



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 20, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Arvada
Charter Number 7501**

**7530 Grandview Avenue
Arvada, Colorado 80002**

**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 **The First National Bank of Arvada** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 20, 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.**”

The First National Bank of Arvada’s record of meeting the credit needs of its community is good. A substantial majority of the bank’s loans are within its assessment area. Management is committed to making loans to businesses of different sizes and individuals of all income levels. Further, the bank’s lending pattern reflects a reasonable dispersion of loans throughout the bank’s assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	The First National Bank of Arvada 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:

The First National Bank of Arvada is a \$73 million community bank located in Olde Town Arvada, the original business center of the city of Arvada. The bank has one motor bank facility located approximately two miles southeast of the main facility. The motor bank houses the bank's only automated teller machine. The bank just opened a Loan Production Office in Longmont, Colorado. Additionally, the bank started operating a mobile branch which will be limited to picking up non-cash deposits from the bank's business customers. The bank is owned by a \$242 million multi-bank holding company, Fremont Bank Corporation, which owns three other banks. Two are located in Canon City, Colorado and one is located in Blende, Colorado.

The First National Bank of Arvada's primary lending focus is small business lending, which includes commercial real estate. The bank also offers and makes consumer and home mortgage loans. The bank offers these loans to accommodate the bank's business consumers and meet the consumer credit needs naturally coming from the areas immediately surrounding the bank's facilities. As of March 31, 1997, approximately 72% of loans outstanding are commercial. The remainder consists of consumer and home mortgage loans.

There are no legal impediments to the bank's ability to meet the credit needs of its community.

The bank faces strong competition. The local area has numerous banks, including branches of several large regional banks, savings and loan associations, and credit unions. The regional bank branches and credit unions in the bank's assessment area are able to provide some products at much better rates and terms due to cost advantages.

The First National Bank of Arvada's last CRA Performance Evaluation was December 22, 1994, when it received a "Satisfactory" CRA performance rating.

DESCRIPTION OF ASSESSMENT AREA:

The First National Bank of Arvada has designated the Denver-Boulder Consolidated Metropolitan Statistical Area (CMSA) as its assessment area. This area consists of the Denver and Boulder Metropolitan Statistical Area (MSA). The population of the Denver and Boulder MSAs based on 1990 U.S. Census are 1.6 million and 225,000 respectively. The table on page 4 shows the assessment area census tract mix by income level based on the 1990 U.S. Census. The updated 1996 Housing and Urban Development (HUD) median-family income for the Denver and Boulder MSAs are \$40,222 and \$43,782, respectively.

CENSUS TRACT MIX

U.S. Census Income Designation of Tract	Boulder MSA		Denver MSA	
	# Tracts	% of MSA	# Tracts	% of MSA
Low	2	1%	34	7%
Moderate	9	17%	109	22%
Middle	28	52%	162	33%
Upper	18	30%	107	21%
NA	1	0%	86	17%
Total	58	100%	498	100%

The Denver-Boulder CMSA has a relatively diversified economic base. Total employment has grown consistently for the last nine years and unemployment remains well below the national average. Services (wholesale and retail), government, and manufacturing provide nearly 80% of the employment in the Denver-Boulder CMSA. The three largest employers in the area are US West, Columbia-Health ONE and King Soopers. With the growing population, the area has experienced a strong housing market which has led to appreciation in home values. According to the Denver Regional Council of Governments, home prices have increased on average 10% over the last five years. As of the second quarter of 1996, the median price of an existing single-family home is over \$132,000, compared to a national median of \$118,900.

We reviewed one community contact performed by the OCC in May 1997. The contact was from a local city government and dealt with the city's housing and community development. The contact indicated the most pressing community credit need is affordable housing. This includes home purchase and rehabilitation loans and affordable rental housing. The contact indicated that this need cannot be fully addressed without increased subsidies. Examples are subsidies to provide below market interest rates, low loan fees, or funds to capitalize an affordable housing program targeted for low- or moderate-income borrowers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

The First National Bank of Arvada's loan-to-deposit ratio is reasonable given its size, financial condition, and operating environment. The average loan-to-deposit ratio for the eight quarters ending December 31, 1996, was 63%. This is in line with other similarly situated banks in the bank's assessment area with average assets over the last eight quarters between \$50 and \$100 million. These 14 banks reported an eight-quarter average loan-to-deposit ratio ranging from 47% to 79%.

Lending in the Assessment Area

The First National Bank of Arvada originates a substantial majority of its loans within its assessment area. Approximately 97% of the loans made over a 12-month period ending April 30, 1997, were in the bank's assessment area. This is based on a bank generated report of all loans made over a 12-month period sorted by borrower zip code.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The First National Bank of Arvada's distribution of loans reflects a good penetration among businesses of different sizes and individuals of different income levels given the demographics of the bank's assessment area.

