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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**April 26, 1997**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Peak National Bank  
Charter Number 21121**

**26 South Highway 119  
Nederland, Colorado 80466**

**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 **Peak National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 18, 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.”**

Peak National Bank (PNB) is committed to serving the community in which it operates and has demonstrated satisfactory lending performance. Its loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank has originated a substantial majority of its loans within its assessment areas. Overall, lending activity shows reasonable penetration among borrowers of different income levels and businesses of different sizes.

The following table indicates the performance level of **Peak National Bank** with respect to each of the five performance criteria.

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b>Peak National Bank Performance Levels</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does Not Meet Standards for Satisfactory Performance</b>
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans	Not performed. Not a meaningful analysis.		
Response to Complaints	No complaints were received since the prior examination.		

## **DESCRIPTION OF INSTITUTION:**

Peak National Bank (PNB) is a \$79 million full service bank headquartered in Nederland, Colorado. The bank has three branches that are disbursed along the Colorado front range. Two branches are located in the mountain communities of Bergen Park and Conifer, Colorado. The third is located in Lakewood, Colorado, a large suburb of Denver. Nederland, is a small community located 14 miles west of Boulder, Colorado. The bank operates four drive-up facilities, one located at each office. In addition, the bank operates and maintains a total of five Automated Teller Machines (ATM's). Deposit taking ATM's are located at each office and the fifth is a non-deposit taking ATM located in a supermarket directly across from the Nederland office.

Peak Banks of Colorado, Inc., a one-bank holding company, owns 100% of PNB. The holding company also owns a credit extending non-bank subsidiary, Peak Mortgage Company (PMC). PMC was established to originate, underwrite, broker, and sell residential mortgage loan products. PNB also originates mortgage loans. Conforming Freddie Mac residential loans originated at PNB are sold in the secondary market and some servicing rights are maintained.

Since the last CRA examination on May 11, 1994, the bank has opened two branches. In May 1995, the bank opened a branch in Conifer, Colorado. On October 15, 1995, the bank opened its Lakewood branch. The bank also recently opened a Loan Production Office (LPO) in Westminster, Colorado, on January 24, 1997. Lending activity at the LPO is limited to date, therefore, its performance was not considered within this Performance Evaluation.

The bank provides a full array of credit products. The loan portfolio is primarily comprised of the following types of loans: construction and development 33%, 1-4 family residential secured 28%, commercial 8%, and consumer 10%. Consumer loan products include mortgage loans, home improvement loans, and residential refinancing.

There are no financial or legal impediments to the bank's ability to meet the credit needs of the assessment area.

## **DESCRIPTION OF THE ASSESSMENT AREA:**

The bank has designated two assessment areas encompassing 39 census tracts or Block Numbering Areas (BNA's). These are located in Boulder, Jefferson, Clear Creek, Gilpin, and Park Counties and are contiguous to each other. The assessment area surrounding the main office consists of two census tracts within Boulder County and the Boulder Metropolitan Statistical Area (Boulder MSA). The second assessment area surrounds the three branches and LPO and consists of 33 census tracts located in Jefferson County and the Denver Metropolitan Statistical Area (Denver MSA). This assessment area also spills over to the west into four BNA's located in non-MSA areas. Management and the board elected not to include the census tracts surrounding the City of Boulder because this area is served by several other financial institutions and it would otherwise be too large for the bank to effectively serve.

The following tables reflect the composition of the assessment areas by MSA and Non-MSA. Based on 1990 Census median family income, it shows the bank's assessment areas are primarily middle- and upper-income census tracts or BNA's and do not contain any low-income areas.

**ASSESSMENT AREA COMPOSITION**

<b>Census Tract Characteristics - Boulder MSA and Denver MSA</b>				
<b>Census Tract Type</b>	<b>Boulder MSA</b>		<b>Denver MSA</b>	
	<b>#</b>	<b>% of Total</b>	<b>#</b>	<b>% of Total</b>
Low Income	0	0%	0	0%
Moderate Income	0	0%	4	12%
Middle Income	1	50%	18	55%
Upper Income	1	50%	10	30%
N/A	0	0%	1*	3%
<b>Total Tracts</b>	<b>2</b>	<b>100%</b>	<b>33</b>	<b>100%</b>

(\*Note: The census tract for which there is no demographic or income information is where the Federal Center is located in Lakewood.)

