



**Comptroller of the Currency
Administrator of National Banks**

PUBLIC DISCLOSURE

December 12, 1997

COMMUNITY REINVESTMENT ACT Performance Evaluation

**BURNS NATIONAL BANK
Charter Number 9797**

**1199 Main Avenue
Durango, Colorado 81301**

**OFFICE OF THE COMPTROLLER OF THE CURRENCY
Western District
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 CRA performance of **Burns National Bank** prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of **September 30, 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**."

Management is performing satisfactorily in meeting the credit needs of their assessment area.

- The bank's loan-to-deposit ratio is more than reasonable given the bank's size and financial condition, and the assessment area's credit needs.
- Burns National Bank has done an excellent job of lending within its assessment area.
- The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans within La Plata County is reasonable. The branch in Archuleta County opened June, 1997. There was no current information regarding geographic distribution of loans in Archuleta County.

DESCRIPTION OF INSTITUTION

Burns National Bank is a wholly owned subsidiary of First Place Financial Corporation, a bank holding company headquartered in Farmington, New Mexico. First Place Financial Corporation had total assets of \$800 million at year-end 1996. As of September 30, 1997, Burns National Bank had \$156 million in total assets. The bank's main office is located in the downtown business district of Durango. In addition to the main office, the bank has two branches, a drive-up facility and seven automatic teller machines (ATMs). The branches are located in Durango and Pagosa Springs. ATMs are located in Durango, Bayfield, Cortez, Pagosa Springs and the Purgatory Ski Resort. Since our October, 1994 examination, the main office was relocated to a new facility and two branches have been opened.

The bank's lending focus is primarily residential mortgages and business loans. Net outstanding loans as of September 30, 1997 were \$100 million. Of these, 68% were real estate (commercial and residential), 26% commercial, and 6% consumer loans. There are no legal or financial impediments preventing the bank from meeting the credit needs in its assessment area.

DESCRIPTION OF ASSESSMENT AREA

Burns National Bank has defined its assessment area as La Plata and Archuleta Counties of Colorado. This is a non-metropolitan statistical area. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate- income geographies. The population of the assessment area was 37,629 per 1990 census data.

La Plata County is comprised of eight census tracts. Archuleta County is comprised of three census tracts. Of these, one is designated as upper-income, nine are middle-income, and one is moderate-income. There are no low-income census tracts in the bank's assessment area. This is based on the statewide non-metropolitan family income derived from 1990 census information. If the census tract is less than 50% of the statewide non-metropolitan median family income, it is categorized as low-income; moderate- is between 50% and 79%; the middle-income range is 80% to 119%; and, the upper range is income of 120% and above the median family income. The updated Colorado statewide non-metropolitan median family income is \$36,300.

Primary employers in the bank's assessment area are Southern Ute Indian Tribe, Centura Health-Mercy Medical Center, Fort Lewis College, 9-R School District, state/county/city government, retail/service, and Tamarron Hilton Resort.

The banking environment within Burns National Bank's assessment area is highly competitive. Competition includes two branches of a multinational bank, one locally based national bank, four state chartered banks, two savings and loans, one credit union and other non-bank financial institutions. Burns National Bank is the second largest independent financial institution in the area.

Community members contacted identified affordable housing as the most pressing issue in the area. The median housing value is \$84,122. The bank is aware of this issue and is participating in small business/affordable housing projects. For a list of bank projects, refer to the **Lending to Borrowers of Different Incomes and Businesses of Different Sizes** section of this report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-To-Deposit Ratio

The bank's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and the assessment area's credit needs. As of September 30, 1997, it was 95.65%. Over the last ten quarters, the evaluation period for this rating, Burns National Bank's average ratio was 86.00%. A similar-sized local competitor had a loan-to-deposit ratio of 80.96% at September 30, 1997 and an average of 75.50% over the last ten quarters. The loan-to-deposit ratio of all local competitors averaged 71.03% during the same period.

