



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

April 27, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Yampa Valley National Bank
Charter Number 16919**

**252 West Jefferson Street
Hayden, Colorado 81639**

**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 **Yampa Valley National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 27, 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.”**

Yampa Valley National Bank is serving the credit needs of its community through agricultural, small business, mortgage, and other consumer lending. The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and business focus. A substantial majority of the bank's loans are made within the assessment area. Lending activity reflects reasonable penetration to borrowers of different income levels and businesses of different sizes given the demographics of the assessment area.

DESCRIPTION OF INSTITUTION:

Yampa Valley National Bank (YVNB) is an independently owned community bank. As of December 31, 1997, the bank reported total assets of \$37 million. The main office is located in Hayden, Colorado, a rural community located in west central Routt County. Steamboat Springs is the county seat of Routt County. Hayden is 25 miles west of Steamboat Springs. The bank also operates a full service branch in Oak Creek, Colorado. The branch is located in south central Routt County, approximately 30 miles southeast of the main office. The bank also operates and maintains three automated teller machines (ATMs). A deposit-taking ATM and drive-up facility is located at the main office. A nondeposit-taking ATM is located at the Oak Creek branch and Yampa Regional Airport.

The bank provides a full array of credit products. The lending focus of YVNB is agricultural and consumer loans. The bank offers a wide variety of consumer loan products, including mortgage loans, home improvement loans, and residential refinancing. At December 31, 1997, the bank's loan portfolio totaled \$22 million, representing 59% of the bank's total assets. The loan portfolio composition is 18% agricultural operating and agricultural real estate secured loans, 31% residential loans, 24% commercial or commercial real estate secured, and 27% consumer purpose loans.

The bank opened a branch in Oak Creek, Colorado, in November 1995. They have not closed any offices or branches since the last CRA examination dated May 23, 1995.

There are no financial or legal impediments to the bank's ability to meet the credit needs of the assessment area. At the May 23, 1995, examination, the bank's CRA performance was rated "Outstanding."

DESCRIPTION OF ROUTT AND MOFFAT COUNTIES:

- **The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income areas.**

The bank has designated a two-county area, which includes Routt County and contiguous Moffat County to the west, as its assessment area. Both counties are located in the northwestern corner of Colorado. The assessment area is not located in a Metropolitan Statistical Area. The two counties contain 10 block numbering areas (BNAs). Six BNAs are located in Routt County and the remaining four are located in Moffat County. The assessment area does not contain any low- and moderate-income BNAs. Four of the ten BNAs are designated middle income and six are designated upper income, based upon the 1990 U.S. Census statewide non-MSA median-family income of \$28,258. The following table provides a breakdown of income characteristics of the assessment area within the two counties based on the 1990 U.S. Census statewide non-MSA median-family income.

PERCENTAGE OF FAMILIES IN THE ASSESSMENT AREA BY INCOME LEVEL		
<i>Census Tract Type and Income Range</i>	<i>Number</i>	<i>Percentage</i>
Low Income (Less than \$14,126)	847	12.8
Moderate Income (At least \$14,126 but less than \$22,604)	731	11.1
Middle Income (At least \$22,604 but less than \$33,907)	1,441	21.9
Upper Income (\$33,907 and Above)	3,566	54.2
Total	6,584	100.0

The assessment area economy is stable. Unemployment in the assessment area is low at 3%. Over the past few years, the assessment area has seen minimal economic growth in the form of commercial businesses. However, the assessment area has seen steady population growth over the last two years. Much of the growth is from out-of-state migration. The local economies of Hayden and Oak Creek are heavily based on tourism. However, agriculture (including farming and ranching) and energy (including coal mining and energy production) are major contributors to the economy.

The regional economy is highly dependent on tourism and recreation created by the winter ski resort of Steamboat and surrounding recreational areas. The town of Hayden is surrounded by national forest lands, including Routt National Forest to the east, White National Forest/Flat Tops Wilderness to the south, and California Park to the north. Major employers of Routt County include the Steamboat Ski Resort; Public Service Power Plant; 20 Mile Coal Mine; city of Steamboat Springs; and Routt County, Hayden, and Steamboat Springs School Districts. Major employers of Moffat County include the city of Craig, Trappers Coal Mine, ColoWyo Coal Mine, Tri-State Generation Power Plant, and Moffat County School District.

The demand for construction of housing, both single-family residences and rental units, is strong. Vacancy rates are also low. Housing growth in Steamboat Springs is strong, consisting primarily of upper-income housing and residential construction. Due to the high cost of living in Steamboat Springs, Hayden and Craig are bedroom communities of Steamboat Springs. Median monthly gross rent within the assessment area is \$412. Median housing value is \$91,447 according to 1990 U.S. Census data.

Overall competition in the assessment area is moderate. Although YVNB is the only financial institution in Hayden, competition is strong with six other financial institutions in the assessment area.

During our review, we initiated three community contacts. This included two contacts with nonprofit business groups in the cities of Craig and Steamboat Springs. Both groups indicated supply for affordable housing is in demand. Housing costs have risen with the increased demand. These contacts identified no specific credit need for the community and indicated that local financial institutions are meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

- **The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, business focus, and similarly situated banks.**

The bank's average loan-to-deposit ratio for the eight quarters beginning March 31, 1996, through December 31, 1997, is 66%. This is comparable to three other similarly situated banks. The banks were selected based on asset size, location, and similar business focus. For the same time period, the eight-quarter average loan-to-deposit ratios for similar banks ranges from 65% to 72%.