<b>Tract Characteristics - Non-MSA</b>		
<b>BNA Tract Type</b>	<b>Gilpin, Clear Creek, and Park Counties</b>	
	<b>#</b>	<b>% of Total</b>
Low Income	0	0%
Moderate Income	0	0%
Middle Income	1	25%
Upper Income	3	75%
<b>Total BNA Tracts</b>	<b>4</b>	<b>100%</b>

Further analysis of the bank’s assessment areas shows that the majority of families reside in middle and upper-income census tracts or BNA’s. As shown in the table below, 32%, 29%, and 18% of the total families in each of the individual MSA’s are low- and moderate-income families.

Note: The table below is based on 1990 U.S. Census data. The 1990 Census median family income for the Boulder MSA is \$43,782 and the Denver MSA is \$40,222. The 1990 census Non-MSA statewide median family income is \$28,258

<b>PERCENTAGE OF FAMILIES WITHIN ALL TRACTS BY INCOME LEVEL</b>						
<b>Income Level</b>	<b>Boulder MSA</b>		<b>Denver MSA</b>		<b>Non-MSA</b>	
	<b>#</b>	<b>% of Total</b>	<b>#</b>	<b>% of Total</b>	<b>#</b>	<b>% of Total</b>
Low Income	373	14%	5,053	12%	361	9%
Moderate Income	455	18%	7,296	17%	361	9%
Middle Income	566	22%	10,397	25%	745	20%
Upper Income	1,201	46%	19,418	46%	2,345	62%
<b>Total</b>	<b>2,595</b>	<b>100%</b>	<b>42,168</b>	<b>100%</b>	<b>3,812</b>	<b>100%</b>

The assessment areas are largely rural and include several small communities such as Nederland, Ward, Evergreen, Conifer, Central City, and Bergen Park. Many of the residents commute to Denver and Boulder daily to work. Although growth in the City of Boulder is restricted by local government, overall housing growth in the Denver and Boulder MSA’s is strong. Median housing values within the assessment area for Boulder is \$125,700 and Denver is \$102,333. Median housing values for Gilpin, Clear Creek, and Park Counties are \$74,100, \$91,600, and \$82,700, respectively.

Overall competition in the assessment areas is high. There are numerous financial institutions in the metropolitan areas of Boulder, Arvada, and Golden. Peak National is the only financial institution in Nederland. Competition in the branch communities is also high with several branches of regional financial institutions in these areas.

The major employers in Nederland are the Eldora Ski Area and the Boulder Valley School District. Major industries in Clear Creek, Gilpin, and Park Counties is centered in real estate oriented businesses such as development and construction. There are also a number of small retail businesses. The neighboring towns of Central City and Black Hawk adopted small-

stakes gambling in the last few years. This has led to growing real estate values and new business in these areas.

During this CRA examination, we reviewed three contacts made to community groups to assess current economic conditions and credit needs of the community. These contacts indicated that there is a need for affordable housing or multi-family type housing, especially in the Evergreen, Bergen Park, and Conifer areas. In addition, the need for small business loans was also identified.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :**

**Loan-to-Deposit Ratio**

- **The bank’s loan-to-deposit ratio is reasonable given the bank’s size, financial condition, business focus, and similarly situated banks.**

The bank’s average loan-to-deposit ratio for the eight quarters beginning March 31, 1995 through December 31, 1996 is 68%. This is comparable to five other similarly situated banks which were selected based on asset size, location, and similar business focus. For the same time period, the eight-quarter average loan-to-deposit ratios for these similar banks were 63%, 71%, 71%, 82%, 62%.

Management estimates that 84 loans by number and \$8.8 million by dollar volume were originated at PNB and sold in the secondary market in 1995 and 1996. If retained by the bank, this would increase the bank’s loan-to-deposit ratio 5% to 8%.

