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Comptroller of the Currency  
Administrator of National Banks

**SMALL BANK**

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## **PUBLIC DISCLOSURE**

**July 6, 1998**

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

**The Berthoud National Bank  
Charter Number 7995**

**310 Mountain Avenue  
Berthoud, Colorado 80513**

**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 **The Berthoud National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 6, 1998. 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 Berthoud National Bank's lending performance reflects satisfactory responsiveness to community credit needs. The loan-to-deposit ratio is reasonable compared to similarly situated institutions in the assessment area. The majority of loans and related lending activities originate in the bank's assessment area. In addition, the distribution of loans reflects reasonable penetration to individuals of different income levels and businesses of different sizes.

### **DESCRIPTION OF INSTITUTION:**

The Berthoud National Bank is a \$57 million community bank located in Berthoud, Colorado. The bank serves Larimer County with the main office located in downtown Berthoud and a branch located six blocks to the west in the Toddy's Supermarket. The bank recently opened a loan production office (LPO) in Yuma County. The LPO will focus on the agricultural credit in Yuma and Washington Counties. Our analysis did not include loans from the LPO because of the low volume of loans extended from this office. The bank also owns an operating subsidiary called Bernac Inc., which lends within the assessment area. Our analysis includes loans extended by Bernac. The main bank and the branch are located in a middle-income census tract. Each location has a deposit-taking automated teller machine (ATM).

The bank's primary business focus is commercial real estate, construction loans, agricultural loans, and consumer loans. As of March 31, 1998, real estate loans represent 45% of total loans, commercial loans represent 27%, and agricultural loans represent 17%. Loans represent 66% of the bank's total assets. There are no financial or legal impediments that affect the bank's ability to meet the credit needs of the assessment area.

We performed the prior CRA Examination as of July 14, 1995. The bank received a “Satisfactory Record of Meeting Community Credit Needs.”

**DESCRIPTION OF ASSESSMENT AREA:**

The bank’s assessment area consists of Larimer County which encompasses the Fort Collins Metropolitan Statistical Area (MSA). Larimer County is located in northern Colorado and borders Wyoming. According to 1990 Census data, the population of Larimer County is 186,136. The assessment area meets the requirement of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The assessment area consists of 44 census tracts. As shown in the following table, 3 or 7% of the census tracts are designated low income, 6 or 14% are moderate income, 25 or 57% are middle income, and 9 or 20% are upper income. One census tract does not have an income designation. The updated median family income for the MSA is \$50,900.

ASSESSMENT AREA PROFILE: Larimer County, CO							
Demographic Characteristics	#	\$	Low % of	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Median Income (\$)		50,900 (1997)					
Census Tracts	44		7	14	57	20	2
Unemployment Rate 03/31/98	3.2%						
Owner Occupied Housing (#)	44,297		3	11	64	22	0
Median Housing Value (\$)		85,232 (1990)					

Economic and business activity is strong. The economy has had steady growth since 1990. Much of this economic growth is due to the expanding population, which increased from 186,136 in 1990 to 228,423 in 1997. This is an average growth of 3.25% per year. Much of the population growth is fueled by residential construction because of the migration of commuters from Denver, Boulder, and Longmont. A substantial portion of Larimer County is now a “bedroom” community. The major employers in the county are Hewlett-Packard, Anheuser Busch, Colorado State University, Advanced Energy, Poudre Valley Hospital, McKee Medical Center, Symbios Logic, Group Publishing, Thompson Valley School District, and Poudre Valley School District.

The demographic makeup of the families in the assessment area is detailed in the following table.

FAMILIES IN THE ASSESSMENT AREA BY INCOME LEVEL		
Income Classification and % of Median Family Income	Number	Percent
Low Income (0% - 50%)	8,813	19
Moderate Income (50% - 80%)	9,127	19
Middle Income (80% - 120%)	11,394	24
Upper Income (> 120%)	18,187	38
Total	47,521	100

> = Greater than.

The Berthoud National Bank is 1 of 29 financial institutions in the assessment area. This includes 23 banks and 6 credit unions. The area is very competitive.

