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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

March 3, 1997

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank in Lamar  
Charter Number 14254**

**200 South Main  
Lamar, Colorado 81052**

**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 **First National Bank in Lamar** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 3, 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.”**

First National Bank of Lamar is committed to serving the communities in which it operates. Its loan-to-deposit ratio is satisfactory for the bank's size, financial condition, and assessment areas credit needs. The bank has originated a substantial majority of its loans within the assessment areas. Overall, lending activities shows satisfactory penetration among borrowers of different income levels and businesses of different sizes.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	First National Bank in Lamar Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
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		X	
Response to Complaints	No complaints were received since the prior examination.		

## **DESCRIPTION OF INSTITUTION:**

First National Bank in Lamar is a \$112 million full-service bank with two branches. The main bank is located in Lamar, Colorado, with branches in Springfield and Burlington, Colorado. The Lamar office is located in Prowers County. The Springfield branch is located in Baca County and the Burlington branch is located in Kit Carson County. Each office is located within the county seat of each county. The bank also operates drive-up facilities in Lamar and Burlington and one non-deposit taking Automated Teller Machine (ATM) in Lamar. The drive-up facility and ATM in Lamar is located two blocks south of the main office.

Whitcorp Financial Company (Whitcorp), a multi-bank holding company, owns 95% of the First National Bank in Lamar. Whitcorp also owns 98% of the First State Bank in Leoti, Kansas and 95% of Western State Bank in Garden City, Kansas.

The bank has not opened or closed any branches since the last CRA examination on January 21, 1994. In March 1996, the bank consolidated a branch facility into the main bank. This branch facility was located in close proximity (300 feet) to the main office. This merger did not have an adverse affect on the community or bank customers.

The bank provides a full array of credit products. The bank's assessment areas are agriculturally oriented. The loan portfolio is comprised of the following types of loans: 44% agricultural production and farmland secured, 23% residential real estate loans, 15% commercial, and 8% consumer. The residential mortgage loan department sells a majority of the mortgage loans it originates in the secondary mortgage market. The bank retains and services a portion of the mortgage loans originated. In 1996, this department originated \$5 million in loans while its servicing portfolio totaled \$17 million.

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

## **DESCRIPTION OF PROWERS, BACA, AND KIT CARSON COUNTIES:**

- **The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income areas.**

Management and the board have designated two assessment areas consisting of three counties in southeastern Colorado. The assessment areas consist of 13 Block Numbering Areas (BNAs) total. The first assessment area includes all of Prowers County and the contiguous county to the south, Baca. These two counties consist of 10 BNAs. The bank serves these counties through its main office in Lamar and branch in Springfield. Management and the board also designated Kit Carson County as the bank's second assessment area. The remaining three BNAs are located in this county. The bank serves this assessment area through its branch in Burlington. Kit Carson County is two counties removed to the north of Prowers County. Management and the board

elected not to include these two counties because the assessment area would otherwise be too large for the bank to effectively serve.

The bank is not located in a metropolitan statistical area (MSA). The 1990 census Non-MSA statewide median-family income is \$28,258. The 1996 updated HUD Non-MSA median family income in Colorado is \$36,300.

The table below reflects the composition of the assessment areas by BNAs. It shows the bank's assessment areas do not contain any low- or upper-income BNAs.

<b>BNA TRACT CHARACTERISTICS</b>				
<b>BNA Tract Type</b>	<b>Prowers/Baca Counties</b>		<b>Kit Carson County</b>	
	<b>#</b>	<b>% of Total</b>	<b>#</b>	<b>% of Total</b>
Low Income	0	0%	0	0%
Moderate Income	6	60%	0	0%
Middle Income	4	40%	3	100%
Upper Income	0	0%	0	0%
<b>Total BNA Tracts</b>	10	100%	3	100%

Further analysis of the bank's assessment areas shows that 25% of the families are low-income families and 20% are moderate-income families. Therefore, 45% of the total families are low- and moderate-income families living in moderate and middle-income BNA tracts. The following table illustrates this conclusion.

<b>PERCENTAGE OF FAMILIES WITHIN ALL TRACTS BY INCOME LEVEL</b>		
<b>Income Level</b>	<b># Families</b>	<b>% of Total Families</b>
Low Income	1,697	25%
Moderate Income	1,416	20%
Middle Income	1,674	24%
Upper Income	2,150	31%
<b>Total</b>	6,939	100%

The bank's offices serve sparsely populated rural areas. The population of Prowers County is 13,347. Lamar has an estimated population of 9,000. Baca County's population is 4,556 and Springfield has an estimated population of 1,400. Population of Kit Carson County is 7,140. Burlington has an estimated population of 3,000. Median housing values for Prowers, Baca, and Kit Carson are \$38,350, \$26,200, and \$42,400, respectively.

Competition in the assessment areas is high. There are 11 other financial institutions in the bank's assessment areas. Six are banks and five are credit unions. Two banks and four credit unions have offices or branches in Lamar and Springfield. In addition, one bank and one credit union are located in Burlington.

The local economy is agriculturally oriented. The agricultural industry is stable and is diversified into ranching, cow/calf, feeder, and hog operations. Farming operations include dry land and irrigated crops. Crops include, but are not limited to, wheat, milo, millet, alfalfa, and corn. The assessment areas also have some manufacturing. The largest employers in Prowers County include NeoPlan USA, Corp., Lamar Community College, Lamar School District RE-2, and city and county government. Baca County's largest employer is the county government. Kit Carson's largest employer is Hitchcock, Inc., McArthur Implement, and the Burlington School District.

