



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**October 04, 2004**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Las Animas  
Charter Number 6030**

**535 Bent Avenue  
Las Animas, CO 81054**

**Comptroller of the Currency  
Northern Colorado  
1099 18th Street Suite 2650  
Denver, CO 80202**

**NOTE: This document is an evaluation of this 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. 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.**

## **INSTITUTION'S CRA RATING**

### **This institution is rated Outstanding.**

An outstanding rating is appropriate given the bank's demonstrated ability to meet the credit needs of the communities it serves. Specifically:

- The bank's loan-to-deposit ratio is very good given area competition and the credit need of the community.
- The majority of loans by number and dollar volume are originated within the bank's assessment area.
- The bank's pattern of lending to low- and moderate-income individuals and small businesses is strong.
- Community development services and investments benefit low- and moderate-income individuals and geographies.

FNB of Las Animas is committed to serving the communities in which it operates and demonstrates strong lending performance and community involvement.

## **DESCRIPTION OF INSTITUTION**

First National Bank of Las Animas (FNB) is a \$132 million institution located in rural southeastern Colorado and the city of Monument, in central Colorado. FNB is wholly owned by First Bankshares of Las Animas, Inc., a one-bank holding company in Las Animas, Colorado.

The bank operates three full-service facilities. The main office is in Las Animas, Colorado, in Bent County. One branch is in the neighboring community of La Junta, Colorado in Otero County. The second branch is in the city of Monument, Colorado in El Paso County. All locations have a drive-up facilities and non-deposit taking ATMs.

FNB offers a variety of credit products with the primary focus on commercial/industrial loans and agricultural loans. The primary loan products by dollar volume are agricultural loans secured by farmland at 23% of total loans and commercial/industrial loans at 40% of total loans. The primary consumer product is residential real estate secured loans (10%). Other loans offered by the bank include agricultural production loans (18%), consumer loans (5%), and other loans (3%). Net loans represent 76 % of the bank's total assets. The bank faces moderate competition from community and large banks operating within the defined AAs. There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment areas.

We made one community contact with this examination. We spoke with a representative of the Bent County Development Foundation. This individual indicated the primary credit need of the community is small businesses/small farm loans.

FNB received a "Satisfactory" rating at the last CRA examination dated March 29, 1999.

*Refer to the bank's CRA Public File for more information.*

## **DESCRIPTION OF OTERO, PROWERS, KIOWA, BACA, CROWLEY, LAS ANIMAS, AND BENT COUNTIES AND COLORADO SPRINGS MSA**

The bank has designated two assessment areas (AA). The first AA, herein referred to as the Las Animas AA, includes the following counties: Otero, Prowers, Kiowa, Baca, Crowley, Bent, and the eastern half of Las Animas. Based on 1990 U.S. census data, this AA is comprised of 22 geographies of which one (5%) is designated as low-income, twelve (55%) are designated as moderate-income, and nine (40%) are designated as middle-income. The Department of Housing and Urban Development (HUD) 2002 updated non-MSA median-family income for this AA is \$46,000. There are 13,184 families residing within the AA of which 50% are deemed low- and moderate-income. Income designations are determined based on annual income as a percentage of the non-MSA median-family income.

The second AA, herein referred to as the Monument AA, consists of three geographies in El Paso County. Of these, two (67%) are designated as middle-income and one (33%) is designated as upper-income. The HUD 2002 updated MSA median-family income for this AA is \$56,800. Based on 1990 US Census data there are 4,769 families residing in the AA with 20% deemed low- and moderate-income.

The Las Animas AA is predominantly agricultural while the Monument AA is a largely metropolitan area. Drought conditions continue to hamper growth efforts in the Las Animas AA but recent economic trends are positive. Growth in the Monument AA is steady, fueled in part by the build up in military activity in nearby Colorado Springs.

The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies.

*Refer to the bank's CRA Public File for more information.*

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

The bank's loan-to-deposit ratio is very good given area competition and the credit needs of the community.

The bank's average quarterly loan-to-deposit ratio since the previous CRA exam is 97%. The average quarterly loan-to-deposit ratio of similarly situated banks over the same time period ranged between 43% and 95%. Similarly situated banks are those banks of similar business lines operating within the same geography.

### **Lending in Assessment Area**

The majority of loans by number and dollar volume are originated within the bank's AA.

