

## **PUBLIC DISCLOSURE**

July 26, 1999

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

**The First National Bank of Strasburg  
Charter Number 11640**

**56540 East Colfax Avenue  
Strasburg, Colorado 80136**

**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 Strasburg** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 26, 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 **ASatisfactory.**<sup>®</sup>

- C First National Bank of Strasburg's record of meeting the credit needs of its assessment area is satisfactory.
- C The bank actively lends to small farms in its assessment area.
- C Home mortgage and consumer loan product lines have good penetration among low- and moderate-income individuals.
- C The bank's loan-to-deposit ratio is high compared with similarly situated banks.
- C There was no evidence of discrimination noted during this examination.

## DESCRIPTION OF INSTITUTION:

The First National Bank of Strasburg (FNBS) is a \$176 million community bank that serves the eastern portion of the Denver Metropolitan Statistical Area (MSA). The bank also has a lesser presence in the southern portion of the Denver MSA. The bank's main office is located in Strasburg, 40 miles east of Denver. Full service branches are located in Bennett, Brighton, and Byers in Adams County, and Castle Rock in Douglas County. FNBS operates five Automated Teller Machines (ATMs). All branches and ATMs are in the bank's assessment area.

FNBS is owned by Bank Capital Corp., a two-bank holding company. Bank Capital Corp. is located in Strasburg and has total assets of \$222 million.

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 consumer loans. Agricultural lending has historically been the bank's primary market focus, but that has been changing in recent years due to the addition of branches in new markets and strong regional growth. As a result, the bank has increased its level of residential construction and commercial real estate lending. The completion of Denver International Airport in the mid 1990's, located 20 miles west of Strasburg, has spurred growth east of Denver.

FNBS's ratio of net loans to total assets was 79% as of March 31, 1999. The percentage distribution of gross loans at year end since the last examination is outlined in the table below.

| Product Type                       | Percent of Gross Loans |      |      |
|------------------------------------|------------------------|------|------|
|                                    | 1998                   | 1997 | 1996 |
| Agricultural Loans                 | 27%                    | 40%  | 42%  |
| Real Estate Construction Loans     | 21%                    | 15%  | 12%  |
| Commercial Loans                   | 18%                    | 19%  | 17%  |
| 1-4 Family Residential Real Estate | 14%                    | 14%  | 15%  |
| Commercial Real Estate Loans       | 12%                    | 6%   | 8%   |
| Consumer Loans                     | 8%                     | 6%   | 6%   |

The last CRA examination of First National Bank of Strasburg was performed May 31, 1996, at which time a "Satisfactory Record of Meeting Community Credit Needs" 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:**

FNBS has designated four census tracts in the Denver MSA as its assessment area. All four census tracts are designated middle income. Census tracts 71 and 84 cover most of eastern Adams and Arapahoe Counties, and include the towns of Strasburg, Bennett, and Byers. These two census tracts cover 1,477 square miles, with most of the area consisting of agricultural land. Census tract 85.14 covers a large area south and east of Brighton in northern Adams County. Census tract 145.01 is located in Castle Rock in central Douglas County. 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 20,034, although significant growth has occurred since that time. Median family income for the Denver MSA is \$58,600, based upon the updated 1999 median family income information 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.

| <b>Income Level</b> | <b>Percent of Families in Assessment Area by<br/>Income Level<br/>1990 U.S. Census</b> |
|---------------------|----------------------------------------------------------------------------------------|
| Low                 | 21%                                                                                    |
| Moderate            | 19%                                                                                    |
| Middle              | 27%                                                                                    |
| Upper               | 33%                                                                                    |

The assessment area has limited employment opportunities, with most residents commuting to work in the Denver metropolitan area. The Denver economy shows ongoing strength, with good employment opportunities in a number of industry sectors. The primary employers in eastern Adams and Arapahoe Counties are the local school district and FNBS. Agricultural operations and residential construction are additional sources of employment. Brighton and Castle Rock are also heavily dependent on the Denver metropolitan area for employment.