Lending in the Assessment Area

Burns National Bank has done an excellent job of lending within its assessment area. The bank's net loan portfolio consists of 2,046 loans totaling approximately \$105 million at December 4, 1997. Of these, 86% of the total number of loans in the bank's consumer and commercial loan portfolio originated in the bank's assessment area. This translates to approximately \$89 million or 85% of the bank's net dollar loan volume inside the assessment area. In addition, this is an area with many second home properties. Many of the out-of-assessment area loans are invested in properties within the assessment area, resulting in an even higher percentage of the bank's lending in its assessment area. We verified the accuracy of this information by testing data in the bank's automated loan reports.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Overall, lending to individuals of various income levels and businesses of different sizes is satisfactory. The demographics of the bank's assessment area reflect a presence of all income levels within the population. Our analysis revealed that the bank lends in all areas of its community equitably and its lending is reflective of the demographics of the assessment area.

The bank has not conducted an internal analysis based on borrowers' income. Therefore, we reviewed a sample of consumer, residential real estate, and business loans made between January 1, 1997 to December 1, 1997, focusing on the amount of borrower income and business gross revenues. The following tables illustrate our findings in each area.

LOAN DISTRIBUTION BY BORROWER INCOME LEVEL				
Loan Type (# of loans)	LOW	MODERATE	MIDDLE	UPPER
	<\$18,150	18,151-28,677	28,678-43,197	\$43,198+
% of Families within the assessment area by income level (1990 Census Data)	18.67%	16.07%	23.35%	41.95%
Consumer (23)	26%	18%	26%	30%
Residential Real Estate (22)	4%	14%	14%	68%

Our analysis of residential real estate loans did not appear to reflect the demographics of the bank's assessment area. Therefore, we expanded our review to include consumer loans made during the same period. Consumer loan findings revealed that the bank has a stronger penetration to low-, moderate- and middle-income individuals in comparison to the demographics of La Plata and Archuleta Counties. The 1990 Census shows that the two counties consist of 19% low-, 16% moderate- and 23% middle-income families.

LENDING TO BUSINESSES OF DIFFERENT SIZES						
Loan Type (# of loans)	Business Gross Revenues (000s)					
	<100	101-250	251-499	500-749	750-999	1,000+
Business (23)	22%	17%	30%	13%	9%	9%

The bank's distribution of commercial loans to businesses of different sizes is reasonable and reflective of the communities' business activity. We reviewed a random sample of the 1997 business loan originations. Of the 23 business loan originations in our sample, 21 of the businesses are considered to be "small businesses." The Office of the Comptroller of the Currency defines "small business" as a business with gross revenues under one million dollars.

Additionally, the bank is involved in projects/loans which address small business and affordable housing issues. They include:

- ▶ Certified Small Business Administration lender;
- ▶ a loan to Southwest Community Resource Board which funds low- to moderate-income housing needs;
- ▶ participation in a loan to Mercy Housing that will build up to 50 affordable

- ▶ housing units; and
- ▶ a loan to Durango Housing to construct an on-site vocational training facility which would serve low- to moderate-income individuals.

Geographic Distribution of Loans

Burns National Bank's distribution of loans within its geographic area is reasonable in La Plata County. The bank has not started tracking loan originations at the new branch in Archuleta County which opened in June 1997. The three census tracts in Archuleta County are middle-income.

We reviewed an internal map designating 1997 loan originations for consumer and commercial loans for La Plata County to determine how the bank's loans are geographically dispersed within the assessment area. As discussed in the **Description of Assessment Area** section of this report, La Plata County is comprised of eight census tracts. Of these, one is designated as upper-income, six are middle-income, and one is moderate-income. There are no low-income census tracts in the bank's assessment area. The bank's internal tracking map revealed that loans were made in all census tracts within La Plata County. No areas have been excluded.

Response to Complaints

During the evaluation period, Burns National Bank did not receive any complaints from the public regarding its CRA performance. The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations.