the entire community and the Hispanic population, which is the bank's core specialization. Fifty-two percent of the households within a three-mile radius of the bank are of Hispanic origin.

Solera offers a wide variety of credit products including commercial, real estate, and consumer loans. However, the bank’s primary business focus is commercial lending. As of March 31, 2010, Solera’s loan portfolio consisted of the following types of credit: 65 percent commercial real estate; 15 percent one-to-four family; 14 percent commercial and industrial; 5 percent construction and development; and 1 percent consumer.

This is the bank’s first CRA examination. The bank opened for business September 7, 2007.

## DESCRIPTION OF THE DENVER MSA AA

The bank has designated six counties in the Denver MSA as its assessment area (AA); these include Adams, Arapahoe, Broomfield, Denver, Douglas and Jefferson. The AA meets the requirements of the regulation. It is comprised of whole political subdivisions and does not arbitrarily exclude any low- or moderate-income areas. Please see the table below for detailed information about the AA.

Demographic Information for Full-Scope Area: <b>Denver MSA AA</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	531	3.95	26.93	38.79	28.25	2.07
Population by Geography	2,130,766	4.67	28.17	39.55	27.49	0.12
Owner-Occupied Housing by Geography	564,528	1.94	22.29	42.16	33.62	0.00
Businesses by Geography	261,524	3.78	23.05	36.76	35.41	1.00
Farms by Geography	4,335	1.80	18.96	39.43	39.26	0.55
Family Distribution by Income Level	536,892	18.26	18.82	23.74	39.18	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	199,086	7.79	42.25	36.86	13.10	0.00
Median Family Income	= \$ 64,811					
HUD Adjusted Median Family Income for 2009 Denver MSA #2080	= \$ 76,000					
Households Below the Poverty Level	= 7.36%					
				Median Housing Value as of July 2010	= \$240,000	
				Unemployment Rate as of July 31, 2010	= 8.1%	

The bank operates one branch in the Denver MSA; it is located in Jefferson County.

The assessment area consists of 531 census tracts (CTs) in the Denver MSA. Almost

half (49.5 percent) of Colorado's population resides in this AA. There are 21 low-income CTs; 143 moderate-income census tracts; 206 middle-income census tracts; 150 upper-income census tracts; and 11 census tracts with no income designation. Denver, the capital of Colorado, is the largest city in the MSA. Other major cities include Aurora, Arvada, Broomfield, Commerce City, Englewood, Highlands Ranch, Lakewood, Littleton, Northglenn, Parker, Thornton, Wheatridge, and Westminster.

The median price of a single family home has increased slightly in the past two years to \$240,000 as of July 2010, and there is evidence that the market is beginning to stabilize. Overall foreclosures in Colorado decreased 9.3 percent from July 2009 to July 2010. Colorado is now ranked 13<sup>th</sup> for number of foreclosures nationally as opposed to 10<sup>th</sup> one year ago,

Employers in the Denver metropolitan area choose from a highly educated labor pool. The city of Denver ranks second in the nation for the number of residents with bachelors degrees and 64 percent of the residents age 24 and older have attended college. According to the 2004 metropolitan area labor force data provided by the Metro Denver Chamber of Commerce, the top three non-agricultural types of employment in the Denver metro area are trade, transportation, and utilities, employing 233,000; professional services, employing 183,400; and government, employing 163,600. The largest private employers are Quest Communications, HealthONE, King Soopers, Inc., United Airlines, Lockheed Martin, and Centura Health. The unemployment rate as of July 31, 2010, was 8.1 percent.

Community contacts state the most significant community development needs in the AA are operating expense funding for small businesses and loans to support affordable housing and affordable housing projects. There are also opportunities for bank employees to serve as board members of non-profit community development organizations.

There are numerous competing banks within the Denver MSA. Financial institutions in the Denver metropolitan area include but are not limited to Colorado Business Bank, Citywide Banks, Bank of the West; Colorado State Bank & Trust; First Bank of Colorado; and TCF National Bank.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

The bank's loan to deposit ratio is reasonable given area competition and credit needs of the community, current economic conditions, and the fact that this is a de novo bank.

The bank's quarterly average loan-to-deposit ratio since it opened in September 2007 is 44.28 percent. The average loan-to-deposit ratio of similarly situated banks within or contingent to the assessment area for the same period was 72.01 percent. The low average loan-to-deposit ratio was 27.27 percent and the high was 116.80 percent.

### Lending in Assessment Area

Lending inside the AA is reasonable. The majority of loans are inside the bank’s assessment area. Based on number, the bank originated 85 percent of its loans inside the AA. Based on dollar volume, the bank originated 83 percent of its loans in the AA.

