



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

August 17, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

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

**Comptroller of the Currency
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 Community Reinvestment Act (CRA) performance of **Fremont National Bank of Canon City** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 17, 1998. 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.”**

Fremont National Bank of Canon City's (bank's) record of meeting the credit needs of its community is satisfactory. A substantial majority of the bank's loans are originated in its assessment area. The bank lends to borrowers of all income levels and to businesses of different sizes. The geographic distribution of loans made within the assessment area is reasonable. The bank's loan-to-deposit ratio is consistent with other local banks.

DESCRIPTION OF INSTITUTION:

The bank is a \$104 million community bank. The main office is situated in Canon City, Colorado, in the Arkansas River valley 36 miles west of Pueblo. The bank operates two branches. One branch is located on the eastern edge of Canon City, and the second branch is located in Penrose, 11 miles east of Canon City. Both Canon City offices are located in moderate income Block Numbering Areas (BNAs). Each of the banking offices have automated teller machines (ATMs) on-site that take deposits. The bank also has cash dispensing ATMs in Florence (9 miles southeast of Canon City) and Westcliffe (51 miles southwest of Canon City).

The bank faces competition from five banks, one savings and loan, and three credit unions in Fremont County. Two of the banks have main offices in Canon City and one has its main office in Florence. Fremont National Bank of Canon City is the largest local bank. The bank also competes with Colorado Springs and Pueblo financial institutions in the eastern portion of its assessment area.

The bank received a “Satisfactory” rating at its August 31, 1995, CRA evaluation.

The bank offers a full range of credit products to consumer, commercial, and agricultural customers. As shown below, the bank’s primary credit focus is commercial and residential real estate lending.

LOAN PORTFOLIO COMPOSITION	
LOAN TYPE	PERCENTAGE OF LOAN PORTFOLIO
Residential Real Estate	31.3
Commercial Real Estate	26.6
Construction/Land	14.6
Commercial	15.3
Agricultural	5.0
Consumer	6.1
Lease Financing	1.1
Total	100.0

DESCRIPTION OF ASSESSMENT AREA:

The bank has designated Fremont County as its assessment area. The assessment area includes 10 BNAs. Based on the 1990 U.S. Census, five BNAs are designated middle income and four BNAs are designated moderate income. One BNA does not have an income designation since it consists

entirely of the State of Colorado Territorial Prison. The assessment area does not contain any low- or upper-income BNAs.

Fremont County has a population of 32,000, with most of the population located in the eastern portion. Canon City and Florence are the largest towns in the county. State and federal prison systems are the largest employers in the area. Fremont County is home to nine state prisons, four federal prisons, and a county correctional facility. Approximately 30% of all prison employees reside in Fremont County. The remaining 70% commute from the Pueblo and Colorado Springs areas. Tourism is the county's second largest industry, coming primarily from the Royal Gorge and the Arkansas River.

We met with a local community organization that indicated the primary credit needs in the area are affordable housing and small business financing. The organization noted that local banks are meeting these credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable given its size, financial condition, and operating environment. The average loan-to-deposit ratio for the eight quarters ended March 31, 1998, is 65.9%. This is comparable with the 69.4% average loan-to-deposit ratio over the same period for three similarly situated local banks. The bank also originates and sells residential mortgages which are not included in the loan-to-deposit ratio. The bank originated and sold 26 residential mortgage loans totaling \$2.2 million in the first six months of 1998.

Lending in the Assessment Area

The bank originates a substantial majority of its loans within its assessment area. A review of all loans made in the first six months of 1998 shows that 87.2% were made to borrowers located within the bank's assessment area.

Geographic Distribution of Loans Within the Assessment Area

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. The bank has made loans in all BNAs within the assessment area with the exception of the BNA containing the State of Colorado Territorial Prison. As shown in the following table, 43.1% of the population lives in moderate-income BNAs. Between January 1, 1998, and June 30, 1998, the bank originated 45.3% of its loans to borrowers in these moderate-income BNAs.

