

PUBLIC DISCLOSURE

November 30, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Aurora National Bank
Charter Number 15126**

**10660 East Colfax Avenue
Aurora, Colorado 80010**

**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 **Aurora National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 30, 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 “**Outstanding.**”

Aurora National Bank's CRA performance rating is based on the following factors:

- A more than reasonable loan-to-deposit ratio;
- A substantial majority of lending within the bank's assessment area;
- An excellent loan penetration among individuals of different income levels and businesses of different sizes;
- An excellent geographic dispersion of loans throughout the assessment area; and
- The bank demonstrates leadership in providing community development services.

DESCRIPTION OF INSTITUTION:

Aurora National Bank is the lead bank of Citywide Banks, Inc., a \$345 million holding company. The bank's total assets as of June 30, 1998, are \$182 million. The holding company owns two other banks and a mortgage company. The bank and its affiliates are all located in Colorado. Mortgage company originations are booked as assets of the bank until sold to the secondary market.

The main banking office is located east of downtown Aurora, in a low-income census tract. The main office is easily accessible by public transportation. In addition to the main office facility, the bank has one branch, and one automated teller machine (ATM) which accepts deposits. The branch opened in July 1997, in downtown Denver. It is located in a middle-income tract but is adjacent to several low- and moderate-income tracts. It too is easily accessible by public transportation. The ATM is located across the street from the main bank.

The bank's primary focus is to provide credit and deposit services to the Denver Metropolitan Statistical Area (MSA). The primary loan products are financing for small and medium-size businesses, residential real estate mortgages, and construction projects. The bank also offers a variety of consumer loan products. The following chart illustrates the bank's portfolio as of October 30, 1998.

LOAN PORTFOLIO COMPOSITION		
Loan Type	Dollar Volume \$(000's)	Percent of Portfolio
Commercial and Commercial Real Estate	101,000	77
Construction	8,000	6
Mortgage*	5,000	4
Installment	17,000	13
Total	131,000	100

*This represents mortgage loans currently on the books and does not reflect the substantial volume of residential mortgages originated and sold by the bank.

Source: Bank Data

The bank received an Outstanding rating at the previous CRA examination in 1995. The rating was based on criteria in effect at the time of the examination. Performance criteria within the CRA regulation were revised subsequent to the 1995 examination.

The bank competes with several community banks based in the assessment area, as well as with branches of several large institutions. We are not aware of any impediments restricting the bank's ability to meet credit needs of its assessment area.

DESCRIPTION OF THE DENVER METROPOLITAN STATISTICAL AREA:

The bank’s assessment area is the five-county Denver MSA, which consists of 498 census tracts. The assessment area meets the criteria of the regulation. It encompasses the entire MSA and does not arbitrarily exclude low- or moderate-income geographies. The principal cities in the assessment area are Arvada, Aurora, Brighton, Commerce City, Denver, Englewood, Lakewood, Littleton, Northglenn, Thornton, Westminster, and Wheat Ridge. The demographics of the assessment area are as follows (data is from the 1990 U.S. Census unless otherwise specified):

ASSESSMENT AREA PROFILE: DENVER MSA #2080							
Demographic Characteristics	#	% of State	\$	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population (#) & Family Distribution	1,622,980	63		19	18	25	38
Median Income (\$) HUD Est. 1998			55,700				
Census Tracts*	498	64		7	22	33	21
Unemployment Rate - June 30, 1998	3.2%						
Owner-Occupied Housing (#)	399,963	63		4	20	45	31
Median Housing Value (\$)			89,581				
Small Businesses	82,856	64%		10	25	35	30

*Eighty-six of the census tracts, representing 17% of the total, have no income designation.

The Denver MSA has one of the strongest, most diversified economies in the United States. In the past two years, thousands of new jobs have been created in the area with the opening of the Park Meadows Shopping Center, the Merrill Lynch business campus, the Georgia Pacific facility, and numerous other small businesses. Currently, the MSA is experiencing high employment, population growth, and real estate construction. As of June 30, 1998, Denver had an unemployment rate of 3.2%. The State of Colorado, overall, ranks second in the nation in business vitality with the third largest rate of new companies formed. The largest employers in the Denver MSA are U.S. West, Columbia/Health One, King Soopers, Inc., Centura Health, Lockheed Martin, Lucent Technologies, IBM, Coors Brewing Company, and the U.S. Government.