<b>Table 1 - Lending in the Denver MSA Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HELOCS	27	84%	5	16%	32	6,057	59%	4,127	41%	10,184
Commercial	20	80%	5	20%	25	6,126	83%	1,294	17%	7,420
Commercial RE	38	88%	5	12%	43	28,447	92%	2,464	8%	30,911
Totals	85	85%	15	15%	100	40,630	83%	7,885	17%	48,515

Data Source: 2010 HMDA data and Loan Sample

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of commercial loans to businesses that are small is reasonable. The portion of loans to businesses with gross annual revenues less than \$1,000,000 is slightly below the ratio of small businesses in the bank’s AA.

<b>Borrower Distribution of Commercial Loans – Denver MSA AA</b>		
Revenues	≤\$1,000,000	>\$1,000,000
% of Business AA Loans	95%	5%
% of Bank Loans in AA by #	90%	10%
% of Bank Loans in AA by \$	84%	16%

Source: Loan sample; 2009 Business Demographic data.

The distribution of commercial real estate loans to businesses that are small is reasonable. The portion of loans to businesses with gross annual revenues less than \$1,000,000 is below the ratio of small businesses in the bank’s AA; but it is still adequate.

<b>Borrower Distribution of Commercial RE Loans – Denver MSA AA</b>		
Revenues	≤\$1,000,000	>\$1,000,000
% of Business AA Loans	95%	5%
% of Bank Loans in AA by #	81%	19%
% of Bank Loans in AA by \$	78%	22%

Source: Loan sample; 2009 Business Demographic data

Distribution of loans to low- and moderate-income borrowers is very poor. The portion

of home equity loans to low-income borrowers is significantly below the demographic comparator. And the bank did not make any home equity loans to moderate-income borrowers. Declining property values throughout the Denver metropolitan region have adversely affected lenders' ability to make these types of loans within acceptable loan-to-value limits. Additionally, home equity lines of credit are not a major product line of the bank.

Borrower Distribution of Loans Secured by Real Estate in the Denver MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Equity Lines of Credit	18.26	7.00	18.82	0.00	23.74	11.00	39.18	82.00

Source: Loan sample; 2000 U.S. Census data.

### Geographic Distribution of Loans

The distribution of commercial real estate loans to businesses in low- and moderate-income census tracts in the bank's AA is excellent. The portion of loans in low- and moderate-income census tracts significantly exceeds the demographic comparators.

Geographic Distribution of Commercial RE Loans to Businesses – Denver MSA AA								
Census Tract Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	3.78	10.08	23.05	32.32	36.76	35.13	35.41	21.62

Source: Loan sample; 2009 Business Demographic data

The distribution of commercial loans to businesses in low- and moderate-income census tracts in the bank's AA is poor. The bank did not originate any loans in low-income census tracts and the ratio of business loans in moderate-income census tracts is below the demographic comparator.

Geographic Distribution of Commercial Loans to Businesses – Denver MSA AA								
Census Tract Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	3.78	0.00	23.05	15.00%	36.76	65.00%	35.41	20.00%

Source: Loan sample; 2009 Business Demographic data

The geographic distribution of home equity lines of credit in low- and moderate-income census tracts is very poor. The bank did not originate any home equity loans in low-

income census tracts and the ratio of home equity loans in moderate-income census tracts is significantly lower than the demographic comparator. However, since only 1.94 percent of low-income and 22.29 percent of moderate-income tracts are owner-occupied housing, it would be difficult to serve these tracts through a home equity line of credit. Additionally, home equity lines of credit are not a major product line of the bank.

Geographic Distribution of Consumer Real Estate Secured Loans – Denver MSA AA								
Census Tract Level	Low		Moderate		Middle		Upper	
Loan Type	% of Owner Occupied Housing	% of Number of Loans	% of Owner Occupied Housing	% of Number of Loans	% of Owner Occupied Housing	% of Number of Loans	% of Owner Occupied Housing	% of Number of Loans
Home Equity Lines of Credit	1.94%	0.00	22.29%	7.00%	42.16%	30.00%	33.62%	63.00%

Source: Loan sample; 2000 U.S. Census data

### Community Development Loans, Investments, and Services

The bank made two qualified community development loans totaling almost \$1.4 million in its AA. The loans provided affordable housing for LMI mental health patients and battered women.

The bank provided donations/grants totaling \$37,340 to 22 non-profit organizations. In addition the bank provided community development services to seven qualified CD organizations.

### Responses to Complaints

The bank has not received any CRA related complaints.

### Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.