



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**August 13, 2002**

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

**Fremont National Bank Of Canon City  
Charter Number 8433**

**532 Main Street  
Canon City, CO 81212**

**Comptroller of the Currency  
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.**

## TABLE OF CONTENTS

<u><i>INSTITUTION'S CRA RATING</i></u> .....	<i>1</i>
<u><i>DESCRIPTION OF INSTITUTION</i></u> .....	<i>2</i>
<u><i>DESCRIPTION OF FREMONT COUNTY</i></u> .....	<i>2</i>
<u><i>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</i></u> .....	<i>4</i>

## **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. Specifically:

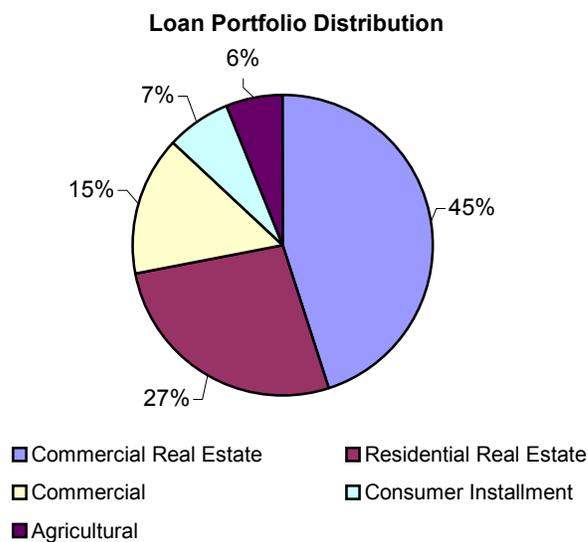
- The bank's loan-to-deposit ratio is good given area competition and credit needs of the community.
- The majority of loans by number and dollar volume are originated within the bank's assessment area.
- The bank's pattern of lending to low- and moderate-income individuals exceeds expectations.

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

## DESCRIPTION OF INSTITUTION

Fremont National Bank (FNB) has total assets of \$125 million. The main bank is located in Canon City, Colorado. FNB has two full service branches, one located in Canon City and another located in Penrose, Colorado. The bank operates three deposit-taking ATMs, one at each bank location, and two cash dispensing ATMs located in nearby communities.

FNB is a subsidiary of Fremont Bank Corporation, a \$35 million, multi-bank holding company located in Canon City, CO. The holding company owns three additional banks located in Colorado and New Mexico. Investments in the four banks make up substantially all of the holding company's total assets.



The chart to the left reflects the composition of FNB's loan portfolio by dollar volume. Loans secured by commercial real estate comprise the largest percentage of the portfolio at 45%. Loans secured by residential real estate make up the second largest segment (27%), followed by commercial (15%), consumer (7%), and agricultural (6%) loans.

Our conclusions are based on an analysis of loans secured by commercial and residential real estate. Net loans represent 48% of the bank's total assets.

This Performance Evaluation (PE) is an assessment of the bank's CRA performance from August 18, 1998, through August 12, 2002. FNB received a "Satisfactory" rating at its August 17, 1998 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 FREMONT COUNTY

Management and the board have designated all of Fremont County as the bank's assessment area (AA). Located in central Colorado, the county seat is Canon City. Other cities within the AA include Florence, Penrose, Howard, and Cotopaxi. The AA consists of ten Block Numbering Areas (BNAs). Four (40%) BNAs have a moderate-income designation, five (50%) have a middle-income designation, and one (10%) does not have an income designation as it is comprised solely of the State of Colorado Territorial Prison.

The AA meets the requirements of the regulation. The bank, given its size and location, can reasonably serve this AA. The AA is comprised of a whole political subdivision and does not arbitrarily exclude any low- or moderate-income areas.

The Department of Housing and Urban Development (HUD) 2002 updated non-MSA median-family income for Colorado is \$43,700. Based on 1990 US Census data there are 8,216 families residing within the AA of which 46 percent are deemed low- to moderate-income. Income designations are determined based on annual income as a percentage of the non-MSA median-family income. The following table demonstrates the income distribution of families in the AA.

<b>DISTRIBUTION OF FAMILIES BY INCOME DESIGNATION</b>		
<b>Income Designation</b>	<b>Fremont County</b>	
	<b># of Families</b>	<b>% of Total</b>
Low-Income (less than 50%)	1,931	24%
Moderate-Income (between 50% and 80%)	1,827	22%
Middle-Income (between 80% and 120%)	1,733	21%
Upper-Income (greater than 120%)	2,725	33%
<b>Total Families</b>	<b>8,216</b>	<b>100%</b>

Economic conditions are stable. The local economy is heavily reliant on jobs related to various law enforcement agencies and tourism/recreation. Based on the 2000 US Census, 20 percent of the work force is employed in educational, health and social services, 16 percent is employed in public administration, and 12 percent is employed in retail trade. Total unemployment is low at 2 percent.

Fremont County is home to nine State and four Federal prisons. The Colorado Department of Corrections is the largest area employer with 2,000 employees, followed by the Federal Bureau to Prisons that employs 1,000 individuals.

The Arkansas River runs through Fremont County providing many recreational activities, including white water rafting, fishing, and hiking. Fremont County is also home to the Royal Gorge Bridge, the highest suspension bridge in the world. These attractions combined with mild temperatures support tourism year round.

