



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 31, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Stratton
Charter Number 11197**

**141 Colorado Avenue
Stratton, Colorado 80836**

**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 Stratton** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 31, 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 Stratton is serving the credit needs of its community through agricultural, small business, mortgage, and other consumer lending. The bank's loan-to-deposit ratio is high indicating it is an active lender in the community. A substantial majority of its loans are made within its assessment area. The bank makes loans to individuals, farms, and businesses of all income levels, including low- and moderate-income individuals.

DESCRIPTION OF INSTITUTION

The First National Bank of Stratton is a \$30 million community bank with its main office and a full service ATM located in Stratton, Colorado and a branch located in Seibert, Colorado. The bank is owned by Stratton Bancshares, Inc., a one bank holding company. There are no other financial institutions in Stratton. Seven banks are located in the assessment area.

The principal lending focus is agricultural and commercial customers. The loan portfolio is 70% agricultural operating and agricultural real estate loans, 15% commercial loans, 8% residential loans, and 6% other consumer purpose loans.

The bank's financial condition is satisfactory. The size of the institution is the only constraint on the bank's ability to serve the community. Performance under the Community Reinvestment Act was last rated Outstanding at the May 5, 1995, examination conducted by the Office of the Comptroller of the Currency.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is all of Kit Carson County, Colorado. It includes, but is not limited to, the towns of Seibert, Vona, Stratton, and Bethune, Colorado. The assessment area meets the legal requirements of the Community Reinvestment Act and does not exclude any low- or moderate-income areas. There are no Metropolitan Statistical Areas (MSAs) within the assessment area. The county consists of three block numbering areas (BNAs). All three BNAs are designated middle-income based upon the 1990 United States census statewide non-MSA median-family income of \$38,700.

The regional economy has improved due to good agricultural operations. Further improvement and growth are anticipated with the opening of a new prison and the start up of a hog farm. Combined, these operations are expected to provide approximately 400 new jobs. Presently, the major employment sectors in the regional economy are farming and education.

Family Income Levels of Assessment Area		
Classification and Income Range	Number	Percent
Low-income (Less than \$19,350)	435	21.3
Moderate-income (Over \$19,350 but less than \$30,960)	352	17.2
Middle-income (Over \$30,960 but less than \$46,440)	530	26.0
Upper-income (Over \$46,440)	724	35.5
Total	2,041	100.0

We initiated a community contact with a local entity. We also reviewed recent contacts made in the assessment area. The contacts indicated that medical facilities and more low-and moderate-income housing are needed. The contacts further stated that financial institutions are sufficiently meeting the credit needs of the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is good given its size and operating environment. Over the past eight quarters, the bank's loan-to-deposit ratio averaged 74.76%. This average exceeds the performance of other banks operating in the assessment area and the average for the entire state of 64.30%. The average ratio for the four similarly situated institutions in the assessment area is 61.56%, as of March 31, 1997.

Lending in the Assessment Area

The First National Bank of Stratton makes a substantial majority of its loans in its assessment area. We reviewed a sample of 66 loans made between June 1995 and September 1997. The analysis shows that 100% of the outstanding loans were within the assessment area. A bank prepared report shows 98% of the outstanding loans (by number of loans) were within the assessment area.

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

The bank's loan portfolio reflects a high penetration among individuals of various income levels and to farms of different sizes. We focused our review on the major types of loans the bank makes which are agricultural, small business, and consumer loans. We reviewed a sample of 30 agricultural and small business loans. As indicated by the table below, a substantial majority (93%) of the agricultural and small business loans were to small farms, ranches, or businesses with revenues of less than \$1 million. This sample shows management is serving the credit needs of small operators in the assessment area.

Agricultural and Small Business Loans by Annual Revenue		
Borrowers with:	Number	Percent
Revenues less than \$1 Million	28	93.33
Revenues greater than \$1 Million	2	6.67
Sample Size	30	100.00

A further breakdown of agricultural loans indicates a substantial majority of loans are for amounts of less than \$100,000. This indicates the bank is meeting the needs of the smaller farm operators.

Agricultural Loans By Size of the Loan		
	Number of Loans	Percent
Loans less than \$100,000	53	50.97
Loans greater than \$100,000 but less than \$250,000	24	23.07
Loans greater than \$250,000	27	25.96
Sample Size	104	100.00

We also verified that consumer loans are made to borrowers of all income levels. We sampled 36 (approximately 80%) of the bank's consumer loans. The sample showed 64% of the loans were made to borrowers with low- to moderate-income levels. The results of the consumer loan sample compare favorably with the demographic data which shows low- and moderate-income families represent 39% of the population in the assessment area. The bank is doing an excellent job of meeting the consumer credit needs of the low-income population, as shown in the table below.

Distribution of Consumer Loans by Income Level of Borrower			
Income Category:	Loan Sample		Family Income Distribution within the Assessment Area
	Number	Percent	
Low-income	16	44.45	21.31
Moderate-income	7	19.44	17.25
Middle-income	3	8.33	25.97
Upper-income	10	27.78	35.47
Sample Size	36	100.00	100.00

Geographic Distribution of Loans

The assessment area is comprised of three middle-income BNAs. As a result, a meaningful analysis of the bank's efforts to penetrate geographies grouped by income characteristics is not possible.

Community Development Lending

- **Prairie Development Corporation:** The bank is actively involved with the Prairie Development Corporation (PDC), which is a nonprofit economic development organization created by East Central Council of Local Governments. The PDC's primary goal is to retain or expand businesses by providing assistance, including lower interest loans. Its secondary goal is to attract new businesses and to increase available jobs. Since June 1995, the bank has made 4 direct loans totaling \$82,978 and 3 guaranteed loans totaling \$27,000 to businesses located within the assessment area.
- **Innovative and Flexible Lending:** Since June 1995, the bank has made 4 loans totaling \$113,000 to low- and moderate-income families for the purchase or renovation of a residence. These loans were made with the assistance of the Housing Improvement Program Option (HIPO). HIPO works with the local government and lenders to help increase the stock of affordable housing for low- and moderate-income families. They also ensure the housing has no major safety or health hazards. On a case-by-case basis, the loan may have a reduced interest rate or made with more favorable terms than the bank normally offers.

Community Development Services

One bank officer provides leadership by serving as the chairman of the PDC. He provides financial expertise and is the liaison between the PDC and participating banks for the placement of loans.

The bank's president has taken a leadership role in other community development activities. He is the current president of the Community Development Group and the Stratton Area Foundation. The Stratton Area Foundation is currently involved in developing housing for the elderly. A few units are expected to be occupied by low- to moderate-income individuals. Also, the president was singularly instrumental in acquiring an old medical clinic through a donation back to the Stratton Area Foundation. The medical clinic is expected to reopen in February 1998. It will serve the entire community. Presently, there are no medical services in Stratton other than the volunteer Emergency Medical Services staff. Finally, the president serves as the president of the Stratton Development Corporation, a position he has held for 15 years.

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 during our fair lending examination.

Response to Complaints

No CRA related complaints have been received by First National Bank of Stratton.