



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

Public Disclosure

August 13, 2007

**Community Reinvestment Act
Performance Evaluation**

**First National Bank in Lamar
Charter Number 14254**

**200 South Main
Lamar, Colorado 81052**

**Comptroller of the Currency
Denver Field Office
1225 17th Street, Suite 450
Denver, Colorado 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.

General Information

Institution's CRA Rating: **This institution is rated "Satisfactory."**

A satisfactory rating is appropriate in each of the bank's designated assessment areas (AA) given the bank's demonstrated ability to meet the credit needs of the community. 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 AA.
- The bank's pattern of lending to low- and moderate-income individuals and small businesses reasonably reflects area demographics.
- The geographic distribution of loans to businesses and farms is good.

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

SCOPE OF EXAMINATION

A review of the bank's performance under the Community Reinvestment Act (CRA) was conducted using small bank CRA procedures. A full scope review was performed for each assessment area. Our analysis was based on a review of the bank's performance since the previous CRA examination. Loan products reviewed included agricultural production loans, commercial real estate loans, and home purchase loans. Samples were selected from loans originated in 2004, 2005, and 2006.

Our review gave more weight to the bank's performance in the Prowers and Baca Counties Assessment Area (AA) which is the bank's primary AA. Although we considered the bank's performance in the Pueblo AA, less weight was given to this area's performance. The Pueblo branch opened four years ago with no pre-existing customer base in a highly competitive market and has gradually phased into its presence in the area.

DESCRIPTION OF INSTITUTION

First National Bank in Lamar (FNB) is a \$171 million institution headquartered in Prowers County, Colorado. FNB is a subsidiary of Whitcorp Financial Company (Whitcorp), a \$475 million multi-bank holding company located in Leoti, Kansas. Whitcorp also owns a majority of Western State Bank in Garden City, Kansas.

The bank operates four full-service facilities. The main office is located in Lamar, Colorado in Prowers County. One branch is located in the neighboring community of Springfield, CO in Baca County. One branch is located in Burlington, CO in Kit Carson County. The fourth branch is located in Pueblo, CO in Pueblo County. All four branches operate a drive-up facility and an ATM. The Burlington branch has an ATM at a convenience store. None of the ATMs accept deposits.

FNB offers a variety of credit products. The primary loan products by dollar volume are loans secured by commercial real estate at 25%, agricultural production loans at 17% of total loans, and 1-4 family residential real estate at 16%. Our rating of the bank's CRA performance is based on an analysis of agriculture production loans for the Prowers/Baca and Kit Carson assessment areas (AA), commercial real estate secured loans for the Pueblo MSA, and home purchase loans originated within each defined AA. Other loans offered include construction and development (15%), agricultural real estate secured (12%), commercial and industrial (12%), and other consumer (3%). Net loans represent 70% of total assets. There are no legal or financial impediments to the bank's ability to meet the credit needs of the assessment areas.

We made two community contacts with this examination. For the Prowers and Baca Counties AA, we spoke with the executive director of Southeast Colorado Enterprise Development, Inc. The contact identified no prevailing credit needs of the community

and cited that the banks have continually provided for or facilitated the community's credit needs as the risk warrants.

For the Kit Carson County AA, we spoke with the publisher of the Burlington Record, the regional newspaper for the region. The contact identified the agricultural operating credit and small business credit as the leading credit needs.

We used community contact information obtained by another regulatory agency for the third AA that includes the Pueblo County MSA. With higher level unemployment in the area, the need for small business development is important. The contact indicated that the level of banking support for small business lending in the area is good. The most significant homeowner and housing issues in Pueblo are predatory lending protection and foreclosure prevention.

FNB received a "Satisfactory" rating at the last CRA examination dated October 22, 2001.

Refer to the bank's CRA Public File for more information.