We contacted a representative from the Chamber of Commerce and reviewed several other previous community contacts. The contact from the Berthoud Chamber of Commerce indicated a significant credit need is for long-term, fixed-rate commercial credit.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

### Loan-to-Deposit Ratio

The Berthoud National Bank's loan-to-deposit ratio is reasonable. From June 30, 1996, through March 31, 1998, the bank's quarterly loan-to-deposit ratio averaged 74%. The ratio is slightly above the average of 23 similarly situated banks whose average loan-to-deposit ratio for eight quarters ending March 31, 1998, is 68%. The loan-to-deposit ratio for all community banks located in Colorado averaged 71% over the same period.

### Lending in Assessment Area

The Berthoud National Bank originates a majority of loans within its assessment area. We sampled consumer, commercial, and Home Mortgage Disclosure Act (HMDA) reportable real estate loans. Our sample of 28 consumer loans indicates 75% are in the bank's assessment area. The 25% out of the assessment area are consumer loans purchased from a local business that deals with consumers from all over Colorado and Wyoming. Our sample of 25 commercial loans indicates that 76% are in the assessment area. And our sample of 35 real estate loans indicates that 74% are in the bank's assessment area.

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

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank made loans in 66% of the census tracts over the prior 12 months. As shown in the table below, 20% of the population of the assessment area is located in low- and moderate-income census tracts. However, since the bank is located eight miles from any low- and moderate-income census tracts, the penetration in these tracts is low. Management mitigates this lack of loans in the low- and moderate-income census tract by maintaining strong lending efforts to low- and moderate-income individuals and businesses and farms of different sizes.

GEOGRAPHIC DISTRIBUTION OF LOANS IN AREAS OF DIFFERENT INCOME LEVELS					
Census Tract Designation*	Percent of Population in Census Tracts*	Real Estate Loans 1997 & 1998 HMDA	Percent of Loans Per Census Tract	Instalment Loans**	Percent of Loans Per Census Tract
Low Income	7	0	0	0	0
Moderate Income	14	1	3	2	11
Middle Income	57	28	80	13	68
Upper Income	20	6	17	4	21
Not Designated	2	0	0	0	0
Total	100	35	100	19	100

\*Based on demographic data from the 1990 U.S. Census.

\*\*Based on loans originated in the assessment area between July 15, 1997, and July 15, 1998.

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

The Berthoud National Bank lends to businesses and farms of different sizes and to individuals of all income levels.

*Loans to Businesses and Farms of Different Sizes:*

The bank does a good job of meeting the small business and farm credit needs of its community. Sixty-eight percent of commercial loans sampled were made to businesses and farms meeting the definition of small business.

<b>BUSINESSES AND FARMS OF DIFFERENT SIZES</b>		
<b>Gross Revenues</b>	<b>Number of Customers*</b>	<b>Percentage of Customers</b>
Large Business and Farm Customers (Over \$1,000,000)	8	32
Small Business and Farm Customers (Under \$1,000,000)	17	68
Total Business and Farm Customers	25	100

\*Based on commercial and agricultural customers receiving credit between July 1, 1997, and December 31, 1997.

*Loans to Individuals of Different Income Levels:*

The distribution of mortgage and consumer loans to individuals of different income levels is very good. The following table indicates that the bank lends to low- and moderate-income individuals at a higher percentage than the assessment area demographics. Lending to low- and moderate-income borrowers is part of the bank's lending niche.

<b>LENDING TO INDIVIDUALS OF DIFFERENT INCOME LEVELS</b>					
<b>Income Levels</b>	<b>Percent of Population by Median Family Income*</b>	<b>Number of Mortgage Loans**</b>	<b>Percent of Mortgage Loans Per Income Level</b>	<b>Number of Consumer Loans***</b>	<b>Percent of Consumer Loans Per Income Level</b>
Low	19	11	31	10	36
Moderate	19	12	35	6	21
Middle	24	6	17	8	29
Upper	38	6	17	4	14
Total	100	35	100	28	100

\*Based on 1990 U.S. Census data.

\*\*Based on all mortgage loans made in 1997 and year-to-date March 31, 1998.

\*\*\*Based on our consumer loan sample.

**Record of Compliance with Anti-discrimination Laws**

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

**Response to Complaints**

No complaints have been received regarding the bank's CRA performance.