Along with the economic prosperity, housing prices have increased significantly during the past two years. Based on a report from Perry & Butler Realty, the average price of a home in August 1998 was \$194,145. Since 1990, income has increased about 28%, while the average price of a home has doubled. Community contacts indicate credit needs in the MSA are: affordable housing loans, including 30-year fixed rate home purchase loans, home improvement loans, and loans for rehabilitation of existing low- and moderate-income housing; loans to construct affordable multi-family housing; and small business loans, including those for small business expansion.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio:

- **Aurora National Bank's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and operating environment.**

The bank's average loan-to-deposit ratio for eight quarters ending June 30, 1998, was 76%. This ratio is well above the average of 65% for seven similarly situated banks in the Denver MSA during the same period. The average loan-to-deposit ratios for the seven similar banks ranged from 41% to 85%.

The loan-to-deposit ratio does not fully reflect the bank's lending activities. In addition to the loans retained by the bank, Aurora National Bank, in combination with the affiliated mortgage company, originates and sells a substantial volume of residential mortgage loans. Home Mortgage Disclosure Act (HMDA) data shows that the bank originated \$68 million in home loans during 1997 and year-to-date 1998, most of which were sold on the secondary market.

Lending in the Assessment Area:

- **The bank made a substantial majority of its loan originations within the assessment area.**

The following tables reflect the bank's lending activity inside and outside the assessment area. The first table displays the bank's loan originations other than HMDA reportable loans. It includes commercial loans, some real estate loans, and consumer lending. The second table reflects HMDA reportable loans. Time periods are different due to the availability of data. Both HMDA reportable and other lending activities resulted in a substantial majority of originations in the assessment area. Particularly noteworthy is the high percentage of the number of loans which the bank made.

LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREA (All Loans Except HMDA Reportable Loans) January 1, 1997, to March 17, 1998				
Location	Number of Loans	Percent of Loans by Number	Dollar Amount of Loans \$(000's)	Percent of Loans by Dollar Amount
In Area	1,438	94	80,287	87
Out of Area	92	6	12,352	13
Totals	1,530	100	92,639	100

Source: Bank data

LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREA (HMDA Reportable Loans) January 1, 1997, to October 31, 1998				
Location	Number of Loans	Percent of Loans by Number	Dollar Amount of Loans \$(000's)	Percent of Loans by Dollar Amount
In Area	751	89	67,759	84
Out of Area	94	11	12,505	16
Totals	845	100	80,264	100

Source: HMDA reported data

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

- **The distribution of loan originations demonstrates excellent performance.**

The bank originated a substantial portion of loans to low- and moderate-income borrowers. Loan volume to low- and moderate-income borrowers reflects favorably on the bank when compared with the Denver MSA demographic information, particularly based on number of loans made. In addition to loan volume, the bank undertook a number of efforts to help meet the needs of low- to moderate-income individuals.

DISTRIBUTION OF HMDA REPORTABLE ORIGINATIONS IN THE ASSESSMENT AREA (by Borrower Income Level) January 1, 1997, to October 10, 1998					
Census Tract Type	Number of Loans	Percent of Loans by Number	Dollar Amount of Loans \$(000's)	Percent of Loans by Dollar Amount	Family Distribution in Denver MSA by Percent
Low Income	111	15	5,791	9	19
Moderate Income	180	24	13,717	20	18
Middle Income	195	26	16,364	24	25
Upper Income	225	30	27,422	40	38
Income Not Available	40	5	4,475	7	0
Total	751	100	67,769	100	100

Source: HMDA Reporting

The bank is extremely active in providing affordable housing to members of the community. It offers a number of different programs that facilitated home ownership among low- to moderate-income people. The Denver MSA is a high cost area but the bank is using these programs to meet low- to moderate-income borrowers' needs. Without the bank's participation in these programs, many of the borrowers could not qualify for a mortgage loan.

Aurora National Bank participates in the Hope 3 Program which is a public/private partnership functioning to provide home ownership for low-income, developmentally disabled persons. The program uses grant money from the Department of Housing and Urban Development (HUD) to fund the down payment, and the bank makes the loan. The program is designed to benefit persons with incomes lower than 50% of the HUD average MSA median family income. During this evaluation period, the bank made six loans in this program, totaling \$159,000.

The bank participates in two other home ownership assistance plans which are directed specifically to low- and moderate- income borrowers. The programs are the Cash Assistance Program offered by the Colorado Housing and Finance Authority (CHFA) and the City of Aurora's Home Ownership Assistance Program (HOAP). In the past two years, the bank made 31 loans in these programs, totaling \$1.9 million.

