

PUBLIC DISCLOSURE

October 4, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Estes Park
Charter Number 15472**

**255 Park Lane
Estes Park, Colorado 80517**

**Comptroller of the Currency
1099 18th Street, Suite 2650
Denver, Colorado 80228**

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 **First National Bank of Estes Park** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 4, 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.**”

A satisfactory rating is appropriate based on the bank’s demonstrated ability to meet the credit needs of the community, including low- and moderate-income individuals and small businesses. Specifically:

- < The bank’s loan-to-deposit ratio is reasonable given the competition and assessment area credit needs.
- < A majority of the bank’s loans and other lending related activities are in the assessment area.
- < The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

First National Bank of Estes Park is committed to serving the community in which it operates and demonstrates satisfactory lending performance.

DESCRIPTION OF INSTITUTION:

First National Bank of Estes Park (FNB) located in Larimer County with a branch in Boulder County, Colorado, is a community bank with total assets of \$64 million. FNB is a wholly owned subsidiary of First National Financial Corporation, a one-bank holding company with total assets of approximately \$65 million (\$64 million represent the total assets of the bank).

FNB offers a variety of loan products with the primary focus being commercial lending. Per Call Report data as of June 30, 1999, commercial loans comprise 50% of the total loan portfolio by dollar. Commercial loans include loans for commercial and industrial purposes and loans secured by nonfarm, nonresidential real estate. Loans secured by residential real estate and construction loans represent 28% and 8% of total loans by dollar, respectively. The remainder of the portfolio consists of loans to individuals (7%) and other loans (7%). As of June 30, 1999, net loans represent 57% of the bank's total assets.

The main office and one branch are located in Estes Park, Colorado, in Larimer County. A full service branch is also located in Niwot, Colorado in Boulder County. Each location has a drive-up facility. The bank operates one deposit-taking ATM at each bank. There are two additional cash-dispensing ATMs in Estes Park.

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

This Performance Evaluation is an assessment of the bank's CRA performance from December 8, 1995 to October 4, 1999. The last CRA Evaluation was performed on December 7, 1995. The bank received a "satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA:

First National Bank of Estes Park has designated Boulder and Larimer Counties as its assessment area (AA). Boulder County comprises the entire Boulder-Longmont Metropolitan Statistical Area (MSA). Larimer County comprises the entire Fort Collins-Loveland MSA. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The Boulder-Longmont MSA contains 58 census tracts. Census tract income designations are based on the 1990 United States Census MSA Median Family Income for Boulder County of \$43,782. Of these census tracts, two (3%) are designated as low-income, nine (16%) are designated as moderate-income, 28 (48%) are designated as middle-income, and 18 (31%) are designated as upper income. One (2%) census tract has no income designation and consists solely of student housing owned by the University of Colorado.

The Fort Collins-Loveland MSA contains 44 census tracts. Census tract income designations are based on the 1990 United States Census MSA Median Family Income for Larimer County of \$36,932. Of these census tracts, three (7%) are designated as low-income, six (14%) are designated as moderate-income, twenty-five (57%) are designated as middle-income, and nine (20%) are designated as upper-income. One (2%) census tract has no income designation.

Combined, the census tract distribution by income level of the AA is as follows:

Census Tract Income Designation Distribution		
Income Designation	Boulder and Larimer Counties	
	Number	Percent of Total
Low Income	5	5
Moderate Income	15	15
Middle Income	53	52
Upper Income	27	26
No Income Designation	2	2
Total Census Tracts	102	100

Boulder County has an estimated population of 267,300 people. The major towns are located in the eastern half of the county and include Boulder, Longmont, Louisville, Lafayette, Broomfield, Superior, Lyons, and Erie. Niwot, Colorado is located along Highway 119 and serves as a bedroom community to Longmont and Boulder. The western half of the county is sparsely populated and includes portions of the Roosevelt National Forest and the Rocky Mountain National Park.

