



Comptroller of the Currency
Administrator of National Banks

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PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

January 6, 1997

FirstBank of Arapahoe County, N.A.
Charter Number 21676

2323 East Arapahoe Road
Littleton, Colorado 80112

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **FirstBank of Arapahoe County, N.A.** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **January 6, 1997**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: "Satisfactory Record of Meeting Community Credit Needs."

Community Profile

First Bank of Arapahoe County, N.A.'s (FBAC) delineated community consists of 23 census tracts which are located in the Denver Metropolitan Statistical Area (MSA). Twenty census tracts are located in unincorporated Arapahoe County and three are located in Douglas County. The delineated community encompasses Greenwood Village, Highlands Ranch, Englewood, the eastern portion of Littleton, and the western portion of unincorporated Arapahoe County. Based on 1990 U.S. Census data, the community's census tracts are broken down by income characteristics as follows:

Tract Characteristics

Income Level	Number	% of Total
Low	0	0%
Moderate	1	4%
Middle	3	13%
Upper	19	83%
Totals	23	100%

The population characteristics are as follows:

Population Characteristics

Income Level	Number of Families	% of Total Families
Low	2,237	7%
Moderate	3,464	10%
Middle	6,540	20%
Upper	21,316	63%
Totals	33,557	100%

The 1990 U.S. Census MSA median-family income is \$40,222. The data also indicates a median-housing value of \$120,900. Approximately 75% of the housing units in the bank's community are owner occupied, 22% are rentals, and 3% are vacant.

The major employers in the area are Telecommunications Inc., MCI, AT&T/Lucent Technologies, and the Littleton and Cherry Creek School Districts. The current unemployment rate for the bank's delineated community is 2%. This figure compares favorably to the national unemployment rate, as well as the unemployment rate for the Denver metropolitan area.

Bank Profile

FBAC is located in unincorporated Arapahoe County, Colorado. The bank has four offices. The main bank, located at 2323 East Arapahoe Road, was purchased in September 1993 from Norwest Bank and turned into the main facility in March 1994. The bank also has three branches: the Arapahoe/Holly branch located within a King Soopers at 5050 East Arapahoe Road, the Arapahoe/Yosemite branch located at 8600 E. Arapahoe Road, and the County Line/Holly branch located at 8280 South Holly Street.

As of June 30, 1996, FBAC had total assets of \$133 million. The bank is owned by FirstBank Holding Company of Colorado. The holding company had total assets of \$2.7 billion as of June 30, 1996. FirstBank Holding Company of Colorado owns 21 other FirstBanks, most are located in the Denver metropolitan area, and all but one are located in Colorado. The bank's customers have access to over 140 ATMs located in all of the FirstBanks' communities.

The bank's primary focus is consumer lending. The loan portfolio as of June 30, 1996, consisted of the following: real estate secured loans 88%, individual loans 9%, and commercial loans 3%.

Competition is strong with more than 10 banks in the delineated community. Additionally, the community is home to numerous non-bank financial institutions such as Universal Lending Mortgage and Merrill Lynch.

Reasonableness of Delineated Community

The bank's delineated community is reasonable and does not arbitrarily exclude low- and moderate-income areas. The community is bordered by Belleview Avenue on the north, Centennial Airport on the east, Lincoln Avenue, University Boulevard and Highland's Ranch Parkway on the south, and Windermere to the west.

The delineated community contains two upper-income census tracts that are split due to natural geographic boundaries. The natural boundaries within the two census tracts are Windermere Road and Centennial Airport. Despite the possibility that some loans made within the split census tracts

were made outside the bank's delineated community, our examination findings assume that all loans made within the split census tracts were made inside the bank's community.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- **Management maintains ongoing, meaningful contact with a wide range of individuals and groups representing various community interests.**

FBAC has a formal written program to ensure management maintains contact with individuals and groups from the bank's delineated community. All levels of staff and various methods are used to ascertain the credit needs of the community. Methods include business and individual call programs, focus group meetings, and staff surveys. Management has contacted individuals representing low- and moderate-income neighborhoods, housing services, local, state, and federal government, and civic, religious, minority, and small business groups. Often bank employees serve on committees of these organizations. This allows the bank to receive ongoing information regarding the community's credit needs. The bank's 1996 CRA Statement lists these organizations and the nature of the bank's involvement with them.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purpose of the Community Reinvestment Act.

- **The Board of Directors (Board) and senior management have developed an effective program to determine and help meet the credit needs of the bank's community.**

The Board and management use information obtained from outreach activities to determine what products to offer. They have developed loan products which use prudent underwriting criteria to help address the community's credit needs. For example, based on feedback from the community, the lead bank's mortgage department developed a home purchase program for low- and moderate-income individuals. This product is available through FBAC. The bank already offers a number of other mortgage loan products; some of those have been developed or are offered to help meet the specific credit needs of low- and moderate-income individuals. The bank also offers government guaranteed or sponsored loan products for small businesses and students.

