



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**October 22, 2001**

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

**First National Bank in Lamar  
Charter Number 14254**

**200 South Main  
Lamar, CO 81052**

**Comptroller of the Currency  
Denver Field Office  
1099 18th Street Suite 2650  
Denver, CO 80202**

**NOTE: This document is an evaluation of this 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. 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.**

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*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 in Lamar** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 22, 2001. 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 given the bank's demonstrated ability to meet the credit needs of the community including loans to low- and moderate-income individuals and small businesses and farms. Specifically:

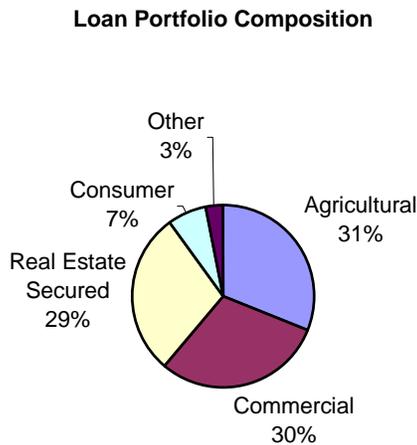
- The majority of loans by number and dollar volume are originated within the bank's assessment area.
- The bank lends to individuals of all income levels and businesses and farms of different sizes.
- The bank's loan-to-deposit ratio is adequate given area competition and credit needs of the community.

First National Bank in Lamar is committed to serving the communities in which it operates and demonstrates satisfactory lending performance.

## DESCRIPTION OF INSTITUTION

First National Bank in Lamar (FNB) is a \$139 million bank. The main bank is located in Lamar, Colorado. The bank also operates one drive-up facility in Lamar, one full-service branch in Springfield, Colorado, and one full-service branch in Burlington, Colorado. The bank owns and operates five Automated Teller Machines (ATMs) located at the drive-up facility, the Springfield and Burlington branches, and a grocery store and college campus in Lamar. The ATMs do not accept deposits.

FNB is a subsidiary of Whitcorp Financial Company, a \$36 million, multi-bank holding company located in Leoti, Kansas. Whitcorp Financial Company also owns a majority of Western State Bank in Garden City, Kansas.



The chart to the left reflects the composition of the bank's loan portfolio by dollar volume. The portfolio is equally split among agricultural, commercial, and real estate secured loans. Agricultural loans include production loans and farm loans secured by real estate. The majority of the real estate secured loans is residential real estate. This is the single largest category of consumer credit. Individual consumer loans include auto loans, cash reserve lines-of-credit, and other installment loans.

Net loans represent 58% of the bank's total assets.

This Performance Evaluation is an assessment of the bank's CRA performance from February 3, 1997, through October 22, 2001. FNB received a "Satisfactory" rating at its February 3, 1997 CRA evaluation. There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment area.

## DESCRIPTION OF PROWERS, BACA, AND KIT CARSON COUNTIES

Management and the board have designated two assessment areas (AA) consisting of thirteen Block Numbering Areas (BNAs). The first AA consists of Prowers and Baca Counties. These are contiguous counties located in the southeastern most corner of Colorado. Combined, the counties contain six moderate-income BNAs and four middle-income BNAs. Kit Carson County is the second AA and is comprised of three middle-income BNAs. Kit Carson County is two counties to the north of Prowers County. The AA meets the requirements of the regulation.

<b>DISTRIBUTION OF BNAs BY INCOME DESIGNATION</b>				
<b>Income Designation</b>	<b>Prowers and Baca Counties</b>		<b>Kit Carson County</b>	
	<b># of BNAs</b>	<b>% of Total</b>	<b># of BNAs</b>	<b>% of Total</b>
Low-Income	0	0%	0	0%
Moderate-Income	6	60%	0	0%
Middle-Income	4	40%	3	100%
Upper-Income	0	0%	0	0%
Total BNAs	10	100%	3	100%

The Department of Housing and Urban Development (HUD) 2001 updated non-MSA median-family income for Colorado is \$42,300. Based on US Census data there are 6,939 families residing within the AA of which 25 percent are low-income, 20 percent are moderate-income, 24 percent are middle-income, and 31 percent are upper-income families.

