

PUBLIC DISCLOSURE

March 29, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Las Animas
Charter Number 6030**

**535 Bent Avenue
Las Animas, Colorado 81054**

**Comptroller of the Currency
1099 18th Street, Suite 2650
Denver, Colorado 80202**

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 Las Animas** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 29, 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 and farms. Specifically:

- < The loan-to-deposit ratio is more than reasonable and exceeds that of similarly situated institutions in the assessment area.
- < The majority of loans and related lending activities are originated within the bank’s assessment area.
- < The overall lending pattern reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- < The geographic distribution of loans reflects reasonable dispersion throughout the bank’s assessment area.

The First National Bank of Las Animas is committed to meeting the credit needs of the community and demonstrates satisfactory lending performance.

DESCRIPTION OF INSTITUTION:

The First National Bank of Las Animas (FNB), located in rural southeastern Colorado, is a community bank with total assets of \$80 million. FNB is wholly owned by First Bankshares of Las Animas, Inc., a one-bank holding company with assets of \$7 million. There are no significant subsidiaries or affiliates of the holding company.

FNB's primary business focus is agricultural lending. Agricultural loans represent 50% of total loans by dollar volume. Agricultural loans include loans for agricultural production and real estate loans secured by farmland. Other loans secured by real estate represent 24% of total loans by dollar volume. The remainder of the portfolio consists of commercial loans and loans to individuals, representing 20% and 5% of total loans by dollar volume, respectively. As of December 31, 1998, net loans represent 75% of total assets.

The main office and a drive-up facility are located in Las Animas, Colorado, in Bent County. The bank also operates a branch and drive-up facility in La Junta, Colorado, in neighboring Otero County, 20 miles west of Las Animas. The bank operates two nondeposit-taking Automated Teller Machines (ATMs) which are located at each office within its respective drive-up facility.

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

The evaluation period for this Performance Evaluation is from September 8, 1995, through March 29, 1999. The last CRA examination was performed on September 8, 1995. The bank received a "Satisfactory" rating.

DESCRIPTION OF THE ASSESSMENT AREA:

The bank's assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The AA consists of six whole counties including Bent, Otero, Crowley, Kiowa, Prowers, and Baca, and one Block Numbering Area (BNA) in contiguous Las Animas County. The remaining five BNAs of Las Animas County are excluded from the AA. This is reasonable as Las Animas County is large in size and the remaining BNAs are serviced by local financial institutions located in Trinidad, Colorado.

The AA consists of 22 BNAs. The AA is rural, and none of the counties contain a Metropolitan Statistical Area (MSA). The AA is comprised primarily of moderate-income BNAs and contains only one low-income BNA located in the town of Rocky Ford in Otero County, Colorado. Of the 22 BNAs, one (5%) is a low-income BNA, 12 (55%) are moderate-income BNAs, and nine (40%) are middle-income BNAs. The AA does not contain any upper-income BNAs.

According to 1990 U.S. Census data, 49,498 people live within the AA. The population is widely dispersed. Concentrations of the population and commercial businesses are located in major trade centers along U.S. Highway 50 which bisects the AA. The trade centers include Rocky Ford, La Junta, Las Animas, and Lamar, Colorado. Based on the 1998 HUD non-MSA median family income for Colorado of \$38,000, the income demographics of the population are as follows:

FAMILIES IN THE ASSESSMENT AREA BY INCOME LEVEL		
Income Classification and Percent of Median Income	Number	Percent
Low Income (0% - 50%)	3,835	29
Moderate Income (50% - 80%)	2,751	21
Middle Income (80% - 120%)	2,880	22
Upper Income (greater than 120%)	3,718	28
Total	13,184	100

The AA economy is closely tied to agriculture, including livestock, primarily cattle, production and farming. Major crops include dry land wheat, irrigated corn and alfalfa hay. Commodity prices have declined significantly over the past year, and cattle prices have suffered over the last two years. Although cattle prices have stabilized somewhat in 1998, lower commodity prices have impacted many area farmers.