The housing market in the assessment area is strong. The median housing value for the Denver MSA based on the 1990 U.S. Census was \$83,678. The average sales price of a single family residence in the Denver metropolitan area in June 1999 was \$211,000. Housing prices in eastern Adams and Arapahoe Counties generally range from \$125,000 to \$250,000. The cost of housing in Castle Rock is higher than the Denver metropolitan area, while housing prices in the Brighton area are slightly lower

than Denver. There is an adequate supply of homes in the assessment area to meet demand for average priced homes, but there is a shortage of affordable housing.

The bank faces competition from two other banks in eastern Adams and Arapahoe Counties. There is also competition from Denver-area banks, as many local residents work in the metropolitan area. Competition is stronger in the bank's other two locations, with Brighton and Castle Rock home to 8 and 11 financial institutions, respectively. Among the financial institutions are several branches of large regional banks, credit unions, and savings and loan associations.

We contacted a local realty in eastern Adams County to help in ascertaining credit needs in the assessment area. The contact indicated that affordable housing is an ongoing need. A significant number of new homes are being constructed in the area but much of the construction is for higher priced homes. The contact noted that banks in the area are effectively meeting credit needs of the community.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

**Loan-to-Deposit Ratio**

FNBS's loan-to-deposit ratio compares very favorably to banks of similar size within the Denver MSA. Its average loan-to-deposit ratio for the 12 quarters ended March 31, 1999, is 85.2%.

The banks used for comparison include seven independent banks from within the Denver MSA, with an average asset size over the last three years of between \$83 million and \$163 million. FNBS's average asset size over that period was \$111 million. The quarterly average loan-to-deposit ratio for the seven banks over the same 12-quarter period was 67.5%, with a high ratio of 84.5% and a low ratio of 43.3%.

**Lending in the Assessment Area**

The bank's distribution of loans within its assessment area is reasonable. FNBS is required to file information with HUD on its residential lending activity under the Home Mortgage Disclosure Act (HMDA). A review of the HMDA loan application registers for the past three years, as well as samples of consumer, commercial, and agricultural loans indicates the bank makes a majority of loans within its assessment area.

| <b>Lending in the Assessment Area</b> |                                                         |                    |                                                       |                    |
|---------------------------------------|---------------------------------------------------------|--------------------|-------------------------------------------------------|--------------------|
| Agricultural and Commercial Loans     |                                                         |                    |                                                       |                    |
|                                       | <b>Agricultural Loan Sample<br/>Mid 1996 - Mid 1999</b> |                    | <b>Commercial Loan Sample<br/>Mid 1996 - Mid 1999</b> |                    |
|                                       | <b># of Loans</b>                                       | <b>\$ of Loans</b> | <b># of Loans</b>                                     | <b>\$ of Loans</b> |
| In Assessment Area                    | 80%                                                     | 63%                | 60%                                                   | 57%                |

|                         |     |     |     |     |
|-------------------------|-----|-----|-----|-----|
| Outside Assessment Area | 20% | 37% | 40% | 43% |
|-------------------------|-----|-----|-----|-----|

| <b>Lending in the Assessment Area</b><br>HMDA and Consumer Loans |                                               |                    |                                                     |                    |
|------------------------------------------------------------------|-----------------------------------------------|--------------------|-----------------------------------------------------|--------------------|
|                                                                  | <b>HMDA Loan Originations<br/>1996 - 1998</b> |                    | <b>Consumer Loan Sample<br/>Mid 1996 - Mid 1999</b> |                    |
|                                                                  | <b># of Loans</b>                             | <b>\$ of Loans</b> | <b># of Loans</b>                                   | <b>\$ of Loans</b> |
| In Assessment Area                                               | 66%                                           | 63%                | 80%                                                 | 82%                |
| Outside Assessment Area                                          | 34%                                           | 37%                | 20%                                                 | 18%                |

