



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 25, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank in Trinidad
Charter Number 14222**

**100 East Main Street
Trinidad, Colorado 81082**

**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 CRA performance of **The First National Bank in Trinidad** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 25, 1996. 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 “**Outstanding.**”

The bank has a very strong record of meeting the credit needs of its community. Management is committed to making loans to individuals of all income levels and businesses of different sizes within the constraints of safe and sound banking practices. Virtually all loans are made in the bank's assessment area.

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

| SMALL INSTITUTION ASSESSMENT CRITERIA | The First National Bank in Trinidad 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 in Trinidad is a \$113 million community bank serving all of Las Animas and Huerfano Counties. The bank is located in the town of Trinidad, Colorado, with a branch in Walsenburg, Colorado. The bank operates three Automated Teller Machines (ATMs) and a motor bank. Two ATMs are at locations other than the main and branch offices, with the third ATM located at the Walsenburg branch. The motor bank is located across the street from the main bank in Trinidad. Republic Corporation, a one-bank holding company, owns 98% of First National Bank in Trinidad. They have not opened or closed any branches since the Walsenburg branch was opened in October 1993.

The bank provides a full array of credit products. The loan portfolio is comprised of the following types of loans: 43% residential real estate loans, 29% business purpose loans, 13% consumer loans, and 9% agriculture loans.

There are five other financial institutions in the bank's assessment area. Two are credit unions, two are banks, and one is a savings and loan institution. One bank, one credit union, and one savings and loan are located in Trinidad. The remaining bank and credit union are located in Walsenburg. Walsenburg is approximately 40 miles north of Trinidad.

There are no financial or legal impediments to the bank's ability to meet the credit needs of the assessment area.

DESCRIPTION OF LAS ANIMAS AND HUERFANO COUNTIES:

Management and the board have designated all of Las Animas and Huerfano Counties as the bank's assessment area. The population of Las Animas County is 13,765. Trinidad, with a population of 10,976, is the county seat. Huerfano County's population is 6,009, and the county seat of Walsenburg has a population of 4,190. These two counties consist of nine census tracts. Las Animas County has six census tracts, one is middle income and five are moderate income. Huerfano County has three census tracts, one is low income and two are moderate income. Neither county is in a metropolitan statistical area (MSA). The 1990 census statewide median income for all non-MSAs is \$28,258. The 1996 updated HUD median income of all non-MSAs in Colorado is \$36,300. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income census tracts.

Local industry is diversified among ranching, railroad, and the local junior college. The largest employers in Las Animas County are Burlington Northern Railroad, the school district, and Trinidad State Junior College. Huerfano County's largest employers are the Huerfano County Hospital and the school district.

Since the last examination, we contacted three community/business leaders in the area to discuss economic conditions and credit needs. These contacts indicated affordable housing was the predominant credit need in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is outstanding given the bank's size, financial condition, and operating environment.

The average loan-to-deposit ratio for the eight quarters ending March 31, 1996, is 60%, and increasing steadily. Over the eight-quarter period, the ratio increased from 54% to its present level of 67%. This is significantly above the ratios for the other similarly sized independent community banks and savings and loans in the bank's assessment area. The average ratios for Colorado Community First National Bank, First National Bank of Walsenburg, and Century Savings and Loan in Trinidad are 39%, 46%, and 36%, respectively. Ratio information was not available for the credit unions in the assessment area. Additionally, much of the bank's loan growth has been at below market interest rates. The bank intentionally charges lower rates to increase loan affordability.

Lending in Assessment Area

First National Bank in Trinidad originates virtually all of its loans within its assessment area.

We selected a random sample of 54 newly-originated loans to determine the proportion of loans made within the bank's assessment area. The sample included 25 consumer loans, 19 residential real estate loans, and 10 business purpose loans. Only one of the loans in the sample was made outside the bank's assessment area. This equates to 98.15% of the number of loans sampled being made within the assessment area. By dollar volume, 99.61% of the loans in our sample were made within the bank's assessment area.

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

The First National Bank in Trinidad's distribution of loans reflects a strong penetration among individuals and businesses of different income levels.

In our sample of consumer instalment loans, 80% of the loans were made to low- and moderate-income individuals. In fact, 60% of these loans were made to low-income families, despite the fact that only 33% of the families in the assessment area are low-income. Additional evidence

of the bank's commitment to low-income borrowers is the fact that 19% of the loans made in the first three quarters of 1996 were less than \$1,000.

Our real estate and commercial loan samples also revealed good efforts to meet the needs of low- and moderate-income borrowers. Fifty-three percent of real estate loans were made to low- and moderate-income families, with thirty-two percent of real estate loans made to low-income families. Although this is in line with the proportion of low-income families in the community, we view the percentages as strong since the low-income segment of the community typically has a more difficult time obtaining home financing. In addition, the bank promotes affordable home buying by charging no points or financing fees on home mortgage and home construction loans. The table below summarizes these findings in more detail.

| INCOME DISTRIBUTION OF CONSUMER LOANS | | | | | |
|--|--|--|-------------------------------|--|-------------------------------|
| <i>Income Designation of the Borrower</i> | <i>Percent of Families the Assessment Area</i> | <i>Based on a Sample of Home Loans</i> | | <i>Based on Sample of Consumer Loans</i> | |
| | | <i>Number of Loans</i> | <i>Percent of Total Loans</i> | <i>Number of Loans</i> | <i>Percent of Total Loans</i> |
| Low | 33% | 6 | 32% | 15 | 60% |
| Moderate | 23% | 4 | 21% | 5 | 20% |
| Middle | 19% | 6 | 47% | 5 | 20% |
| Upper | 25% | 3 | 16% | 0 | 0% |
| Total | 100% | 19 | 100% | 25 | 100% |

The bank's business-purpose loans reflect good inclusion of businesses of all sizes. Ninety percent of business loans were to businesses with total annual revenues of less than \$1 million.

Geographic Distribution of Loans

Geographic distribution of the bank’s loans is reasonable.

We analyzed the geographic distribution of loans by reviewing loan distribution throughout the nine census tracts in the bank’s assessment area. The distribution reasonably matches the population in each of those tracts. The table below summarizes our findings.

| DISTRIBUTION OF CREDIT WITHIN THE ASSESSMENT AREA | | | |
|--|------------------------|-------------------------|------------------------|
| <i>Census Tract</i> | <i>Number of Loans</i> | <i>Percent of Loans</i> | <i>% of Population</i> |
| 9806 | 6 | 11.32 | 21.19 |
| 9807 | 2 | 3.77 | 6.25 |
| 9808 | 1 | 1.89 | 2.95 |
| 9831 | 4 | 7.55 | 3.68 |
| 9832 | 3 | 5.66 | 4.90 |
| 9833 | 6 | 11.32 | 5.53 |
| 9834 | 6 | 11.32 | 16.07 |
| 9835 | 7 | 13.21 | 13.90 |
| 9836 | 18 | 33.96 | 25.54 |

Response to Complaints

No complaints related to the CRA have been received by the bank.

Services

The bank services the community over and above similar banks by choosing to provide below market real estate financing to all types of borrowers. Many of the bank’s mortgage loans are not suitable to the secondary market due to age or required upgrading. The bank also does not charge a fee for construction loans to make this type of loan more affordable.

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.