Larimer County has an estimated population of 231,200 people. The major towns are located in the eastern half of the county and include Fort Collins, Loveland, Estes Park, and Berthoud. Like Boulder County, the western half of the county is sparsely populated and includes a substantial portion of the Rocky Mountain National Park.

The majority of the families within the AA reside in middle- and upper-income census tracts. The income demographics of the population are as follows:

PERCENTAGE OF FAMILIES WITHIN ALL TRACTS BY INCOME LEVEL				
Income Level	Boulder MSA		Larimer MSA	
	Number	Percent of Total	Number	Percent of Total
Low Income (0 - 50%)	9,935	18	8,814	19
Moderate Income (51% - 80%)	9,937	18	9,127	19
Middle Income (81% - 120%)	14,039	26	11,390	24
Upper Income (120% +)	21,021	38	18,190	38
Total	54,932	100	47,521	100

* Note: Boulder and Larimer County Income Designation of the borrower are based on the 1990 MSA US Census Median Family Income

The 1999 MSA US Census Updated Median Family Income for Boulder County is \$68,700. The Larimer County 1999 MSA US Census Median Family income is \$53,300.

The economy within Larimer and Boulder Counties continues to be strong. Tourism is the primary industry in Larimer County. Estes Park alone draws in excess of 3.2 million visitors each year. Major employers in Larimer County include Colorado State University, Poudre R-1 School District, Kodak Colorado and Hewlett-Packard.

Boulder County’s economy is dependent on high tech companies and tourism. Major employers in the high tech industry include IBM, Corp., Storage Technology, and Ball Aerospace. The University of Colorado and Boulder County are also large employers in the county.

The banking environment within the AA is very competitive. There are in excess of one hundred banks, credit unions, mortgage companies and finance companies in Larimer and Boulder Counties. Within the town of Estes Park there are four banks, two credit unions, and one mortgage company working to serve the community.

As part of the CRA analysis, we interviewed the Estes Park Town Administrator and a mortgage broker and longtime resident of Estes Park. Based on these discussions, the greatest credit needs in Larimer County are affordable housing and small business loans. FNB is actively involved in meeting these needs and in providing access to banking services. Our contacts did not identify any segments of the community that are under served.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

First National Bank of Estes Park's loan-to-deposit ratio is reasonable given the bank's size, financial condition, risk appetite, and AA credit needs. The average loan-to-deposit ratio for the previous twelve quarters ending June 30, 1999, is 70%. The 12-quarter average loan-to-deposit ratios for similarly situated banks in the assessment area range from 56% to 62%. Similarly situated banks are those banks which are comparable in asset size, location, and loan products offered.

Lending in the Assessment Area

FNB originates the majority of its loans in number and dollar volume within its assessment area. Our loan sample included all residential loans for home purchase, home improvement, and refinance captured by the bank's Home Mortgage Disclosure Act Loan Activity Register (LAR) and 24 commercial loans originated since the last exam. As the following table illustrates, the bank originated 99% by number and 98% by dollar volume within the assessment area.

LOANS ORIGINATED WITHIN AND OUTSIDE THE ASSESSMENT AREA				
Location of Loans	Loans by Number	Percent by Number	Loans by Dollar Volume	Percent by Dollar Volume
In Assessment Area	143	99	22,717,555	98
Out of Assessment Area	2	1	416,000	2
Total	145	100	23,133,555	100

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

First National Bank of Estes Park's overall lending pattern reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

Commercial Loans

The bank is active in meeting the credit needs of small businesses within the community. By definition, small businesses are those with annual revenues of less than \$1 million. Our sample included 24 loans originated between January 1, 1996, and June 30, 1999 that financed commercial activities. As shown in the following table, 94% of the loans by number were to small businesses. Further, 50% by number and 24% by dollar volume were made to businesses with annual revenues of less than \$250,000.