GEOGRAPHIC DISTRIBUTION OF LOANS IN ASSESSMENT AREA					
BNA Income Designation*	Number of BNAs	BNA Population by Income Level	Percentage of Population in BNAs*	Percentage of Loans Originated in BNAs	Total Loans Originated**
Low Income	0	0	0.0	0.0	0
Moderate Income	4	13,925	43.2	45.3	235
Middle Income	5	17,639	54.7	54.7	284
Upper Income	0	0	0.0	0.0	0
Not Applicable***	1	709	2.1	0.0	0
Totals	10	32,273	100.0	100.0	519

*Based on demographic data from the 1990 U.S. Census.

**Based on loans originated in the assessment area between January 1, 1998, and June 30, 1998.

***BNA number 9787 is the State of Colorado Territorial Prison.

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

The bank lends to businesses and farms of different sizes and to individuals of all income levels.

Businesses and Farms of Different Sizes

The following table demonstrates that the bank is helping to meet the small business and small farm credit needs of its community. Our sample of commercial and agricultural loans from the second quarter of 1998 shows that 84.2% were to businesses and farms meeting the small business/farm definition. Based on 1990 U.S. Census data, 82.4% of businesses and farms in the assessment area meet this definition. A further breakdown of these loans by annual revenue shows that 65.8% were made to businesses and farms with annual revenues of less than \$250,000.

DISTRIBUTION OF BUSINESS/AGRICULTURAL LOANS BY ANNUAL REVENUE		
ANNUAL REVENUE	NUMBER OF LOANS*	PERCENTAGE OF LOANS
Revenues Less Than \$250,000	25	65.8
Revenues \$250,000 - \$1,000,000	7	18.4
Revenues Over \$1,000,000	6	15.8
Total Loans Sampled	38	100.0

*Based on a sample of commercial and agricultural customers receiving credit between April 1, 1998, and June 30, 1998.

Loans to Individuals of Different Income Levels

The following table shows the distribution of residential real estate-related loans and consumer loans originated in the assessment area during the second quarter of 1998.

LENDING TO INDIVIDUALS OF DIFFERENT INCOME LEVELS					
Income Level	Percentage of Families in Income Category*	Number of Residential RE-Related Loans Originated**	Percentage of Residential RE-Related Loans Originated	Number of Consumer Loans Originated**	Percentage of Consumer Loans Originated
Low	23.5	2	3.3	44	27.5
Moderate	22.2	10	16.4	32	20.0
Middle	21.1	10	16.4	29	18.1
Upper	33.2	30	49.2	29	18.1
Unknown	0.0	9	14.7	26	16.3
Total	100.0	61	100.0	160	100.0

*Based on estimated 1998 Colorado Non-MSA Median Family Income of \$39,000.

**Based on all residential real estate-related and consumer loans originated between April 1, 1998, and June 30, 1998.

The table shows a reasonable penetration of moderate-income individuals with respect to both types of credit, and also a reasonable penetration of low-income individuals with respect to consumer loans. The level of residential real estate-related lending to low-income individuals is low as a percentage of the population. However, the bank has financed several projects to build and/or renovate low-income housing. The bank is currently financing two projects totaling \$1.4 million that will provide 98 new units of low- and moderate-income housing. Both of the projects are restricted to low- and moderate-income families.

The bank also provided partial financing for the local Headstart school. This is a federally funded program that provides free preschool for low-income families.

Services

Both of Fremont National Bank of Canon City's branches have been opened since the previous CRA evaluation. The branch in east Canon City is located in a moderate-income BNA, as is the main office. The branch in Penrose is located in a middle-income BNA.

Bank officers have been active in the Fremont County Economic Development Council (FCEDC). A bank officer is currently acting as treasurer for the council's executive committee and the bank has been represented on the board for the past six years. FCEDC is a non-profit organization promoting business growth in Fremont County. The council manages the small business incubator program for Canon City and was instrumental in attracting the four federal prisons to the county. Funds raised by the FCEDC were used to purchase land provided for the prisons, which had a substantial impact on local employment.

Record of Compliance with Anti-discrimination Laws

A concurrent fair lending examination did not find evidence of discrimination or practices intended to discourage applicants from applying for credit.

Response to Complaints

No complaints have been received regarding the bank's CRA performance.