

PUBLIC DISCLOSURE

September 7, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Fleming
Charter Number 11571**

**201 North Logan
Fleming, Colorado 80728**

**Comptroller of the Currency
1099 18th Street, Suite 2650
Denver, Colorado 80202-1926**

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 Fleming** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 7, 1999. 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.”**

- C The bank actively lends to small farms and small businesses in its assessment area.
- C The penetration of consumer and residential real estate loan products to low- and moderate-income individuals in the assessment area is good.
- C A significant majority of loans are originated within the bank's assessment area.
- C The overall volume of lending is typical of other community bank's in the area.

DESCRIPTION OF INSTITUTION:

The First National Bank of Fleming (FNBF) is a \$10 million community bank that serves Logan and western Phillips Counties in northeastern Colorado. The bank operates one full-service office located in Fleming, Colorado. FNBF is owned by Fleming Community Agency, Inc., a one-bank holding company located in Fleming, Colorado.

The bank offers a full range of credit products including: agricultural loans, commercial loans, real estate construction loans, residential mortgage loans, home improvement loans, and other consumer loans. FNBF’s ratio of net loans to total assets was 60% as of June 30, 1999. The percentage distribution of gross loans as of June 30, 1999, is outlined in the table below.

Product Type	Percent of Gross Loans As of 6/30/99
Residential Real Estate Loans	31%
Agricultural Loans	29%
Commercial Loans	24%
Consumer Loans	16%

The last CRA examination of FNBF was performed July 22, 1996, at which time a “Satisfactory” rating was assigned.

The bank is not restricted in its ability to meet community credit needs. There are no legal impediments or other factors preventing the bank from lending in its assessment area.

DESCRIPTION OF ASSESSMENT AREA:

FNBF has designated all of Logan County (consisting of seven block numbering areas) and block numbering area 9977 in western Phillips County as its assessment area. All eight block numbering areas are designated middle income based on 1990 U.S. Census information. The assessment area primarily consists of agricultural land. Sterling is the largest city in the assessment area with a population of approximately 10,000. It is a retail hub for northeast Colorado and is the location of a small college and a new large prison facility. Fleming has a population of approximately 350 and is located 20 miles east of Sterling. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The 1990 U.S. Census lists population in the assessment area at 19,029. The weighted average non-MSA median family income for Colorado is \$40,400 for 1999 according to data provided by the Department of Housing and Urban Development (HUD). The following table provides a breakdown of families within the assessment area by income level.

Income Level	Percent of Families in Assessment Area by Income Level 1990 U.S. Census
Low	20%
Moderate	19%
Middle	27%
Upper	34%

Agriculture has a strong influence on the local economy. Cattle, wheat, and corn are major agricultural commodities produced in the area. The local agriculture economy has been weakened by poor crop prices the past few years; however, crop yields have generally been strong which has partially offset weak prices.

The banking environment is competitive. Five banks, two credit unions, and one savings and loan are located within the assessment area. Four of the bank's are located in Sterling and are branches of much larger national or regional banks. These bank's provide strong competition for many products but do not seem interested in small agriculture customers, which limits competitive pressures on the bank to some extent.

Housing prices in the area are increasing. For the assessment area, the median housing value is \$40,490, and 59% of the housing is owner occupied. However, a new large prison facility east of Sterling has been a major source of new employment in the area which has increased housing demand. Existing homes in Fleming start at between \$40,000 to \$60,000. Some new housing has been constructed with asking prices starting at just over \$100,000. A local mortgage broker provides competition for home loans.

We contacted a local government official and reviewed information provided by an area farm assistance organization to help ascertain credit needs in the assessment area. The contacts indicated that real estate construction and permanent financing are needs due to increased housing demand. Agriculture loans will continue to be a large area need, with increasing demand for government guaranteed loan programs for young farmers who are struggling due to weak commodity prices. Small business lending was also mentioned as a need in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

FNBF’s loan-to-deposit ratio is typical for a community bank in the area. The bank’s average loan-to-deposit ratio for the 12 quarters ended June 30, 1999, is 63%.

The banks used for comparison include five independent banks with total assets of less than \$50 million. All five banks are located in counties surrounding Logan County. The average loan-to-deposit ratio for the five banks over the same 12 quarter period was 64%, with a high ratio of 75% and a low ratio of 52%.