Distribution of Commercial Loans by Annual Revenue				
Annual Revenue	Number of Loans Sampled	Percent of Loans in Sample	Dollar Amount of Loans Sampled (000's)	Percent of Dollar Volume Sampled
Revenues Less Than \$250M	12	50	2,426	24
Revenues \$250M - \$500M	9	38	5,770	57
Revenues \$500M - \$1,000M	1	4	1,380	13
Revenues Greater Than \$1,000M	2	8	609	6
Total	24	100	10,185	100

This distribution closely matches the AA demographics. The 1990 US Census data indicates 92% of the businesses within the AA have revenues of less than \$1 million.

Consumer Real Estate Loans:

The bank's efforts in meeting the credit needs of residential real estate borrowers are satisfactory. Our sample consisted of all HMDA reportable loans originated between January 1, 1996, and June 30, 1999. Borrower income level is defined by the percentage of the 1990 Census Median Family income for the MSA in which the property is located. The following table shows a breakdown of residential real estate loan originations by income level as compared to the population.

HMDA REPORTABLE LOANS ORIGINATED IN THE ASSESSMENT AREA BY BORROWER INCOME					
Income Designation of the Borrower	Percent of Families in the Assessment Area	Number of Loans Sampled	Percent of Loans Sampled	Dollar Amount of Loans Sampled (000's)	Percent of Dollar Volume of Loans Sampled
Low Income	18	9	8	329	3
Moderate Income	19	20	16	1,251	10
Middle Income	25	34	28	3,890	30
Upper Income	38	58	48	7,458	57
Total	100	121	100	12,928	100

The bank's opportunity to originate owner-occupied real estate loans to low- and moderate-income borrowers are limited by the availability of affordable housing and the high price of real estate.

The large tourist and student population, as well as seasonal residents, creates a demand for rental properties which are primarily located in low- and moderate-income census tracts. In Larimer County, 50% and 48% of the total available housing in the low- and moderate-income census tracts, respectively, are rental properties. This compares to only 30% of the total available housing in middle- and upper-income census tracts being used as rental properties.

This is especially true in Boulder County where 95% and 51% of the total available housing in the low- and moderate-income census tracts, respectively, are rental properties. Thirty-two percent of the total available housing in middle- and upper-income census tracts in Boulder County is being used as rental properties.

The National Association of Realtors and the US Bureau of Census estimates the median home price in Larimer County to be \$147,000 and in Boulder County to be \$193,800 as of the end of the second quarter of 1999. Given the median family income in Larimer and Boulder Counties of \$53,300 and \$68,700, respectively, it is cost prohibitive for most low- and moderate-income borrowers to purchase a home in either location.

Geographic Distribution of Loans Within the Assessment Area

The geographic distribution of loans within the AA is fair. Of the 145 loans sampled, 143 are within the AA. Of those loans originated within Boulder County, one is in a low-income census tract, two are in moderate-income census tracts, and two are in middle-income census tracts. Within Larimer County, 137 loans are within middle-income census tracts and one is within an upper-income census tract.

FNB concentrates its lending efforts in Estes Park and Niwot. The census tracts surrounding these areas are predominantly middle-income. It is therefore reasonable that the majority of the loans are originated within middle-income census tracts. Given the size of the bank, it is unreasonable to expect it to serve the entire Fort Collins/Loveland and Boulder/Longmont MSAs. We have advised the bank to reexamine their assessment area to include only those census tracts that they can reasonably expect to service.

A further analysis of the geographic distribution of loans was not meaningful.

Response to Complaints

No complaints have been received regarding the bank's CRA or Fair Lending performance since the previous exam dated December 8, 1995.

Institutions Record of Compliance with Antidiscrimination Laws

The bank is in substantial compliance with all fair lending laws and regulations. As part of our concurrent fair lending examination, we reviewed loan policies and a sample of fifteen diverse loan products to assess any substantive violations of fair lending laws and regulations. We did not find any evidence of discrimination or practices intended to discourage low- and moderate-income applicants from applying to credit.