



PUBLIC DISCLOSURE

June 06, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank in Trinidad
Charter Number 14222

100 East Main Street
Trinidad, CO 81082

Office of the Comptroller of the Currency

1225 17th Street
Suite 450
Denver, CO 80202-5534

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.

The major factors supporting the institution's rating are:

- The First National Bank in Trinidad's ("FNBT" or "Bank") loan-to-deposit ("LTD") ratio is reasonable in relation to peer.
- The Bank originated a substantial majority of loans in its assessment areas ("AAs").
- The distribution of borrowers reflects reasonable penetration to low- and moderate-income individuals given the economic environment in each AA.
- The geographic distribution reflects reasonable dispersion to low- and moderate-income geographies in the Colorado AA. A geographic analysis is not meaningful for the bank's New Mexico AA as all census tracts are middle income.
- There have been no CRA related complaints during the review period.

SCOPE OF EXAMINATION

This performance evaluation assesses FNBT's Community Reinvestment Act ("CRA") performance using the lending test criteria for small banks. The lending test evaluates the bank's record of meeting the credit needs in its assessment area(s). We performed a full review of the bank's lending performance in its two designated AAs. The majority of the bank's deposits, lending activity, and physical presence are in these two markets.

FNBT's primary loan product in the January 1, 2013 to December 31, 2015 sample period based on number and dollar of loans is one-to-four family residential mortgage loans. We selected a sample of at least 20 loans in each AA to evaluate the bank's lending performance. We also contacted a community representative to gather information on the local economy and general credit needs.

DESCRIPTION OF INSTITUTION

FNBT is a \$203 million community bank headquartered in Trinidad, Colorado. The bank operates branches in the Trinidad Wal-Mart and in Walsenburg, Colorado. Additionally, FNBT operates a loan production office in Raton, New Mexico and maintains deposit-taking ATMs in Trinidad, Walsenburg, and Raton. The bank is owned by Republic Trinidad Corporation, a one-bank holding company organized in Houston, Texas. FNBT does not have any other affiliated companies.

There are no financial or legal impediments to the bank's ability to meet the credit needs of the AAs. The bank was rated Outstanding at the CAA evaluation dated April 27, 2010.

DESCRIPTION OF ASSESSMENT AREA(S)

Management designated two AAs. The designated AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies.

Description of the Colorado AA

Management designated two rural counties, Las Animas and Huerfano, and two adjacent census tracts ("CTs") located in Pueblo County as its Colorado AA. The two CTs in Pueblo County are part of the Pueblo County MSA; however, each CT is rural with minimal population and is designated as middle-income. We excluded the two Pueblo County CTs from our evaluation due to the limited lending opportunity.

The Colorado AA is comprised of eight CTs with four tracts (50 percent) designated as middle-income, three tracts (37 percent) designated as moderate-income, and one tract (13 percent) designated as low income. The total population in the AA is 22,218. The 2015 U.S. Department of Housing and Urban Development ("HUD") adjusted median-family income (MFI) is \$60,700, and the weighted average median house price is \$149,677. The percentage of owner-occupied housing units is low at 51 percent, and an additional 27 percent of housing units are vacant.

In the evaluation period the Colorado AA experienced weak economic conditions, and its economic recovery has lagged both the nation and state. The Bureau of Labor Statistics ("BLS") shows that the unemployment rate from 2010 through 2014 in Las Animas County was above 10 percent. Although the unemployment rate improved to 5.3 percent as of March 2016, significant layoffs in 2015 by at least one major employer in the Trinidad and Raton area resulted in increased uncertainty about long-term job stability and may have increased reliance on rental properties. In addition, the poverty rate is high at 17 percent.

Economic conditions in Huerfano County are worse than Las Animas County. The BLS reports that unemployment rate from 2010 through April 2014 remained above 12 percent, and the unemployment rate as of March 2016 remains high at 7.3 percent. In addition, the poverty rate is high at 22 percent.

The financial sector in the Colorado AA is competitive with numerous branches of national and regional banks and several credit unions. The June 30, 2015 FDIC Market Share Report shows FNBT retains the largest share of deposits at 46 percent.

Major employers in the Colorado AA include Trinidad Junior College, the Burlington Northern Santa Fe Railroad, the City of Trinidad, and Walmart. The marijuana industry is also a major employer in the City of Trinidad with multiple dispensaries and related businesses

Description of the New Mexico AA

Management designated one county, Colfax, in northeastern New Mexico as its New Mexico AA. The AA is comprised of three middle-income CTs. The AA is primarily rural with a total population of 13,750. The 2015 HUD adjusted MFI is \$48,400, and the weighted average median house price is \$106,806. The percentage of owner-occupied housing units is low at 40 percent.