In order to monitor CRA efforts and progress, the Board and senior management have established a CRA Steering Committee which meets semi-annually. Representatives from senior management and the Board serve on the bank's CRA Steering Committee. This ensures the Board remains informed on the bank's efforts and allows them to identify any weaknesses in current efforts.

II. **MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED**

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- **The Board and senior management have implemented a sound advertising and marketing program designed to reach all segments of FBAC's community.**

In order to reach all segments of its delineated community, the bank uses various means and methods to market and advertise its products. Company-wide advertising, directed by FirstBank Holding Company of Colorado makes use of broad base general media. This includes extensive use of television, radio, and major newspapers. Bank-wide brochures, direct mailings, and sponsorship of a variety of events are also used to advertise loan and deposit products. These efforts include use of media, such as the *Catholic Register*, *El Semanario*, *LA VOZ*, *Intermountain Jewish News*, *Urban Spectrum* and *KBNO Radio*, which target special interest groups.

In addition to centralized corporate marketing efforts, FBAC regularly advertises in local newspapers, newsletters, neighborhood directories, school publications, and church bulletins. Examples of this include the *Acres Green Homeowner's Association Newsletter*, *Walnut Hills Newsletter*, and *St. Thomas More Catholic Church Bulletin*. During 1996, the bank regularly advertised its home equity loan programs in these publications.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- **FBAC has sufficiently responded to community credit needs through the origination of housing, consumer, and small business loans.**

The bank offers a full range of loan products which are tailored to meet the needs of the community. This includes several types of residential real estate, consumer, small business, and construction and development loans. The bank's lending focus is consumer and small business.

Loan volume is good. During 1995, the bank made 2,327 loans for approximately \$27 million. From January 1, 1996, through September 30, 1996, the bank made 1,523 loans for approximately \$21 million. The bank's reports show 25% of the loans originated through September 30, 1996, were to low- and moderate-income borrowers, 21% to middle-income borrowers, and 54% to upper-income borrowers. As shown in the **Community Profile** section of this report, 17% of families within the delineated community are low- and moderate-income families, 19% are middle-income families, and 64% are upper-income families.

The bank's loan-to-deposit ratio average over the last eight quarters is 48.4%. This is below the eight-quarter average for Colorado banks (63%). However, the credit needs of the community are being met, as competition to meet the credit needs of the community is strong.

A majority of the bank's loans are located within the delineated community. By number, 60% of the loans originated through September of 1996, and 64% of the loans originated in 1995 were within the delineated community. By dollar amount, 55% of the loans made through September 30, 1996, and 58% of the loans made in 1995 were within the community. The following tables illustrate the amount and relative percentage of selected loan categories within the delineated community.

**Loan Originations within the Delineated Community
As of September 30, 1996 and Year End 1995**

TYPES OF LOAN ORIGINATIONS WITHIN DELINEATED COMMUNITY	SEPTEMBER 1996		YEAR END 1995	
	Number	Percentage	Number	Percentage
Residential Mortgages	138	60%	81	65%
Home Improvement Loans	87	70%	99	65%
Small Business Loans	51	64%	63	71%
Other Consumer Purposes	637	61%	1,236	67%
Total of All Loans	913	62%	1479	67%
	Volume (000)	Percentage	Volume (000)	Percentage
Residential Mortgages	\$ 5,945	55%	\$ 4,393	57%
Home Improvement Loans	\$ 1,759	72%	\$ 1,681	63%
Small Business Loans	\$ 1,288	39%	\$ 3,159	67%
Other Consumer Purposes	\$ 2,384	63%	\$ 6,463	64%
Total of All Loans	\$11,376	56%	\$15,696	62%

The bank has developed and is involved in special programs targeted to meet the credit needs of low- and moderate-income individuals. However, despite significant marketing and advertising efforts, the bank has originated only one loan. Some of the special programs are as follows:

Community HomeBuyers Program

This is a Fannie Mae 15-, 20-, and 30-year mortgage loan product which offers a lower down payment. Applicants can finance up to 95% of the home purchase value of the home or 90%, if refinancing. Private Mortgage Insurance (PMI) is required, but is lower than for standard

conventional loans. The bank implemented this program in 1994. The bank has not originated any loans under this program.

The Affordable Housing Program

This is a new mortgage loan program which started in mid-1996 to supplement the Community HomeBuyers Program described above. This program is for the purchase, refinance, as well as, cash-out refinance for single-family residences. Unlike the Community HomeBuyers program, this program also includes financing for town homes and condominiums. The program is available to borrowers at or below median income. Maximum loan-to-value is 97%, with a minimum 3% down payment, and low closing costs. The bank has originated one loan for \$76,400.