DESCRIPTION OF ASSESSMENT AREAS

Management has designated three assessment areas (AA). The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Prowers and Baca Counties:

The first AA includes Prowers and Baca Counties. This AA is comprised of eight census tracts of which four (50%) are designated as moderate –income, and four (50%) as middle-income. There are no census tracts designated low- or upper-income. The Department of Housing and Urban Development (HUD) 2006 updated non-MSA median-family income for this AA is \$35,087. Based on 2000 US Census data, there are 5,056 families residing within the AA of which 54% are deemed low- and moderate-income. Income designations are determined based on annual income as a percentage of the non-MSA median-family income.

Agriculture is the vital component of the Prowers and Baca Counties economies. Agricultural activities are the basis for sales, jobs and income in nonagricultural sectors. The major employment sectors are health care and social assistance, retail trade, manufacturing, food processing and government. Lamar is by far the largest trade center in the area. Single family house sale prices vary considerably among the various municipalities in the counties. Overall unemployment is lower than the statewide average.

Kit Carson County:

The second AA includes Kit Carson County. This AA is comprised of 3 census tracts of which all (100%) are designated as middle-income. The Department of Housing and Urban Development (HUD) 2006 updated non-MSA median-family income for this AA is \$42,415. Based on 2000 US Census data, there are 2,108 families residing within the AA of which 44% are deemed low- and moderate-income.

Agriculture dominates the Kit Carson County economy with the county being the number one wheat producer and number three corn producer in the state. Also, tourism, private correctional facilities and hog farms add diversity to the economy. The number of irrigated farms and land under irrigation has decreased and a protracted drought condition has decreased the contribution of crop sales. The impending effect of the U.S. Supreme Court mandated water compact among Colorado, Nebraska and Kansas portends concern about the future availability of adequate water.

Pueblo County MSA:

The third AA includes the Pueblo County MSA. This AA is comprised of 51 census tracts of which 19 (37%) are designated as moderate-income, 19 (37%) as middle-income, and 11 (22%) as upper-income. There are no census tracts designated low-

income. There are two census tracts with no income designation. The Department of Housing and Urban Development (HUD) 2006 updated MSA median-family income for this AA is \$41,450. Based on 2000 US Census data, there are 37,624 families residing within the AA of which 39% are deemed low- and moderate-income.

The city of Pueblo meets most of the shopping, health care and entertainment needs of the county and of the southeast area of the state. The area has endured a long period of limited employment opportunities and relatively low wage levels. The regional economy was extremely dependent upon the CF&I steel mill as the largest single employer in the county. Improved job prospects and wage levels along with economic stability have been the result of new manufacturing and high-tech industries locating in the Pueblo area.

Overall competition:

FNB faces strong competition from 31 financial institutions operating from 94 locations in the combined AA. This does not include the credit unions that operate in the AA. The institutions range significantly in size. The largest is a multi-national bank with \$299 billion in deposits and a 7% market share. Numerous community banks also operate within the AA and hold less than 1% market share. FNB holds a 5% market share.

Refer to the bank's CRA Public File for more information.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is satisfactory given area competition and credit needs of the community.

The bank's average quarterly loan-to-deposit ratio since the previous CRA exam is 79%. The loan-to-deposit ratio of similarly situated banks over the same time period ranged between 21% and 101%. Similarly situated banks are those banks of similar business lines operating within the same geography.

Lending in Assessment Area

The majority of loans by number and dollar volume are originated within the bank's AA.

We sampled all home purchase loans reported under the Home Mortgage Disclosure Act (HMDA) in 2004, 2005, and 2006. We also sampled 20 loans secured by commercial real estate and 40 agricultural production loans. The following table outlines our findings:

Lending in the Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans (disclosed in millions)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	131	58%	94	42%	225	\$10.4	59%	\$7.1	41%	\$17.5
AG Production	37	93%	3	7%	40	\$4.4	87%	\$0.7	13%	\$5.1
Commercial RE	12	60%	8	40%	20	\$3.1	74%	\$1.1	26%	\$4.2
Totals	180	63%	105	37%	285	\$17.9	67%	\$8.9	33%	\$26.8

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

The bank's pattern of lending to low- and moderate-income individuals and small businesses is satisfactory.