Growth within Fremont County is expected to continue through the foreseeable future. Industrial parks are currently filled to capacity with planned expansion. The strong push by Fremont County officials to attract new businesses has been successful and resulted in a 50 percent drop in unemployment over the past five years.

The bank faces strong competition from within its assessment area. There are six other banks operating within Fremont County. FNB holds the greatest market share of deposits with 26 percent. Competition includes large regional banks as well as community banks, mortgage companies, and credit unions.

We conducted one community contact in conjunction with this examination. Our contact indicated the economy is good and expected to remain unchanged for the foreseeable future. The drought in Colorado has adversely impacted tourism. However, the effect of the decline is offset by the stabilizing influence of the area correctional facilities. Credit needs within the community continue to be residential housing loans and small business financing.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Fremont National Bank is effective in meeting the credit needs of its AA, including lending to low- and moderate-income individuals and businesses of different sizes.

### Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is satisfactory. As of March 31, 2002, the bank's fifteen-quarter average loan-to-deposit ratio calculated since the previous CRA examination was 61 percent. The loan-to-deposit ratio over the same time period for the similarly situated banks ranged between 57 percent and 83 percent. This bank ranked fourth among the five area banks. Similarly situated banks are those banks of similar business lines and comparable asset size operating in the same geography.

### Lending in Assessment Area

The bank's level of lending within the AA is satisfactory. Our sample of commercial and residential real estate 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 Number of Loans in the Sample	Loans in the AA based on Dollar Volume of Loans in the Sample
Commercial Real Estate	85%	82%
Residential Real Estate	80%	75%

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

The bank's lending patterns reflect an overall good distribution of credit among borrowers of different income levels and businesses of different sizes. Loan originations are well distributed among low- and moderate-income level borrowers and small businesses.

### *Residential Real Estate*

Our sample consisted of twenty loans secured by first deeds on residential real estate originated and outstanding since the previous CRA examination. Each borrower's income was compared to the HUD 2002 non-MSA median-family income of \$43,700 to arrive at an income designation. The results of our sample are detailed in the following table.

<b>Income Designation of the Borrower</b>	<b>% of Families in the Assessment Areas</b>	<b>% of Sample Loans by Number</b>	<b>% of Sample Loans by Dollar Volume</b>
Low	24%	25%	10%
Moderate	22%	50%	39%
Middle	21%	10%	20%
Upper	33%	15%	31%
Total	100%	100%	100%

The bank's loan penetration to low- and moderate-income families exceeds the area demographics. While 46 percent of the AA families are of low- and moderate-income means, the percentage of loan originations to low- and moderate-income borrowers by number and dollar volume was 75% and 49%, respectively. This clearly demonstrates the bank's efforts to meet the credit needs of the communities it serves.

### *Commercial Real Estate*

Businesses with annual gross revenues of less than \$1 million are designated as "small businesses." The AA demographic data indicate 96 percent of all businesses, for which income information is available, are small businesses. Our sample included twenty commercial purpose loans secured with commercial real estate originated within the bank's AA since the previous CRA examination. The percentages of loans originated to small businesses by number and dollar volume were 90 percent and 63 percent, respectively.

<b>Revenue Designation</b>	<b>Distribution of Businesses within the AA based on Annual Revenues</b>	<b>% of Sample Loans by Number</b>	<b>% of Sample Loans by Dollar Volume</b>
Small Business	96%	90%	63%
Large Business	3%	10%	34%

The large percentage of loans by dollar volume originated to large businesses is skewed by one particularly large loan. Loans of this dollar volume are not typical for this bank. Had this loan been omitted from our sample, the percentage of loans to small businesses by dollar volume would have been 91 percent.

### **Geographic Distribution of Loans**

The bank's effort to meet the lending needs of low- and moderate-income geographies is satisfactory. The results of our analysis are detailed in the following tables. The BNA with no income designation was omitted from our calculations, as there are no residential developments or commercial businesses within this geography.

#### *Residential Real Estate*

The percentage of real estate loans originated by number and dollar volume closely reflects the geographic distribution of the AA.

<b>Income Designation of Block Numbering Areas</b>	<b>% of BNAs in the Assessment Areas</b>	<b>% of Sample Loans by Number</b>	<b>% of Sample Loans by Dollar Volume</b>
Low	0%	0%	0%
Moderate	44%	45%	43%
Middle	56%	55%	57%
Upper	0%	0%	0%
Total	100%	100%	100%

#### *Commercial Real Estate*

The percentage of loans secured by commercial real estate reasonably reflects the geographic distribution of the AA. Lending within the moderate-income BNAs by dollar volume is somewhat below the percentage distribution of moderate-income BNAs due to the small sample size and the one large credit noted previously, originated to a business in a middle-income BNA. The disparity is not a significant concern.

<b>Income Designation of Block Numbering Areas</b>	<b>% of BNAs in the Assessment Areas</b>	<b>% of Sample Loans by Number</b>	<b>% of Sample Loans by Dollar Volume</b>
Low	0%	0%	0%
Moderate	44%	35%	24%
Middle	56%	65%	76%
Upper	0%	0%	0%
Total	100%	100%	100%

## **Responses to Complaints**

The bank has not received any CRA related complaints during this evaluation period.

## **Fair Lending Review**

An analysis of 2001 and 2002 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 examination was performed in 1998.