Economic conditions are stable. The primary industry is agriculture including livestock and crops. Other major industries include service and retail trade. The largest employers in Prowers County include NeoPlan USA Corp., Lamar Community College, Prowers Medical, and city and county government. In Baca County the largest employer is the county government. Kit Carson County's largest employers are Hitchcock, Inc., McArthur Implement, and the Burlington School District. Unemployment within the AA is less than three percent.

The bank faces strong competition within its assessment area from seven banks and four credit unions. FNB is the second largest bank in asset size. The largest bank has total assets of \$232 million. The remaining banks range in asset size between \$28MM and \$97MM.

We made two community contacts during this review. We interviewed the Office Manager for the Lamar Chamber of Commerce and a realtor and member of the planning and zoning committee in Lamar. Both contacts indicated the economy is expected to remain stable. The greatest need continues to be affordable housing. The lack of housing makes it difficult to attract new residents needed to support new industries or businesses.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

First National Bank does a good job of meeting the credit needs of its AA, including low- and moderate-income individuals.

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is reasonable. As of June 30, 2001, the bank's quarterly average loan-to-deposit ratio calculated since the previous CRA evaluation was 60 percent. The loan-to-deposit ratios over the same time period for similarly situated banks range between 31 percent and 89 percent. Similarly situated banks are those banks of comparable asset size operating within the assessment area.

## Lending in Assessment Area

The bank's level of lending within the AA is satisfactory. Our sample of loans originated and outstanding since the previous CRA examination indicates the majority of loans, by number and dollar volume, are originated within the AA. The following table illustrates these findings:

Loan Type	Loans in the AA based on the Number of Loans in the Sample	Loans in the AA based on the Dollar Volume of loans in the Sample
Residential Real Estate	90%	95%
Agricultural Loans	85%	95%
Commercial Loans	80%	46%

The low volume of commercial loans by dollar volume originated within the AA is a result of a large loan included in our sample, which is not typical of the bank. Omitting this loan, the volume of commercial loans by dollar amount originated within the AA increases to 75 percent.

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

The distribution of loans among borrowers of different income levels and businesses of different sizes is reasonable.

### *Residential Real Estate*

Income designations are based on the 2001 non-MSA median family income for Colorado of \$42,300. Using these figures our analysis of residential real estate loans produced the following findings:

Income Designation of the Borrower	% of Families in the Assessment Areas	% of Sample Loans by Number	% of Sample Loans by Dollar Volume
Low	25%	5%	3%
Moderate	20%	20%	12%
Middle	24%	50%	56%
Upper	31%	25%	29%
Total	100%	100%	100%

Although the lending distribution to low- and moderate-income borrowers falls short of area demographics, this is not a significant concern as proportionately the demand for home purchase loans by low- to moderate-income individuals is less than the demand by middle- or upper-income individuals. There are two primary causes for this.

The first is that the majority of lower priced homes are purchased as rental properties depleting the market supply of affordable housing. Of the available housing within the AA, 31 percent are

rental units. Of the total owner occupied units, only 35 percent are located in moderate-income BNAs.

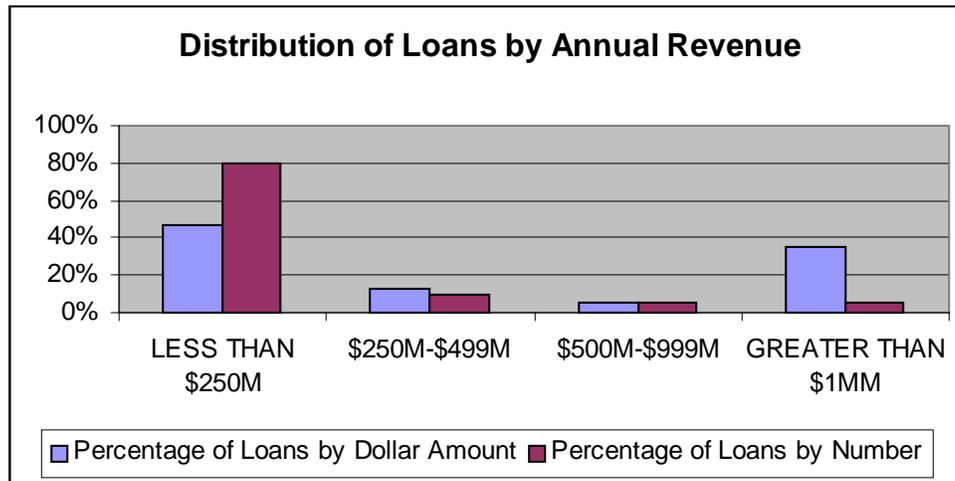
The second cause is a shortage of homes in the \$75,000 to \$90,000 range, which is the price range most in demand by moderate-income borrowers. Our community contacts indicate there are no plans for future development to meet this demand. New homes generally appraise for less than the cost of building the homes making new developments unprofitable.