The bank also originates and sells long-term residential mortgages in the secondary market. As of December 31, 1997, the bank originated 15 residential mortgages by number and \$1,163,100 by dollar volume. If the bank had retained these loans within its loan portfolio, the bank's loan-to-deposit ratio would approximate 68%.

Lending in the Assessment Area

- **The bank originated a substantial majority of the number and dollar volume of its residential and consumer loans within the bank's assessment area.**

The bank's record of lending within its assessment area meets the standard for outstanding performance. Using the bank's Home Loan Activity Report, we reviewed all home loans originated in 1997 at both the main office and branch. Home loans include loans for the purchase, construction/permanent, and refinances. This analysis shows that 100% of the loans originated were within the assessment area. This includes mortgage loans originated and sold in the secondary market from January 1, 1997, through March 31, 1998. The results also showed that the bank, especially the main office, draws a high portion of its loan customers from surrounding communities and counties. Management reports confirmed this analysis.

We also reviewed all consumer loan originations in 1997 using reports provided by management. Our loan sample confirms that the bank also originates a substantial majority of its consumer purpose loans within the assessment area. This analysis shows that 94% of the loans originated by number and 94% of the loans originated by dollar were within the assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

- **Lending activity to borrowers of different income levels and businesses of different sizes is satisfactory.**

The bank's record of lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance. The bank's loan portfolio reflects good penetration

among individuals of various income levels and to businesses and farms of different revenue sizes. We focused our review on the types of loans that the bank specializes in, agricultural and consumer loans. Our sample of consumer loans included loans originated from January 1, 1997, to December 31, 1997, (Table A). We also sampled 30 first mortgage loans for purchase or refinance originated from January 1, 1997, to March 31, 1998, detailed on the bank's Home Loan Activity Log (Table B).

Our sample of consumer purpose loans shows the bank has a good penetration of loans to low- and moderate-income individuals. Of the 20 loans sampled, 65% of loans by number were to low- and moderate-income individuals. This compares very favorably to assessment area demographics. The results of our sample are summarized in Table A. We also noted the bank originates loans to consumers in the amounts of \$1,000 or less. The bank provided a report showing total originations in 1997 of 52 by number and \$31,994 by dollar amount.

TABLE A

DISTRIBUTION OF CONSUMER LOANS BY INCOME LEVEL OF BORROWER			
	<i>Loan Sample</i>		
<i>Income Category*</i>	<i>Number</i>	<i>Percent</i>	<i>% of Families in the Assessment Area**</i>
Low	4	20.0	12.8
Moderate	9	45.0	11.1
Middle	3	15.0	21.9
Upper	4	20.0	54.2
Total	20	100.0	100.0

*Income Category is based on the 1997 Department of Housing and Urban Development (HUD) median family income for non-MSA areas of Colorado of \$38,700.

**Percent of families in the assessment area is based on the 1990 U.S. Census median family income for non-MSA areas of Colorado of \$28,258.

The mortgage loan sample reflects reasonable penetration to all income categories. Our sample of 30 loans showed that 20% of the mortgages originated in 1997 were to low- and moderate-income individuals. This corresponds to the demographics of the assessment area. The following Table B shows the results of our analysis.

TABLE B

DISTRIBUTION OF REAL ESTATE SECURED CONSUMER LOANS BY INCOME LEVEL OF BORROWER			
<i>Income Category*</i>	<i>Loan Sample</i>		<i>% of Families in the Assessment Area**</i>
	<i>Number</i>	<i>Percent</i>	
Low	4	13.3	12.8
Moderate	2	6.7	11.1
Middle	10	33.3	21.9
Upper	14	46.7	54.2
Total	30	100.0	100.0

*Income Category is based on the 1997 Department of Housing and Urban Development (HUD) median family income for non-MSA areas of Colorado of \$38,700.

**Percent of families in the assessment area is based on the 1990 U.S. Census median family income for non-MSA areas of Colorado of \$28,258.

Most of the bank's commercial and agricultural loans are to small businesses and small farms. We sampled 25 commercial and farm loans originated in 1997. As shown in Table C, 84% by number and 66% by dollar were to businesses and farms with gross revenues of less than \$1 million. This compares favorably to assessment area demographics. According to current business demographics provided by Dunn & Bradstreet, 89% of farms and 78% of non-farm businesses in the assessment area had gross revenues of less than \$1 million. Table C summarizes our analysis.

TABLE C

LOAN DISTRIBUTION TO FARMS AND BUSINESSES OF DIFFERENT SIZES				
<i>Annual Gross Revenues</i>	<i># of Loans Sampled</i>	<i>% of Loans Sampled</i>	<i>\$ Amount of Loans Sampled</i>	<i>% of Dollars Sampled</i>
Less than \$250,000	13	52.0	988,000	56.1
\$250,000 to \$500,000	8	32.0	177,000	10.1
\$500,000 to \$1 Million	3	12.0	221,000	12.5
Greater than \$1 Million	1	4.0	375,000	21.3
Total	25	100.0	1,761,000	100.0

Geographic Distribution of Loans

We did not perform a geographic distribution analysis of loans due to the composition of BNAs in the bank's assessment area. As previously stated, the bank's assessment area consists solely of middle- and upper-income BNAs. As a result, an analysis of this performance criteria is not meaningful as all loans will naturally fall within middle- and upper-income BNAs. The analysis of lending to borrowers of different incomes is a more significant and meaningful analysis.

Response to Substantiated Complaints

The bank has not received any written complaints regarding its CRA performance since the prior CRA examination.

Fair Lending Analysis

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