The largest employers are local and county government entities. Within the town of Las Animas, the Bent County Correctional Facility is the largest employer. Located four miles east of Las Animas, the Fort Lyon VA Hospital is also a major employer in Bent County.

Although improving slightly, the real estate market has been depressed over the last several years. According to 1990 U.S. Census data, the median housing cost within the AA is \$35,054 and the median year built is 1954. Also, 56% of the housing units are owner-occupied with 82% being one- to four-family units. Many of the homes in Las Animas are in need of repair or rehabilitation. Few new housing projects have been started, as estimated construction costs would exceed the market value of the homes.

The banking environment within the AA is very competitive. FNB is the only commercial bank in the city of Las Animas, however, the bank faces competition from throughout the seven-county AA. Competition includes 12 commercial banks, three credit unions, and one savings and loan.

As part of the examination process, we performed one community contact. We contacted a local economic development group. The contact stated that economic development in the form of businesses that provide jobs would assist in the demand for housing. However, many individuals and businesses prefer to locate in the major trade centers of La Junta and Lamar. There is also a high level of rental units used in connection with migrant workforces within the AA, limiting the availability of housing for low-income individuals. The contact did not identify any segments of the community that are underserved nor any additional banking services that are currently needed.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The loan-to-deposit ratio is more than reasonable given the bank’s size, financial condition, and AA credit needs. The average loan-to-deposit ratio for the previous 12 quarters ending December 31, 1998, is 86%. This exceeds the loan-to-deposit ratios for six similarly situated banks whose twelve-quarter averages range from 54% to 75%. Similarly situated banks are those comparable in size, delineated communities, and loan products.

Lending In Assessment Area

A majority of the bank’s loans are originated within its AA. We reviewed a total of 40 loans, 20 agricultural loans, and 20 real estate mortgage loans secured by one- to four-family residential properties. Agricultural loans and residential mortgages represent 62% of total loans. This is a judgmental sample of loan originations from July 1, 1995, to December 31, 1998. The table below summarizes our findings.

Loan Originations	Number of Loans Sampled		Dollar Amount of Loans Sampled	
	Number	Percent of Total Number	Dollar (000's)	Percent of Total Dollar
In Assessment Area	34	85	1,452	72
Out of Assessment Area	6	15	562	28
Total	40	100	2,014	100

Our sample included one large outlying agricultural credit which skews our judgmental sample. If this loan is excluded from our sample, the bank’s lending within its AA improves to 87% by number and 91% by dollar.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

FNB's overall lending pattern reflects reasonable penetration among individual of different income levels and farms and businesses of different sizes. Loan originations demonstrate the bank's focus on loans to small farms and small businesses. By definition, small farms and small businesses are those with annual revenues of less than \$1 million.

Agricultural Loans

The bank has a good penetration of loans to small farms. We sampled 20 agricultural loans originated between July 1, 1995, and December 31, 1998. All loans in our sample were to small farms. This correlates favorably to 1990 U.S. Census data which shows 87% of the farms within the AA have gross revenues less than \$1 million. Further, 80% by number and 81% by dollar volume of agricultural loans sampled were made to small farms with gross revenues of less than \$250,000.

LOAN DISTRIBUTION TO BUSINESSES OF DIFFERENT SIZES AGRICULTURAL LOANS				
Annual Gross Revenues	Number of Loans in Sample	Percent of Loans in Sample	Dollar Amount of Loans	Percent of Dollars Sampled
Less than \$100,000	14	70	620,131	48
\$100,000 to \$250,000	2	10	434,000	33
\$250,000 to \$1,000,000	4	20	248,149	19
Total	20	100	1,302,280	100

Residential Real Estate Loans

Lending patterns reflect a reasonable penetration among individuals of different income levels. We sampled 20 one- to four-family residential real estate loans originated from July 1, 1995, and December 31, 1998. Although our analysis shows that penetration of loans to low-income individuals is low at 5% by number, penetration among moderate-income individuals exceeds the percentage of moderate-income families within the AA. The overall availability of housing for low-income individuals is low. There is high demand for low-income housing used as rentals for migrant farm workers. This is

evidenced by the fact that 33% of the available housing units within low-income tracts are renter-occupied versus 27% within the moderate-income tracts. The following table illustrates our findings.