The Cash Assistance Program is a public/private partnership designed to make home mortgage loan financing more accessible to low- and moderate-income, first-time home buyers by providing cash assistance for a down payment and closing costs. The program has purchase price and gross annual income limits. A qualified applicant can receive a cash amount of up to 4% of the loan amount at the time of closing. In certain Federally Designated Targeted Areas, the applicant does not have to be a first-time buyer.

HOAP is another public/private partnership whose activities are targeted to low- and moderate-income home buyers by providing counseling and down payment assistance. In this program a low- or moderate-income home buyer can receive financial assistance in an amount up to \$2,000 for down payment and closing costs. The assistance is provided in the form of a five-year second mortgage loan at a 5% fixed rate.

The above lending programs are considered complex because the financing comes from more than one source, thereby complicating the lending and closing process.

- **The distribution of loan originations demonstrates a reasonable penetration of loans to small businesses (annual revenues of less than \$1 million).**

We took a random sample of business loans originated during the last 18 months. Over half of Aurora National Bank's loans to businesses were to businesses with revenues under \$1 million.

LOANS TO BUSINESSES OF DIFFERENT SIZES WITHIN THE ASSESSMENT AREA		
Annual Revenue Size	Number of Loans	Percent of Sample
Less than \$250,000	4	16
Between \$250,000 to \$500,000	5	20
Between \$500,000 to \$1,000,000	5	20
Above \$1,000,000	11	44
Total	25	100

Source: Sample File Review of Bank Records

Geographic Distribution of Loans

- **The geographic distribution of loans reflects excellent dispersion throughout the assessment area.**

The bank originated a substantial portion of loans in low- to moderate-income census tracts. Lending in low- to moderate-income census tracts reflects favorably on the bank when compared with the Denver MSA demographic information. By number of loans, the bank makes proportionately more loans in low- to moderate-income areas than the respective percentage breakdown of owner-occupied housing units located in low- to moderate-income areas. By dollar volume, the bank has a relatively comparable percentage breakdown to the levels of owner-occupied housing units in those areas.

DISTRIBUTION OF HMDA REPORTABLE ORIGINATIONS IN THE ASSESSMENT AREA BY CENSUS TRACT January 1, 1997, to October 10, 1998					
Census Tract Type	Number of Loans	Percent of Loans by Number	Dollar Amount of Loans \$(000's)	Percent of Loans by Dollar Amount	Percent of Owner-Occupied Housing in Denver MSA
Low Income	43	6	2,568	4	4
Moderate Income	152	20	10,551	16	20
Middle Income	388	52	30,678	45	45
Upper Income	168	22	23,972	35	31
NA	0	0	0	0	0
Total	751	100	67,769	100	100

Source: HMDA Reporting Data and 1990 U.S. Census Data

Based on the sample findings, small business loans reflect a good distribution among various census tracts in the assessment area. Forty-eight percent of the sample businesses are located in low- or moderate-income census tracts.

DISTRIBUTION OF SAMPLE BUSINESS LOAN ORIGINATIONS IN THE ASSESSMENT AREA BY CENSUS TRACT January 1, 1997, to October 10, 1998		
Census Tract Type	Number of Loans	Percent of Loans
Low Income	4	16
Moderate Income	8	32
Middle Income	5	20
Upper Income	8	32
NA	0	0
Total	25	100

Source: Sample File Review of Bank Records

Aurora National Bank is providing proportionately more loans to low- and moderate-income census tracts than it receives in deposits from those census tracts. The bank geo codes its loans and deposits. The following table summarizes deposits received from and loans outstanding to various census tract types.

DISTRIBUTION OF CURRENT DEPOSIT BALANCES AND LOANS OUTSTANDING IN THE ASSESSMENT AREA BY CENSUS TRACT ON OCTOBER 12, 1998					
Census Tract Type	Deposits \$(000's)	Percent of Deposits by Dollar Amount	Dollar Amount of Loans \$(000's)	Percent of Loans by Dollar Amount	Percent of Loans in Denver MSA
Low Income	15,000	10	19,000	16	7
Moderate Income	36,000	24	31,000	25	22
Middle Income	66,000	44	42,000	35	33
Upper Income	34,000	22	29,000	24	21
NA/Unclassified	0	0	0	0	17
Total	151,000	100	121,000	100	100

Source: Bank data

Further bolstering the bank's performance with small business lending, several loans had community development lending as a primary purpose. The amount of these types of loans is very good, considering the bank's resources and the opportunities available in the assessment area.