Management has been proactive in responding to these conditions. The bank offers a separate loan product for home mortgages under \$25,000. Approximately eight to ten loans are originated each year under this program.

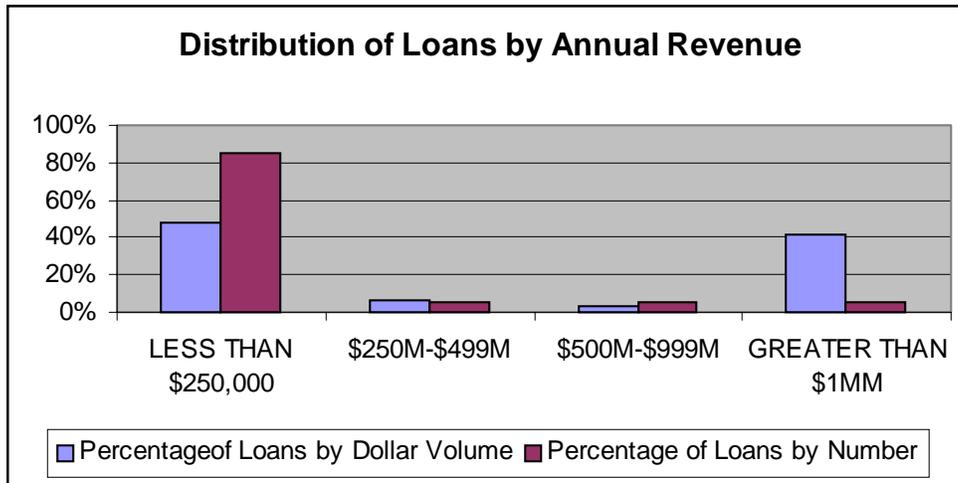
*Farms and Businesses*

Farms and businesses with annual gross revenues of less than \$1 million are designated as “small farms and businesses.” The AA demographic data indicate 97 percent of all farms and 92 percent of all businesses have annual revenues under \$1 million.

We sampled twenty farm loans originated and outstanding within the bank’s AA since the previous CRA evaluation. The percentages of loans originated to small farms by number and dollar volume were 95 percent and 65 percent, respectively. The lower percentage by dollar volume is reflective of the small sample size, which includes one large loan not typical to this bank. The following chart shows the bank originates a substantial volume of loans to farms with revenues under \$250,000.



We also sampled twenty commercial loans originated and outstanding within the bank’s AA since the previous CRA examination. The percentages of loans originated to small businesses by number and dollar volume were 95 percent and 58 percent, respectively. As with the farm loan sample, the lower percentage by dollar volume is reflective of the small sample size, which includes one large loan not typical to this bank. The following chart shows the bank originates a substantial volume of loans to businesses with revenues under \$250,000.



**Geographic Distribution of Loans**

The geographic distribution of loans originated by the bank is reasonable, despite the fact that the percentage of loans by number and dollar volume falls short of area demographics. By number, 46 percent of the BNAs within the AA are deemed to be moderate-income. The results of our analysis are as follows:

Percentage of Loans Originated within Moderate Income BNAs		
Loan Type	By Number	By Dollar Volume
Agricultural Loans	35%	6%
Commercial Loans	25%	21%
Residential Real Estate	35%	37%

The population within the bank’s AA is largely concentrated in middle-income BNAs. Lamar is located in a predominantly middle-income geography. Further, the Burlington branch, located in Kit Carson County, originates a high volume of loans. All three BNAs in Kit Carson County are deemed middle-income. We did not identify any gaps or areas of low penetration in the bank’s lending patterns.

**Responses to Complaints**

The bank has not received any CRA related complaints since the previous evaluation.

**Fair Lending Review**

An analysis of 2001 public comments and consumer complaint information was performed

according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.