LOAN DISTRIBUTION TO BORROWERS OF DIFFERENT INCOME LEVELS ONE- TO FOUR-FAMILY RESIDENTIAL LOANS					
Income Designation of the Borrower *	Percent of Families in the Assessment Area	Number of Loans Sampled	Percent of Loans Based on Number	Dollar Amount of Loans Sampled	Percent of Loans Based on Dollar Amount
Low Income	29	1	5	28,364	4
Moderate Income	21	6	30	178,204	25
Middle Income	22	6	30	247,975	35
Upper Income	28	7	35	257,278	36
Total	100	20	100	711,821	100

* Note: Income Designation of the borrower is based on the 1998 Department of Housing and Urban Development (HUD) Non-MSA updated Median Family Income of \$39,000.

Geographic Distribution of Loans

The geographic distribution of loans within the AA is reasonable. Of the 40 loans sampled, 34 were originated within the AA. The distribution compares favorably to AA demographics. There are no upper-income BNAs. Our analysis shows the bank's lending patterns are reasonable.

Agricultural Loans

We sampled 16 agricultural loans within the AA. This analysis shows reasonable dispersion of small farm loans within most census tracts.

GEOGRAPHIC DISTRIBUTION OF SMALL FARM LOANS ORIGINATED JULY 1, 1995 TO DECEMBER 31, 1998					
Income Characteristic of BNA	Assessment Area Demographics*	Number of Loans Sampled	Percent of Loans by Number	Dollar of Loans Sampled	Percent of Loan by Dollar
Low Income	5	1	6	34,169	4

GEOGRAPHIC DISTRIBUTION OF SMALL FARM LOANS ORIGINATED JULY 1, 1995 TO DECEMBER 31, 1998					
Moderate Income	40	6	38	227,250	29
Middle Income	55	9	56	533,834	67
Total	100	16	100	795,253	100

* Assessment area demographics are based on the percentage of total farms within each BNA income category.

Residential Real Estate

The bank's lending patterns show a reasonable dispersion among low- and moderate-income geographies. We sampled 18 one- to four-family residential loans within the AA. This analysis reflects lending in most tracts. Although the sample does not show loans within the low income tract, lending within the moderate-income BNAs compares favorably with area demographics. In addition, there is only one low-income BNA which is located in Otero County. The competition is high in this county with three commercial banks, one credit union, and one savings and loan located in the town of Rocky Ford. The following table supports our findings:

GEOGRAPHIC DISTRIBUTION OF MORTGAGE LOANS ORIGINATED JULY 1, 1995 TO DECEMBER 31, 1998					
Income Characteristic of BNA	Assessment Area Demographics*	Number of Loans Sampled	Percent of Loans by Number	Dollar Amount of Loans Sampled	Percent of Loan by Dollar
Low Income	5	0	0	0	0
Moderate Income	51	11	61	413,904	63
Middle Income	44	7	39	243,087	37
Total	100	18	100	656,991	100

* Assessment area demographics are based on the percentage of owner-occupied units within the AA based on the 1990 U.S. Census.

Responses to Complaints

The bank has not received any written complaints regarding its CRA activities since our September 8, 1995, Performance Evaluation.

Record of Compliance with Antidiscrimination Laws

The bank is in substantial compliance with all fair lending laws and regulations. Our concurrent fair lending examination did not find any evidence of discrimination or practices intended to discourage low- and moderate-income applicants from applying for credit.