We sampled 20 residential refinance loans originated in 2001 and 2002, and 20 loans secured by agricultural real estate. Of all loans sampled, 64% by dollar volume and 90% by number were originated within the bank's defined AAs.

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

The bank's pattern of lending to low- and moderate-income individuals and small farms is strong.

#### *Las Animas AA*

To assess the bank's efforts to meet the credit needs of low- and moderate-income individuals, we sampled 20 residential real estate loans originated and held by the bank in 2001 and 2002. The purpose of the loans was to refinance primary residences. Within the Las Animas AA, area demographics indicate low- and moderate-income families comprise 29% and 21% of total families, respectively. By number, 25% of the residential loans sampled were originated to low-income borrowers and 10% to moderate-income borrowers.

Also considered in the strong rating is the bank's effort to facilitate home ownership by low- and moderate-income individuals and families through the combined use of special funding programs and secondary market financing. In 2002, the bank hired a mortgage loan specialist whose mission is to reach residents not typically served by the financial services industry. Through her efforts, the bank has partnered with the Colorado Housing and Finance Authority, the Tri-County Housing and Community Development Corporation, and the Federal Home Loan Bank. These organizations provide down payment and closing cost assistance to low- and moderate-income individuals. The bank facilitates the permanent financing largely through the use of secondary market lenders (FNMA, FHA, ect.). Through the efforts of the mortgage specialist

and the use of special funding programs, this bank has become the premier mortgage lender within the Las Animas AA.

The distribution of agricultural loans originated throughout the Las Animas AA indicates a very good pattern of lending to farms of different sizes. Of the 20 loans sampled, 100% by number and dollar volume were originated to small farms (annual revenues \$1 million or less). Further, 86% by number and 81% by dollar volume were originated to farms with annual revenues of less than \$250,000. This demonstrates the bank's strong commitment to small farms and compares favorably to area demographics that show that 92% of the farms for which revenue information was available are small farms.

In late 2002, the U.S. Small Business Administration (SBA) recognized this bank as a leader in the micro loan market. Micro loans are business purpose loans of \$100M or less and are instrumental in the success of small businesses as a whole. The SBA recognized FNB as being one of the top three micro business-friendly banks in Colorado with 97.5% of all commercial loans originated being micro loans.

#### *Monument AA*

We were unable to perform an analysis of the bank's pattern of lending in the Monument AA. As the branch opened in mid-2002, the volume of loans originated during our sampling period was not of sufficient size to provide a meaningful sample. Omitting Monument from our analysis does not negatively impact the bank's overall rating. There are no indications that the bank is not meeting the credit needs of the community.

### **Geographic Distribution of Loans**

The geographic distribution of loans within the Las Animas AA is good. We did not perform an analysis for the Colorado Springs MSA, as all geographies within the bank's defined AA are deemed middle-income.

We sampled all home purchase loans originated in the Las Animas AA and held on the bank's books. Within this AA, owner-occupied housing in low- and moderate-income geographies is 5% and 51% respectively. Within our sample, lending in moderate-income geographies represented 55% of total loans by number. There were no loans originated within the low-income geography within our sample. This is not a concern given that only one of the 22 geographies within the Las Animas AA is deemed low-income.

Of the 20 agricultural loans sampled, loans originated in moderate-income geographies represented 62% of total loans by number. This compares favorably to area demographics that indicate 12% of all farms are located within low- and moderate-income geographies.

### **Qualified Investments and CD Services**

Qualified investments currently outstanding total \$1.9MM and represent 15% of total capital. Of the four bond issues the bank is participating in, one funded affordable housing for low- and moderate-income seniors in La Junta, Colorado, and another funded assisted living facilities for low-income handicapped individuals residing in Bent County, Colorado. The remaining two bond issues funded the construction and refurbishing of two schools located in communities in which the majority of the students are from low- and moderate-income families.

Bank personnel are actively involved in community development services throughout the Las Animas AA. Of particular interest is one loan officer's involvement in a community-lending program designed to promote small business and create jobs for low- and moderate-income individuals. The Otero County Small Business Revolving Loan Fund Committee works in partnership with the local college and the Otero County Government to identify, guide, and ultimately fund small businesses within Otero County.

Other services provided by the bank include homeownership seminars. A broad range of topics is covered including understanding and improving credit scores, finding affordable housing, and understanding the mortgage loan process. These seminars are provided in both English and Spanish and target those individuals not generally served by financial institutions.

### **Responses to Complaints**

The bank has not received any CRA related complaints since the previous examination.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.