In the evaluation period the New Mexico AA experienced weak economic conditions, and its economic recovery has lagged both the nation and state. The BLS shows that the unemployment rate from 2010 through 2014 in Colfax County has stayed above 5 percent, and at times was greater than 8 percent. Although the unemployment rate improved and is near a recent low at 5.6 percent as of March 2016, significant layoffs in 2015 by at least one major employer in the Trinidad and Raton area resulted increased uncertainty about long-term job stability and may have increased reliance on rental properties. Major employers in the New Mexico AA include Colfax County and the State of New Mexico.

The financial sector in the New Mexico AA is competitive with numerous branches of national and regional banks and several credit unions. The June 30, 2015 FDIC Market Share Report shows FNBT maintains a 3 percent market share of deposits.

Community Contact

To gather current information on economic conditions and potential community development opportunities in the AAs we contacted a local representative. Our community contact indicated the City of Trinidad has placed a greater emphasis on building code enforcement and that lending opportunities related to improvement of single- and multi-family housing are present. Additional credit needs include small business loans and capital investments in already established businesses. Our community contact indicated that entrepreneurs typically look outside the community to seek financing on more favorable terms.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNBT's average quarterly LTD ratio for the 25 quarters since the prior CRA evaluation is 60 percent. This ratio is reasonable given the Bank's size and financial condition and the credit needs in the AAs. Seven other similarly situated banks had an average LTD ratio of 58 percent over the same period. The LTD ratios for the seven similarly situated banks ranged from 26 percent to 77 percent.

Lending in Assessment Area

FNBT originated a substantial majority of its primary loan product in the AAs. As noted in Table 1 our random sample of 20 residential mortgage loans determined all 20 are located inside the AAs.

Table 1- Lending in the Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans (OOOs)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Conventional 1-4 Family Loans	20	100%	0	0%	20	2,451	100	0	0%	\$2,451
Total	20	100%	0	0%	20	2,451	100	0	0%	\$2,451

Source: Loan Sample

Responses to Complaints

There have been no complaints related to CRA or unfair credit practices since the prior examination.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Pursuant to 12 CFR 25.28(c), in determining a national bank’s CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance.

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

COLORADO STATE RATING

CRA Rating for Colorado: Satisfactory The Lending Test is Rated: Satisfactory

The major factors supporting the institution's rating are:

- The distribution of borrowers reflects reasonable penetration to low- and moderate-income individuals given the weak environment in the AA.
- The geographic distribution reflects reasonable dispersion to low- and moderate-income geographies.

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

The distribution of borrowers reflects reasonable penetration to low- and moderate-income individuals given the weak economic environment. As noted in Table 2A our analysis found the Bank originated 18 percent and 10 percent by number of loans to low- and moderate-income individuals, respectively. Although these percentages are lower than area demographics, it is acceptable. Many low- and moderate-income families in the AA are unable to meet FNBT's credit underwriting standards due to high poverty and increased maintenance costs associated with aged homes. Further, FNBT provides additional access to credit to low- and moderate-income individuals as it originates and holds loans that do not conform to industry standards on the secondary market.

Table 2A - Borrower Distribution of Residential Real Estate Loans in Colorado AA								
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
Conventional 1-4 family loans	29%	18%	19%	10%	19%	33%	33%	40%

Source: Loan Sample: 2010 United States Census Data

Geographic Distribution of Loans

The geographic distribution reflects reasonable dispersion to low- and moderate-income geographies. As noted in Table 2B our analysis found that 10 percent and 33 percent of loans by number were originated in low and moderate income CTs, respectively. This is consistent with area demographics.

Table 2B - Geographic Distribution of Residential Real Estate Loans in the Colorado AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Conventional 1-4 family loans	13%	10%	33%	33%	54%	58%	N/A	N/A

Source: 2010 United States Census Data

NEW MEXICO STATE RATING

CRA Rating for New Mexico: Satisfactory The Lending Test is rated: Satisfactory

The major factors supporting the institution's rating are:

- The distribution of borrowers reflects reasonable penetration to low- and moderate- income individuals.
- A geographic analysis is not meaningful for the bank's New Mexico AA given all census tracts are middle-income.

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

The bank demonstrated reasonable penetration of lending to low- and moderate-income individuals in its New Mexico AA. As noted in Table 3 our sample reflects a low penetration of low-income borrowers but excellent penetration of moderate-income borrowers. The bank originated 5 percent by number of loans to low-income borrowers and 40 percent by number to moderate-income borrowers.

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
Conventional 1-4 family loans	21%	5%	17%	40%	20%	10%	42%	45%

Source: 2010 United States Census Data

Geographic Distribution of Loans

A geographic analysis is not meaningful for the bank's New Mexico AA given all census tracts are middle income.