Aurora National Bank originated four such loans, approximately \$2 million in aggregate, since the prior CRA examination. In addition, the bank issued a \$625,000 letter of credit which qualifies as community development lending. All loans are in the bank's assessment area. The loans went to establish new businesses in low- and moderate-income neighborhoods or to provide needed community services. These loans contributed to the economic revitalization and stabilization of low- and moderate-income neighborhoods and helped create or preserve jobs for low- to moderate-income individuals. The number and dollar volume of loans demonstrates good responsiveness to needs in the community.

The largest of the four loans was made to a community health center. This loan provided funds for the purchase of real estate and capital improvements, allowing the establishment of a mental health treatment center. The treatment center is primarily targeted to low- to moderate-income individuals.

Market Share Analysis

A market share analysis of the aggregate 1997 HMDA loan data for the Denver MSA reveals the bank's strong consumer mortgage loan performance in low- and moderate-income geographies. Overall, in 1997 the bank achieved a 0.31% market share and ranked 78th among the 550 reporting lenders active in the MSA. Noteworthy is the fact that the bank actually increased its market share in low- and moderate-income census tracts. The bank achieved a 0.43% market share in moderate-income tracts and a 0.38% market share in low-income tracts.

Similarly, Aurora National Bank also increased its market share among low- and moderate-income borrowers. The bank achieved a 0.34% market share of loans to moderate-income borrowers and a 0.50% market share of loans to low-income borrowers in the Denver MSA.

Many lenders fail to even maintain their overall market share in loans to low- to moderate-income geographies and low- to moderate-income borrowers. By actually increasing their market share in those venues, the bank demonstrates an excellent record of distributing HMDA reportable loan products to borrowers of all income levels and who reside in all types of census tracts.

Community Development Services

The bank provides a number of services which are not typically seen in a bank this size. The bank has taken an aggressive leadership role in providing funding for home ownership. Among the services the bank provides:

- A community lender to provide first-time home buyer programs to customers;
- Grants benefiting low- to moderate-income individuals;

- Innovate deposit products benefiting low- to moderate-income individuals; and
- Accessibility to low- to moderate-income individuals.

The community lender provides instruction and counseling to a variety of nonprofit entities that provide community development services to the assessment area. The bank estimates the community lender and other bank employees have donated approximately 330 hours to providing financial counseling and financial services to low- to moderate-income individuals or organizations assisting low- to moderate-income individuals, primarily to promote affordable housing.

The bank provides counseling for first-time home buyer programs through several home buyer fairs. The community group ACORN and the Federal National Mortgage Association sponsored the fairs. The community lender teaches home ownership classes for first-time home buyers for the city of Aurora and teaches classes for HUD on mortgage insurance premium reduction. Most of this activity is done in conjunction with the affordable housing loan programs already described. The community lender is involved in monthly meetings with home ownership counselors in Denver. The community lender provides instruction on current issues regarding counseling first-time home buyers on home ownership and foreclosure prevention.

The bank worked with the city of Aurora to obtain a \$250,000 grant from the Federal Home Loan Bank to fund the city's HOAP program described above. The bank was instrumental in completing the application for obtaining the grant and the bank administers the program for the city. Not only has the bank provided mortgage lending to low- and moderate-income borrowers using HOAP, but because of the bank's efforts, other lenders have also been able to provide credit to low- and moderate-income borrowers which they may not have been able to provide without the grant program.

The bank also was instrumental in obtaining a Federal Home Loan Bank affordable housing grant for the Colorado Coalition for the Homeless Xenia Street Project. This was a \$157,000 grant used to provide permanent/transitional housing and social services to homeless and mentally ill clients of the Colorado Coalition for the Homeless by renovating 53 rental units.

To assist low- to moderate-income individuals, small businesses, and seniors, the bank offers low cost deposit accounts. The economy checking account is designed for low-income individuals who might not otherwise have access to banking services. It allows the account holders to write a limited number of checks each month for a nominal monthly fee. The business economy checking account is similar in offering a limited number of transactions for a significantly lower rate than the standard business checking account. This product is targeted to new, small businesses with limited resources. The bank provides service charge exempt deposit accounts for individuals age 55 and older.

Response to Complaints

There have been no complaints regarding the bank's CRA performance since the last CRA Performance Evaluation dated October 23, 1995.

Record of Compliance with Anti-discrimination Laws

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