During this CRA examination, we contacted two community/business leaders to discuss current economic conditions and credit needs of the community. These contacts indicated that there is a lack of affordable housing and industry to employ individuals in the assessment areas.

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

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

- **The bank's loan-to-deposit ratio is satisfactory 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 58%. During the same time frame the bank's loan-to-deposit ratio remained stable from 59% at March 31, 1995, to 58% at December 31, 1996. This is comparable to two similarly situated banks. The banks were selected based on asset size, location, and similar business focus. The eight quarter average loan-to-deposit ratios for similar banks are 62% and 61%.

The bank's loan-to-deposit ratio incorporates the lending activities of the mortgage loan department. The mortgage loan department originates and sells all of its government sponsored loans. These include Freddie Mac, Colorado Housing and Finance Authority, Federal Home Administration, and Veterans Administration loans. If these loans were retained by the bank, the bank's loan-to-deposit ratio would approximate 68% over the same time period.

### Lending in Assessment Area

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

The following table shows the bank originated 90%, 84%, and 91% of the number of its residential, business, and agricultural purpose loans within its assessment areas, respectively. By dollar volume, 91%, 59%, and 57% of the bank's residential, business, and agricultural purpose loans are within the bank's assessment areas. We based our analysis on internal loan reports provided by management. We verified this information using a random sample of 30 newly originated loans which included 15 business purpose loans and 15 agricultural purpose loans. The sample also included all newly-originated residential mortgage loans in 1996.

<b>Loans Originated by Product Type in 1996</b>								
<b>Loan Originations by Purpose</b>	<b>Within Assessment Area</b>				<b>Outside Assessment Area</b>			
	<b>Loans (#)</b>	<b>% Loans (#)</b>	<b>Loans (\$000's)</b>	<b>% Loan (\$)</b>	<b>Loans (#)</b>	<b>% Loans (#)</b>	<b>Loans (\$000's)</b>	<b>% Loan (\$)</b>
Residential	112	90%	\$5,142	91%	12	10%	\$ 502	9%
Business	80	84%	\$1,764	59%	15	16%	\$1,207	41%
Agricultural	117	91%	\$5,494	57%	12	9%	\$4,169	43%

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

- **Lending activity to borrowers of different income levels in the bank's assessment area is satisfactory.**

The following table shows that 17% of the single-family residential (SFR) loans by number and 8% by dollar volume were made to low- and moderate-income families. Although this is not in line with the proportion of low- and moderate-income families in the assessment areas, we view the percentages as satisfactory. This is mitigated by the fact there is a severe lack of affordable housing in the \$20,000 to \$60,000 range. Also, the low- and moderate-income segment of the community typically has a more difficult time qualifying for home financing. The bank offers several mortgage products to promote affordable housing. The average mortgage loan amount for 1996 is \$45,500. The bank also grants mortgage loans of \$25,000 or less. The bank originated 20 mortgage loans of such size in 1996, totaling \$289,984. This represents 16% by number or 5% by dollar volume.

<b>SFR LOANS IN ASSESSMENT AREA BY BORROWER INCOME</b>					
<b>Income Level</b>	<b>% of Families in the assessment area</b>	<b>SFR Loan (#)</b>	<b>% of SFR Loans (#)</b>	<b>SFR Loans (\$000's)</b>	<b>% of SFR Loans (\$)</b>
Low	25%	6	5%	\$ 118	2%
Moderate	20%	15	12%	\$ 333	6%
Middle	24%	41	33%	\$1,808	32%
Upper	31%	62	50%	\$3,385	60%
<b>Total</b>	<b>100%</b>	<b>124</b>	<b>100%</b>	<b>\$5,644</b>	<b>100%</b>

The bank has also demonstrated a strong loan penetration to small businesses and farms. This is reflected in the chart below from a random sample of newly originated commercial and agricultural loans in 1996. We also conducted a judgmental sample and combined the results in our analysis.

<b>DISTRIBUTION OF BUSINESS AND SMALL FARM LOANS BY REVENUES</b>				
	<b>Loans (#)</b>	<b>% of Sample (#)</b>	<b>Loans (000's)</b>	<b>% of Sample (\$)</b>
Loans to Small Businesses (Revenues < \$1,000,000)	15	100%	\$5,033	100%
<b>Total Business Loans Sampled</b>	<b>15</b>	<b>100%</b>	<b>\$5,033</b>	<b>100%</b>
Loans to Small Farms (Revenues < \$1,000,000)	15	100%	\$3,407	100%
<b>Total Small Farm Loans Sampled</b>	<b>15</b>	<b>100%</b>	<b>\$3,407</b>	<b>100%</b>

### **Geographic Distribution of Loans**

The bank's lending activities reflects reasonable dispersion throughout the assessment area. The following table compares the bank's residential loan activity with the percentage of various income level BNAs that comprise the assessment areas. Based on the assessment areas

demographic elements, the bank's lending patterns naturally fall in moderate- or middle-income BNAs.

<b>LENDING IN ASSESSMENT AREA BY BNA TRACT TYPE</b>					
<b>Income Level</b>	<b>% of Assessment Area</b>	<b>Loans in Tracts (#)</b>	<b>% of Loans (#)</b>	<b>Loans in Tracts (000's)</b>	<b>% of Loans (\$)</b>
Low	0%	0	0%	\$ 0	0%
Moderate	46%	6	29%	\$ 327	32%
Middle	54%	15	71%	\$ 680	68%
Upper	0%	0	0%	\$ 0	0%
<b>Total</b>	<b>100%</b>	<b>21</b>	<b>100%</b>	<b>\$1,007</b>	<b>100%</b>

**Response to Complaints**

The bank has received no CRA-related complaints since the last performance evaluation.

**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.