Loan originations show an emphasis on lending to businesses with revenues less than \$1 million as shown by the table below. We sampled 40 business loans made over a 12-month period ending April 30, 1997.

DISTRIBUTION OF BUSINESS LOANS BY SIZE

Gross Annual Revenues	# of Loans Based on Sample	% of Loans Based on Sample
0 - \$100,000	6	15%
\$100,000 - \$250,000	9	23%
\$250,000 - \$500,000	4	10%
\$500,000 - \$1,000,000	7	17%
> \$1,000,000	14	35%
Total	40	100%

Further, the bank’s distribution of loans to businesses of different sizes indicates management is responsive to the credit needs of the bank’s assessment area. According to current business demographic data by Dunn and Bradstreet, a substantial majority (73%) of the businesses in the assessment area have revenues less than \$1 million. Based on the chart above, this compares favorably to the bank’s record of extending loans to such businesses.

As mentioned in the beginning of this Performance Evaluation, consumer lending is not a primary focus of the bank. It is done to accommodate the bank’s business customers and meet the credit needs that naturally come from the communities immediately surrounding the bank. The bank’s distribution of consumer loans over the past 12 months shows a good penetration among individuals of all income levels as shown by the chart below. Further, it compares favorably to the percentage of low-, moderate-, middle- and upper-income families in the bank’s assessment area and the surrounding communities of Wheat Ridge, Westminister, and Broomfield.

**DISTRIBUTION OF CONSUMER/HOME MORTGAGE LOANS
BASED ON BORROWER’S INCOME**

Income Designation of the Borrower ⁽¹⁾	% of Families in Assessment Area	% of Families in Arvada and Surrounding Areas	# of Loans Based on Sample	% of Loans Based on Sample
Low	19%	14%	13	20%
Moderate	18%	18%	22	33%
Middle	25%	28%	14	21%
Upper	38%	40%	17	26%
Total	100%	100%	66	100%

⁽¹⁾ Based on updated HUD median-family income for the MSA in which the borrower is located. Incomedesignations are defined as low: below 50%; moderate: from 50% up to 80%; middle: from 80% up to 120%; and upper: 120% and greater of the MSA median-family income.

Geographic Distribution of Loans

The bank’s lending pattern shows a reasonable dispersion throughout the assessment area. We noted no conspicuous gaps in lending to low- or moderate-income neighborhoods that could not be adequately explained by the bank’s environment.

We sampled 43 business loans. As shown by the table on page 7, the bank’s lending pattern to businesses in different income geographies is reflective of the make-up of the bank’s assessment area.

**GEOGRAPHIC DISTRIBUTION
BUSINESS LOANS**

U.S. Census Income Designation of Tract ⁽¹⁾	# of Loans in Sample	% of Loans in Sample	% of Tracts in Denver-Boulder CMSA
Low	4	9%	7%
Moderate	8	19%	21%
Middle	18	42%	34%
High	13	30%	23%
Total	43	100%	85% ⁽²⁾

⁽¹⁾ Based on updated HUD median-family income for the MSA in which the borrower is located. Income designations are defined as low: below 50%; moderate: from 50% up to 80%; middle: from 80% up to 120%; and upper: 120% and greater of the MSA median-family income.

⁽²⁾ The remaining 15% of tracts did not report any population.

**GEOGRAPHIC DISTRIBUTION
CONSUMER/HOME MORTGAGE LOANS**

U.S. Census Income Designation of Tract ⁽¹⁾	# of Loans in Sample	% of Loans in Sample	% of Tracts in the City of Arvada
Low	1	3%	3%
Moderate	9	26%	17%
Middle	15	43%	57%
High	10	28%	23%
Total	35	100%	100%

⁽¹⁾ Based on updated HUD median-family income for the MSA in which the borrower is located. Income designations are defined as low: below 50%; moderate: from 50% up to 80%; middle: from 80% up to 120%; and upper: 120% and greater of the MSA median-family income.

For consumer loans, we found the bank's lending pattern reflective of the make-up of the communities immediately surrounding the bank as shown by the table above. According to management, the areas from which the bank draws its consumer loans is much smaller than for business loans. This is because business lending is the bank's primary focus. Consumer loans are made to meet the credit needs of its business customers and meet the credit needs naturally coming from the communities surrounding the bank's office in Olde Town Arvada.

Response to Complaints

The bank has not received any complaints.

Record of Compliance with Antidiscrimination Laws

We did not find any violations, evidence of discrimination, or practices intended to discourage applicants from applying for credit.