Consumer loans:

The distribution of home purchase loans within each AA to borrowers of different income levels reasonably reflects area demographics.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Baca/Prowers	29%	21%	25%	21%	23%	28%	23%	28%
Kit Carson	23%	13%	20%	16%	24%	37%	33%	34%
Pueblo MSA	20%	5%	18%	24%	22%	33%	40%	38%

FNB's Pueblo branch shows a low distribution of loans to low income borrowers but the bank's performance in loans to borrowers of moderate income and middle income exceeds area demographics. This is attributed to several factors. The branch continues to establish itself in a community where it opened with no consumer base about four years ago. The competition for small consumer residential loans is formidable against a stronghold of credit unions and their steadfast and loyal customers. Further, the branch is located in a commercial district of a newly developing area that is accessible to mostly middle income families. The bank is active with the Colorado Housing and Finance Authority which indicates a willingness to serve the low income borrowers in the area.

Commercial loans:

The distribution of loans secured by commercial real estate originated throughout the Pueblo MSA also indicates weak performance in lending to businesses of different sizes. Of the 20 commercial loans sampled, 65 percent by number and 50 percent by dollar volume were originated to small businesses. Small businesses are defined as businesses reporting annual revenue of \$1 million or less. 2000 US census business demographics indicated that of all businesses located within the MSA for which annual revenue figures were available, 94% reported annual revenues of less than \$1 million.

The Pueblo branch has neither the comparable tenure nor visibility enjoyed by the other branches in their AAs. Even so, the Pueblo branch offers the identical loan products and pricing as offered by the other three branches. The disparate performance of the Pueblo branch is indicative of the intense competition the branch confronts to attract small businesses to its loan products.

Agricultural loans:

The distribution of agricultural production loans originated in Baca and Prowers Counties indicates good performance in lending to farms of different sizes. Of the 20 agricultural production loans sampled, 80 percent by number and 28 percent by dollar volume were originated to small farms. Small farms are those reporting annual revenues less than \$500,000 per year. 2000 US census business demographics indicated that of all farms located within the MSA for which annual revenue figures were available, 95% reported annual revenues of less than \$500,000.

Our loan sample included one large loan (\$1.25 million) that if excluded from the sample would show that almost half (45%) of the bank's agricultural production loans were originated to small farms.

The distribution of agricultural production loans originated in Kit Carson County indicates good performance in lending to farms of different sizes. Of the 20 agricultural production loans sampled, 85 percent by number and 87 percent by dollar volume were originated to small farms. 2000 US census business demographics indicated that of all farms located within the MSA for which annual revenue figures were available, 93% reported annual revenues of less than \$500,000.

Geographic Distribution of Loans

The geographic distribution of loans in the Pueblo MSA is weak but in Baca and Prowers Counties, the geographic distribution is good. Kit Carson County does not have any low- or moderate-income census tracts. Therefore, a geographic distribution analysis would not have been meaningful. Overall, geographic distribution is satisfactory with more weight given to the Baca and Prowers Counties AA because the bank is more established there and that AA houses the majority of the bank's loan volume.

Home Purchase Loans

The distribution of home purchase loans originated within the AAs in 2004, 2005, and 2006 was reasonably reflective of area demographics in Baca and Prowers Counties but was not reflective of area demographics in the Pueblo MSA, as detailed in the following table.

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Baca and Prowers Counties	0%	0%	42%	34%	58%	66%	0%	0%
Pueblo MSA	0%	0%	24%	9%	47%	33%	29%	58%

As stated, the Pueblo branch is in an early stage of establishing itself in the community. Further, the branch is located in a commercial district of a newly developing area that is accessible to mostly middle income families.

Commercial and Agricultural Loans

The distribution of agricultural loans in Baca and Prowers Counties and commercial real estate loans in the Pueblo MSA is reasonably reflective of area demographics, as detailed in the following table.

Geographic Distribution of Loans to Businesses/Farms within the AAs								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Baca and Prowers Counties	0%	0%	50%	40%	50%	60%	0%	0%
Pueblo MSA	0%	0%	37%	20%	37%	50%	22%	30%

Responses to Complaints

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

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination.