



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 30, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Grand Valley National Bank
Charter Number 18058
925 North Seventh Street
Grand Junction, Colorado 81502**

**Comptroller of the Currency
ADC - Montana, Wyoming, Idaho & Utah
2795 Cottonwood Parkway, Suite 390
Salt Lake City, Utah 84121**

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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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

Grand Valley National Bank's lending performance depicts a satisfactory practice of providing for the credit needs of the assessment area. The following supports this rating:

- The bank's loan-to-deposit ratio indicates a reasonable responsiveness to area credit needs.
- A substantial majority of loans were originated within the assessment area.
- The bank's lending patterns reflect a good distribution of loans to individuals of different income levels and businesses of different sizes.

Description of Institution

Grand Valley National Bank (GVNB) is a community bank located in Grand Junction, Colorado. As of September 30, 2002, the bank had assets of \$114 million and net loans totaling \$56 million, or 49% of total assets. The bank provides a full range of depository products and services. The bank's main office is located in Grand Junction with branch offices in Fruita and Collbran. Fruita is eleven miles west of Grand Junction and Collbran is 45 miles east of Grand Junction. GVNB owns four Automated Teller Machines (ATMs). Three are located at the bank branches and one is at the Powderhorn Ski Resort. GVNB neither opened nor closed any branch offices during the evaluation period.

Grand Valley Corporation (GVC), a two-bank holding company located in Grand Junction, Colorado, owns 81% of GVNB's stock. The bank's directors and local investors hold the remaining stock. GVC is a \$130 million company that also owns the Heber Valley National bank in Heber City, Utah. GVC has no substantive assets other than the two banks.

GVNB's primary lending focus is on residential and commercial real estate loans. Table 1 displays the breakdown of the bank's loan portfolio by loan type as of June 30, 2002.

Table 1		
LOAN PORTFOLIO COMPOSITION		
June 30, 2002		
	\$ (000)	Percent
Real Estate Loans		
1-4 Family Residential Properties Secured by First Liens	10,294	18
Multifamily	1,217	2
Farmland	5,144	9
Non-farm Non-residential Properties	17,084	30
Construction, Land Development, Other	8,316	15
Agricultural Loans	2,513	5
Consumer Loans	3,110	6
Commercial Loans	8,666	15
Total	56,344	100%

Source: Consolidated Report of Condition for June 30, 2002

No financial, legal, or other impediments limit the bank's ability to meet the credit needs of its assessment area. GVNB received a Satisfactory rating at its July 17, 1997 CRA examination.

Description of the Grand Junction Metropolitan Statistical Area (MSA)

GVNB designated the Grand Junction MSA as its assessment area (AA). The AA meets the requirements of the regulation. Grand Junction, Colorado, is located in a valley at the junction of the Colorado and Gunnison Rivers on the western slope of the Rocky Mountains. The Grand Junction MSA encompasses all of Mesa County, Colorado. The city of Grand Junction is the largest community in the county and in western Colorado. Other communities in the MSA include Palisade, Clifton, Collbran, DeBeque, Fruita, Mesa, and Molina. According to the U.S. Census Bureau, the 2000 population of the MSA was 116,255. This reflects a 25 percent increase from 1990. The MSA has 21 census tracts with four moderate-income tracts, thirteen middle-income tracts, and four upper-income tracts. There are no low-income tracts. The U.S. Department of Housing and Urban Development (HUD) lists the MSA's updated median family income as \$40,800 for 2001, and the U.S. Census Bureau lists the percentage of persons below the poverty level as 10.2 percent. The median housing value in the MSA for 2000 was \$118,900, according to the U.S. Census Bureau.

Table 2				
1990 CENSUS DATA				
Income Level	Percent of MFI	Income Range	Families	
			Number	Percent
Low-Income	Less than 50%	< \$14,334	4,980	19%
Moderate-Income	At least 50% and less than 80%	\$14,334 - \$22,933	4,615	18%
Middle-Income	At least 80% and less than 120%			

		\$22,934 - \$34,400	5,804	23%
Upper-Income	120% and over	\$34,401 +	10,183	40%

Source: U.S. Census Bureau, 1990 Census Data

The dominant industries based on number of jobs in the MSA are service, retail, and government. The largest employers are Mesa County School district with 2,402 employees; Saint Mary's Hospital with 1,948 employees; City Markets, Incorporated, with 1,229 employees; and Mesa State College with 1,163 employees. The MSA's unemployment rate as of July 2002 was 4.4 percent compared to the State of Colorado's unemployment rate of 5.2 percent at the same date.

The financial services sector is competitive. The June 30, 2001, FDIC Deposits Market Share Report shows 16 financial institutions competed for \$1.2 billion of insured deposits. The three largest institutions (Wells Fargo Bank West, National Association; Mesa National Bank; and U.S. Bank, National Association) hold 46 percent of the MSA's deposits.

We made one community contact with a county wide economic development organization. The contact indicated that the local financial institutions meet the business and agricultural needs of the community. However, affordable housing may be an issue in some parts of the community. The contact indicated that the economy is stable.

Conclusions about Performance Criteria

The evaluation of the bank's lending performance is based upon the review of loans originated in 2000, 2001 and 2002. The tables included in this section use cumulative data from these three years.

For purposes of this review, we determined that the bank's primary loan types are residential and commercial real estate loans. These loan types comprised 65% of the bank's loan portfolio on June 30, 2002. The bank sells a large majority of their 1-4 family residential loans to the secondary market. For the years 1999, 2000 and 2001 the bank sold 456 loans for a total of \$49,122,000. This is in addition to real estate loans originated and kept in the portfolio.

Loan-to-Deposit Ratio

GVNB's loan-to-deposit ratio indicates a reasonable responsiveness to area credit needs. During the fourteen quarters ending June 30, 2002, GVNB's loan-to-deposit ratio increased from 51 percent on September 30, 1997, to 56 percent on June 30, 2002, with an average loan-to-deposit ratio of 50 percent. The fourteen-quarter average loan-to-deposit ratio for five similarly situated banks in Mesa County was 64 percent. While GVNB's loan-to-deposit ratio is lower than the average of their competitors, it is noted that GVNB's loan portfolio increased by 100% in the last five years. GVNB also originated and sold over \$49 million of residential real estate loans into the secondary market in the last three years. Therefore, the loan-to-deposit ratio is not fully reflective of the lending activity of GVNB.

Lending in Assessment Area

GVNB originates a substantial majority of its loans within its AA. Based on our sample of loans, GVNB makes 96 percent of originations within the AA by number of loans and 94 percent of originations within the AA by dollar amount. Our sample consisted of all loans originated by the bank in 2001. The bank tracks all loan originations and we verified the accuracy of the data.

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

The bank's lending patterns reflect a good distribution of loans to individuals of different income levels and businesses of different sizes.

Grand Junction is a rapidly growing community, and GVNB's lending practices reflect the bank's focus on making residential real estate loans to borrowers in all income levels. We reviewed 99 home purchase loans using 2001 Home Mortgage Disclosure Act (HMDA) data. The bank's volume of loans to moderate-income borrowers exceeds this group's representation in the AA.

Table 3					
HOME PURCHASE LOANS BY BORROWER INCOME LEVEL					
Borrower Income Level	Loan Distribution by Number of Loans		Loan Distribution by Dollar Amount of Loans		% of AA Families by Income Level Category
	Number	Percent	Dollar Amount	Percent	
LOW <\$20,400	6	6%	\$312,000	3%	19%
MODERATE \$20,400 – \$32,639	22	22%	\$1,765,000	17%	18%
MIDDLE \$32,640 – \$48,959	28	28%	\$2,601,000	24%	23%
UPPER \$48,960 or more	42	43%	\$5,795,000	55%	40%
No Income Information	1	1%	\$84,000	1%	0
Total	99	100%	\$10,557,000	100%	100%

Source: 2001 HMDA data.

GVNB demonstrates a strong commitment to supporting small businesses by making loans to commercial real estate borrowers of various sizes. We randomly selected 20 commercial real estate loans for our sample. As shown in Table 4, 70% of commercial real estate loans in our sample were made to borrowers with revenues of less than \$500,000.

**Table 4
BORROWER DISTRIBUTION OF LOANS TO COMMERCIAL RE BORROWERS**

Revenues	Loan Distribution by Number of Loans		Loan Distribution by Dollar Amount of Loans	
	Number	Percent	Dollar Amount	Percent
\$0 – 100,000	9	45%	\$732,223	27%
\$100,001 – 250,000	1	5%	131,000	5%
\$250,001 – 500,000	4	20%	1,002,408	37%
\$500,001 – 1,000,000	2	10%	199,453	8%
More than \$1,000,000	4	20%	613,579	23%
Total	20	100%	\$533,212	100%

Source: Examiner loan sample.

Geographic Distribution of Loans

The bank’s geographic distribution of loans is reasonable. We analyzed a sample of 99 home-purchase loans using 2001 HMDA data. The bank’s distribution of home-purchase loans (number of loans) closely matches the distribution of owner-occupied housing in census tracts of different income levels. Refer to Table 5.

Table 5 GEOGRAPHIC DISTRIBUTION OF HOME-PURCHASE LOANS IN AA		
CENSUS TRACT INCOME LEVEL	Loan Distribution by Number of Loans	% of AA Owner Occupied Housing
Low	N/A	N/A
Moderate	6%	7%
Middle	73%	70%
Upper	21%	23%

Source: 2001 HMDA data and 1990 U.S. Census data.

Responses to Complaints

GVNB has not received any complaints about its performance in helping to meet assessment area credit needs during this evaluation period.

Fair Lending and the Performance Evaluation

An analysis of four years of 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 June 30, 1997.