Good Neighbor Mortgage Loan Program

This is a 30 year mortgage loan program for home purchase or refinancing. The loan-to-value is 95% for home purchase or 90% for refinancing. No PMI is required. Applicants are preapproved and informed of the availability of this product by mail. The bank has not originated any loans under this program.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- **The bank's participation in government-sponsored, guaranteed, or subsidized lending programs is limited.**

Despite limited opportunities within the delineated community, FBAC participates in government-sponsored lending through the origination of Small Business Administration (SBA) guaranteed loans and government-sponsored student loans. During 1995, the bank originated 25 student loans totaling \$92,072. Through September of 1996, the bank originated 15 student loans totaling \$77,628. During 1995, the bank originated four SBA loans for \$230,000. Through November 30, 1996, the bank originated one SBA loan for \$54,000.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- **The bank's distribution of credit reaches all areas of the delineated community.**

Geographic analyses for 1995 and for the first half of 1996 show that the bank is serving all census tracts within its community. We did not identify any area within the community where the bank is not lending. The bank analyzes penetration into each census tract by comparing the number and amount of deposits, loan originations including loans subject to the Home Mortgage Disclosure Act (HMDA), and denied credit applications. While the number of credit applications, extensions, and

denials varies among the census tracts inside the delineated community, the proportion of extensions to applications, and denials to applications is similar throughout the community.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- **FBAC's offices are readily accessible to all segments of the community.**

The bank has four banking offices located within the community. Banking facilities include one main office with three branches, one of which is located within a King Soopers grocery store. Branch locations are easily accessible and offer full service business hours to the entire community. In addition, bank customers have access to their accounts at any of the 65 FirstBank locations. The FirstBank automated teller machine network (ATM) currently includes over 140 ATMs, with 11 ATMs located in the bank's community.

Customers can also use the bank's 24-hour telephone banking department that allows them to apply for loans, open new accounts, transfer funds, or get information 24 hours a day, 365 days a year.

The bank has not closed any offices. However, the bank has a branch closing policy which adequately assesses the potential impact to the delineated community prior to any office closings.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- **FBAC solicits credit applications from all segments of its delineated community.**

Broad base and special advertising and marketing efforts are designed to reach all types of individuals and groups. In order to reach its Hispanic market, the bank advertises in both English and Spanish. There is no evidence that the bank discourages or illegally prescreens applicants or potential applicants on a prohibited basis.

The Board and management have implemented adequate policies and procedures to ensure applicants are treated fairly during the credit application process. In addition, senior management provides annual fair lending training for all personnel who are in contact with potential applicants.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- **The bank's level of compliance with antidiscrimination laws and regulations, including Equal Credit Opportunity Act, the Fair Housing Act, the Home Mortgage Disclosure Act, and any agency regulations pertaining to nondiscriminatory treatment of credit applicants is very good.**

During a concurrent examination, we performed a comparative file analysis of 112 HMDA loans. We reviewed 100 approved loans to white applicants and 12 denied loans to minority applicants. We did not identify any instances in which a similarly situated applicant was denied credit based on race. We did not find any violations of fair lending laws or regulations.

The bank has a second review process whereby all denied low-income applicants receive a second review prior to a final decision. Annually, the audit department also performs a comparative file analysis to determine if there is any disparate or discriminatory treatment of credit applicants based on any of the prohibited bases.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- **Investments in community development and redevelopment programs are limited due to the needs and profile of the delineated community.**

The bank's community remains in the initial development phase and has not experienced any significant redevelopment projects at this time. As a result, bank investments in community development and redevelopment projects are limited. Management is in contact with local organizations such as the Littleton Housing Authority, the South Metro Economic Development Council, Arapahoe County Housing, and the Southgate Metro District, but has nevertheless had few opportunities to lend or invest in projects. In 1995, the bank made one development/construction loan for \$1,100,000. The loan was to build a 30-unit, low rent, multi-bedroom apartment building within the bank's delineated community.

The bank has invested in local, state, and regional municipal bonds. Currently, the bank holds 62 Colorado municipal bond issues with a combined book value of \$18,526,437. One of the bonds, a \$500,000 issue from the Littleton Assisted Living Building Authority, is a housing related issue that primarily benefits low- and moderate-income individuals within the bank's delineated community. Additionally, the bank holds one issue for \$300,000 outside its delineated community that benefits low- and moderate-income families.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- **The bank's lending activity within the community is consistent with its financial capacity and size.**

FBAC has no financial, legal, economic, or other factors that limit its ability to serve the community. The bank's lending activity demonstrates management's efforts in meeting the needs of the

community that are consistent with its condition and size. Please refer to the **Community Profile** and **Bank Profile** sections of this report for additional information.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- **FBAC helps meet other needs by providing donations to organizations which benefit the community.**

Although not specifically related to low- and moderate-income lending needs, the bank actively supports several community organizations throughout the Denver metropolitan area. Financial donations totaled \$5,303 in 1995 and \$8,148 through November 30, 1996.

ADDITIONAL INFORMATION

Whenever possible, our review focused on all loan types. However, in some areas we focused primarily on residential mortgage loans which are reportable under the Home Mortgage Disclosure Act (HMDA). You may obtain a copy of the HMDA statement at the local library. You may also obtain a copy by contacting Rob Chaney at FirstBank of Arapahoe, N.A., 2323 East Arapahoe Road, Littleton, Colorado 80112.