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

### ***Agricultural Lending***

FNBS's agricultural loan distribution reflects a good 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. We sampled 20 agricultural loans made from mid 1996 through mid 1999 and collected annual revenue information. The volume of loans to small farms reflects a good penetration of the small farm population in the area.

| <b>Revenue Size</b>            | <b>Number of Loans</b> | <b>Percent of Loans Reviewed</b> | <b>Percent of Farms in MSA Reporting Income</b> |
|--------------------------------|------------------------|----------------------------------|-------------------------------------------------|
| Revenues Less Than \$1,000,000 | 19                     | 95%                              | 97%                                             |
| Revenues More Than \$1,000,000 | 1                      | 5%                               | 3%                                              |

### ***Commercial Lending***

The bank's commercial loan distribution reflects a reasonable commitment to lend to small businesses in the assessment area. We sampled 20 commercial loans made from mid 1996 through mid 1999 and collected annual revenue information. The volume of small business loans, although lower than the percentage of small businesses in the assessment area, reasonably reflects the small business population in the area.

| <b>Revenue Size</b>            | <b>Number of Loans</b> | <b>Percent of Loans Reviewed</b> | <b>Percent of Nonfarm Businesses in MSA Reporting Income</b> |
|--------------------------------|------------------------|----------------------------------|--------------------------------------------------------------|
| Revenues Less Than \$1,000,000 | 13                     | 65%                              | 93%                                                          |
| Revenues More Than \$1,000,000 | 7                      | 35%                              | 7%                                                           |

### ***Residential Real Estate Lending***

All HMDA reportable loans originated from 1996 through 1998 were reviewed during this evaluation. The bank has been successful serving borrowers of different income levels, including low- and moderate-income borrowers. Results for the past three years are outlined in the table below.

| <b>HMDA Reportable Loan Distribution by Income Level of Borrower</b> |                         |                         |                         |                                  |
|----------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|----------------------------------|
|                                                                      | <b>% 1996 by Number</b> | <b>% 1997 by Number</b> | <b>% 1998 by Number</b> | <b>% of Families 1990 Census</b> |
| Low                                                                  | 21%                     | 33%                     | 16%                     | 21%                              |
| Moderate                                                             | 33%                     | 21%                     | 23%                     | 19%                              |
| Middle                                                               | 30%                     | 29%                     | 30%                     | 27%                              |
| Upper                                                                | 16%                     | 17%                     | 31%                     | 33%                              |

---The bank shows a strong penetration to low- and moderate-income families. Lending to low-income borrowers has met or exceeded demographics for two of the last three years, while lending to moderate-income borrowers has exceeded demographics for each of the past three years. This is particularly noteworthy in that loan demand from low- and moderate-income borrowers is influenced by the availability of affordable houses for sale. As noted in the description of the assessment area, there is a need for additional affordable housing.

### ***Consumer Lending***

Our review of the bank's consumer loan distribution reflects a strong penetration to individuals of different income levels. We sampled 20 consumer loans made from mid 1996 through mid 1999. The analysis indicates that FNBS actively lends to individuals of all income levels within the assessment area, with particular emphasis on low- and moderate-income levels. The borrowers were categorized into income levels based on the Denver MSA median family income for the year in which the loan was originated. As shown in the table below, 60% of the consumer loans sampled were made to low- or moderate-income families, compared to 40% of the actual population in those income categories.

| <b>Income Level</b> | <b>Percent of Families by Income Level 1990 U.S. Census</b> | <b>Percent of Consumer Loan Sample</b> |
|---------------------|-------------------------------------------------------------|----------------------------------------|
| Low                 | 21%                                                         | 30%                                    |
| Moderate            | 19%                                                         | 30%                                    |
| Middle              | 27%                                                         | 35%                                    |
| Upper               | 33%                                                         | 5%                                     |

### **Geographic Distribution of Loans Within the Assessment Area**

We did not analyze the geographic distribution of loans because all four census tracts 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 fair lending violations. As part of our examination, we used a sample of automobile loan applications comparing female denials against male approvals. Our sample did not identify any disparate treatment.