



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

June 8, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Pioneer National Bank
Charter Number 8752**

**145 West Fourth Street
Wray, Colorado 80758**

**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 Pioneer National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of June 8, 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 “**Satisfactory.**”

First Pioneer National Bank is committed to serving the community in which it operates and demonstrates satisfactory lending performance. Its loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank originates a majority of loans within its assessment areas. Overall, lending activity shows the bank lends to individuals of all income levels. The bank's commercial loans are made predominantly to businesses and farms with annual revenues of less than \$500,000.

DESCRIPTION OF INSTITUTION:

First Pioneer National Bank (FPNB) is a community bank located in Wray, Colorado. FPNB operates from its main office in Wray and one branch office in Holyoke, Colorado. Each office includes a drive-up teller window and the Wray office provides a 24-hour full service automated teller machine. In addition, the bank has one proprietary 24-hour cash dispensing machine (CDM) in each town. The bank has not opened or closed any branch offices.

As of May 31, 1998, FPNB reported total assets of \$84 million. First Pioneer Bank Corporation (FPBC), a three-bank holding company headquartered in Brush, Colorado, wholly owns FPNB's stock. As of May 31, 1998, the holding company's total asset size is \$23 million. FPNB also has an affiliate relationship with Equitable Savings and Loan Association. There are no financial or legal barriers to the bank's ability to meet the credit needs of the assessment area. The bank received an "Outstanding Record of Meeting Community Credit Needs" rating at its January 26, 1995, CRA examination.

FPNB focuses its lending activities on agricultural loans while providing a full range of depository services. The table below shows the composition of the bank's loan portfolio by loan type.

LOAN PORTFOLIO COMPOSITION		
May 31, 1998		
Loan Type	\$ Amount (in millions)	Percentage of Total Loans
Agricultural & Farmland	39.7	76
Commercial	7.7	15
Consumer	4.6	9
Total Loans	52.0	100

DESCRIPTION OF ASSESSMENT AREAS:

The bank has two assessment areas that adjoin at the Colorado/Nebraska state line. The first assessment area is located in Colorado and encompasses a portion of Yuma County and all of Phillips County. This area has an estimated population of 9,500. The second area lies in Nebraska and includes the counties of Chase and Dundy. The population of this area is approximately 6,963. Both areas consist of small towns and include Wray, Holyoke, and Haxtun in Colorado and Imperial, Haigler, and Benkelman in Nebraska.

The assessment areas contain six block numbering areas (BNAs). One BNA is designated as moderate income with the remaining BNAs designated middle income based upon the 1990 U.S. Census non-MSA median family income for each state. The bank’s assessment areas do not arbitrarily exclude any low- or moderate-income areas. The following table provides a breakdown of income characteristics for the assessment areas.

PERCENTAGE OF FAMILIES WITHIN ALL BNAs BY INCOME LEVEL				
Income Level	Colorado		Nebraska	
	#	% of Total	#	% of Total
Low Income	452	18	389	20
Moderate Income	566	23	440	23
Middle Income	653	26	537	27
Upper Income	835	33	585	30
Total	2,506	100	1,951	100

Agriculture is the backbone of the economy as most businesses are a direct result of the areas’ vast farming and ranching operations. The areas’ agriculture economic base is diverse. The area is home to large cattle ranches and hog production facilities. Corn is a major crop. Wheat, potatoes, dry beans, and alfalfa are also prominent crops. Center pivot irrigation furnishes the necessary water to grow irrigated crops. Low commodity prices are adversely affecting the local economy and slowing expansion. Major non-agricultural employers include local governments and school districts.

Overall competition within the assessment areas is heavy. Major lenders include the Federal Land Bank and the Production Credit Association. According to management’s count, there are ten banks, four credit unions, and three savings and loans competing in the assessment areas. Additionally, out-of-area banks operate one branch office and one loan production office. These financial institutions compete for essentially the same business. A national trend toward large corporate farming enterprises with credit requirements exceeding the lending capacity of local banks further limits the client base.

During our review, we contacted an official of Yuma County Economic Development, Inc. Our contact concluded the community credit needs are substantially met and access to banking service is good.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

FPNB's loan-to-deposit ratio is reasonable given its size, financial condition, and assessment area credit needs. During the eight quarters ending December 31, 1997, FPNB's loan-to-deposit ratio ranged from 66% to 83%, resulting in an average of 73%. This is comparable to eight similarly situated banks. These banks were selected based on asset size, location, and similar business focus. Their eight quarter averages for the same period resulted in a 72% average.

Lending in the Assessment Area

FPNB originates a majority of its loans in both number and dollar volume within its assessment areas. Our review found 84% by number and 85% by dollar volume of all loans originated during the one-year period ending May 31, 1998, were within the bank's assessment areas.

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

FPNB's overall lending patterns reflect strong distribution among individuals of different income levels and businesses and farms of different sizes. Loan originations show the bank's focus on loans to small businesses and farms. Further, consumer loan originations compare favorably to assessment area demographics.

Loans to Consumers

Consumer loan originations show an emphasis towards low- and moderate-income borrowers and are well above the percentage of low- and moderate-income families in the assessment area. We sampled 33 consumer loans originated during a one-year period. This sample of automobile and truck loans represented the bank's major consumer loan product. We compared each borrower's income to the Colorado median family income. These loans were within the Colorado assessment area. The results of our sample are summarized in the following table and reflect an excellent penetration of low- and moderate-income families in the assessment area.

DISTRIBUTION OF CONSUMER LOANS BY BORROWER INCOME LEVEL			
Income Category	Loans Originated (June 1997 through May 1998)		Family Distribution Within Each Income Category
	Number	Percent	Percent
Low Income (<\$19.5M)	15	46	18
Moderate Income (\$19.5M - \$31.2M)	9	27	23
Middle Income (\$31.2M - \$46.8M)	5	15	26
Upper Income (>\$46.8M)	4	12	33
Total Loans	33	100	100

Note: The 1998 Department of Housing and Urban Development (HUD) estimated median family income for non-MSA areas of Colorado is \$39,000.

Loans to Commercial and Agricultural Borrowers

A substantial majority of the bank's commercial loans are to small businesses and small farms. We sampled 37 loans made from June 1997 through May 1998 representing 11% of the loans to finance operating capital for business and agricultural borrowers. As shown in the table, 81% of the business and agriculture loans were to entities with gross annual revenues under \$500,000. This performance shows FPNB serves the credit needs of small businesses and small agricultural operations.

DISTRIBUTION OF BUSINESS/AGRICULTURE LOANS BY ANNUAL REVENUE (Loans Originated from June 1997 through May 1998)		
Gross Annual Revenue	# of Loans Based on Sample	% of Loans Based on Sample
\$0 - \$500,000	30	81
\$501,000 - \$1,000,000	5	14
>\$1,000,000	2	5
Total Loans	37	100

This distribution also compares favorably to assessment area demographics. According to current business demographic data provided by Dunn & Bradstreet, 93% of the farm and non-farm businesses in the assessment areas have gross annual revenues less than \$1 million.

Geographic Distribution of Loans

An analysis of geographic loan distribution is not meaningful. The bank's two assessment areas contain a total of six BNAs which are too few to analyze. Five of the six BNAs are middle-income areas. And there are no areas of low- and high-income geographies.

Response to Substantiated Complaints

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

Fair Lending Review

The bank is in substantial compliance with fair lending laws and regulations. Our fair lending review, conducted during the June 8, 1998, compliance examination, found no unusual patterns or discriminatory lending practices.