Lending in the Assessment Area

Almost all loans are made within the bank’s assessment area. We sampled 11 residential real estate, 19 consumer, 11 commercial, and 15 agricultural loans originated from mid-1996 to mid-1999. This sample indicates the bank makes a vast majority of loans within its assessment area.

Lending in the Assessment Area Farm and Commercial Loans				
	Agricultural Loan Sample Mid 1996 - Mid 1999		Commercial Loan Sample Mid 1996 - Mid 1999	
	# of Loans	\$ of Loans	# of Loans	\$ of Loans
In Assessment Area	93%	94%	91%	97%
Outside Assessment Area	7%	6%	9%	3%

Lending in the Assessment Area Residential Real Estate and Consumer Loans				
	Residential RE Originations Mid 1996 - Mid 1999		Consumer Loan Sample Mid 1996 - Mid 1999	
	# of Loans	\$ of Loans	# of Loans	\$ of Loans
In Assessment Area	100%	100%	89%	93%
Outside Assessment Area	0%	0%	11%	7%

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

The previously described samples were used to assess the bank's lending to borrowers of different income levels and businesses and farms of different sizes.

Agricultural Lending

FNBF's agricultural loan distribution reflects a commitment to lend to small farms in the assessment area. Agricultural loans are a significant credit need, as a substantial portion of the assessment area is agricultural land. Management stated one of the bank's niches is lending to small farms. Our sample supports this statement. 1999 demographic information¹ indicates 91% of farms in the assessment area reported revenues of \$1 million or less. As reflected below, all loans to farms in our sample were made to farms with less than \$1 million in total revenues.

Revenue Size	% of Farm Loan Sample by Number	% of Farm Loan Sample by Dollar Volume
< = \$100,000	42%	21%
> \$100,000 < = \$500,000	50%	39%
> \$500,000 < = \$1,000,000	8%	40%
> \$1,000,000	0%	0%

Commercial Lending

The bank's commercial loan distribution reflects a reasonable commitment to lend to small businesses in the assessment area. 1999 demographic information indicates 74% of businesses in the assessment area had revenues of \$1 million or less. Our sample indicated 71% of commercial loans made by number were to businesses with revenues less than \$1 million. For the number of loans made, this distribution appears reasonable. Dollar distribution is also reasonable. Larger companies tend to request larger loans. This explains the larger dollar volume of loans to businesses with revenues over \$1 million.

Revenue Size	% of Commercial Loan Sample by Number	% of Commercial Loan Sample by Dollar Volume
< = \$100,000	29%	16%
> \$100,000 < = \$500,000	28%	12%
> \$500,000 < = \$1,000,000	14%	17%

¹Source: 1999 D&B Business Demographic Data

> \$1,000,000	29%	55%
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Residential Real Estate Lending

Our sample of residential real estate loans reflects reasonable distribution to borrowers of different income levels, including low- and moderate-income borrowers. Although our sample indicates penetration of low-income borrowers is somewhat below demographics, penetration of moderate income borrowers is above demographics. Sixteen percent of households in the assessment area live below poverty level. Based on the current cost of a lower priced home in the area, it appears unlikely that households living below poverty level could qualify for a mortgage. This may help explain the lower percentage in the low income category.

Residential RE Distribution by Income Level of Borrower		
	% of Residential RE Loan Sample by Number	% of Families 1990 Census
Low	9%	20%
Moderate	27%	19%
Middle	46%	27%
Upper	18%	34%

Consumer Lending

Our review of the bank’s consumer loan distribution reflects a strong penetration to low and moderate income borrowers. As shown in the table below, 69% of the consumer loans sampled were made to low- or moderate-income families, compared to 39% of the actual population in those income categories.

Income Level	% of Consumer Loan Sample by Number	% of Families 1990 Census
Low	19%	20%
Moderate	50%	19%
Middle	25%	27%
Upper	6%	34%

Geographic Distribution of Loans Within the Assessment Area

We did not analyze the geographic distribution of loans because all eight block numbering areas comprising the assessment area are designated middle-income. The lack of diverse geographies prevents a meaningful analysis.

Response to Complaints

No complaints have been received regarding the bank's CRA performance since the last examination.

Record of Compliance with Antidiscrimination Laws

A concurrent fair lending examination did not identify any evidence of prohibited discriminatory practices. As part of our examination, we reviewed samples of approved and denied credit applications, and examined lending policies and practices. We did not identify any violations involving illegal discrimination or any practices intended to discourage applicants applying for credit.