**Lending in the Assessment Area**

- **The bank originated a substantial majority of its loans, in both number and dollar volume within the bank’s assessment areas.**

The following table shows the bank has originated 88% by number and 84% by dollar volume of its single-family residential loans within its assessment areas. This includes residential loans for home purchase, home improvement, and refinance purpose loans captured on the bank’s HMDA-Loan Activity Register (LAR). We based our analysis on the bank’s HMDA-LAR for 1996. We used a random sample of 58 residential mortgage loan approvals.

**HMDA REPORTABLE LOANS 1996 HMDA-LAR**

<b>LOANS ORIGINATED INSIDE AND OUTSIDE THE ASSESSMENT AREA</b>				
	<b>Loans (#)</b>	<b>% Loans (#)</b>	<b>\$ Loans (000s)</b>	<b>% Loans (\$)</b>
In Area	51	88%	\$2,901	84%
Out of Area	7	12%	\$ 536	16%

<b>LOANS ORIGINATED INSIDE AND OUTSIDE THE ASSESSMENT AREA</b>				
<b>Total</b>	58	100%	\$3,437	100%

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

- **Lending activity to borrowers of different income levels and businesses of different sizes is satisfactory.**

The following table reflects the bank's residential loan activity to borrowers of different income levels. Income level is defined by the borrower's income as a percent of the 1990 Census Median family income for the borrower's respective MSA or Non-MSA. It shows that 23% of HMDA reportable loans by number and 12% by dollar volume were made to low- and moderate-income borrowers. This is in line with the proportion of low- and moderate-income families in the assessment areas.

<b>HMDA REPORTABLE LOANS ORIGINATED IN ASSESSMENT AREA BY BORROWER INCOME</b>					
<b>Income Level</b>	<b>% of Families in Assessment Area</b>	<b>SFR Loan (#)</b>	<b>% of Loans (#)</b>	<b>SFR Loans (\$000's)</b>	<b>% of Loans (\$)</b>
Low <50% of MSA Median	12%	5	4%	\$280	4%
Moderate 50-79% of MSA Median	17%	22	19%	\$552	8%
Middle 80 -119% of MSA Median	24%	17	15%	\$870	12%
Upper >120% of MSA Median	47%	72	62%	\$5,500	76%
<b>Total</b>	100%	116	100%	\$7,202	100%

The bank also shows good loan activity to small businesses. This is reflected in the chart below which was developed from a random sample of newly-originated commercial loans in 1996. These results are consistent with the business demographics of the assessment area. According to current Dunn & Bradstreet business demographics, 75% of the businesses in the assessment areas have revenues less than \$1 million.

<b>DISTRIBUTION OF BUSINESS LOANS BY REVENUE SIZE</b>				
	<b>Loans (#)</b>	<b>% of Sample (#)</b>	<b>Loans (000's)</b>	<b>% of Sample (\$)</b>

<b>DISTRIBUTION OF BUSINESS LOANS BY REVENUE SIZE</b>				
Loans to Small Businesses (Revenues < \$1,000,000)	14	93%	\$5,192	99%
Loans to Businesses (Revenues > \$1,000,000)	1	7%	\$ 75	1%
<b>Total</b>	15	100%	\$5,267	100%

**Geographic Distribution of Loans**

We did not analyze this performance criteria due to the overall demographic composition of the bank’s assessment areas. The bank’s assessment areas contain no low-income census tracts or BNA’s. In addition, the assessment areas contain only 4 moderate-income census tracts located in the Denver MSA. As a result, an analysis of this performance criteria is not meaningful as most loans will naturally fall in middle- and upper-income census tracts or BNA’s. The analysis of lending to borrowers of different incomes is a more significant and meaningful analysis as discussed previously.

**Response to Substantiated Complaints**

The bank has not received any written complaints regarding its CRA performance since the prior CRA examination.

**Fair Lending Analysis**

The bank is in substantial compliance with Fair Lending laws and regulations. Our fair lending review, conducted concurrently with this examination, found no unusual patterns or discriminatory lending practices.