



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 25, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Western National Bank
Charter Number 15383**

**102 North Cascade Avenue
Colorado Springs, Colorado 80903**

**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 CRA performance of **Western National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 25, 1996. 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.”**

Western National Bank is committed to serving the community in which it operates and has demonstrated satisfactory lending performance. Its loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area profile and credit needs. A substantial majority of the bank's loans are within its assessment area. Overall, lending activities reflect a satisfactory penetration among individuals of different income levels and businesses of different sizes.

The following table indicates the performance level of **Western National Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Western National Bank Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION:

Western National Bank (WNB) is a commercial bank with total assets of \$148 million. WNB is wholly owned by Community First Bankshares, Inc. (CFBI), a multi-bank holding company, who reported total assets of \$448 million on September 30, 1996. The bank is part of a group of banks owned by one individual and his family trusts. The group includes five national- and four state-chartered banks.

The bank operates its main office in downtown Colorado Springs, Colorado. In addition, WNB operates four branches also in Colorado Springs. The bank has no constraints in its ability to meet various credit needs within its assessment area. Lending activities have substantially increased over the past year. As of September 30, 1996, the composition of the loan portfolio is as follows:

Real estate loans	85%
Commercial loans	7%
Consumer loans	<u>8%</u>
Total	100%

The main office and branches offer full banking services. In addition, the bank has a trust department that offers custody services, escrows, personalized investment management, estate, IRA rollovers, and general trust administration. The bank provides one automated teller machine (ATM) at each office and branch. These are 24-hour ATMs that allow customers to transfer funds, deposit money, inquire about balances, as well as, withdraw money.

DESCRIPTION OF ASSESSMENT AREA:

The bank's assessment area is reasonable, complies with regulatory requirements, and does not arbitrarily exclude low- or moderate-income geographies. The assessment area encompasses all of El Paso County. Colorado Springs is the largest city within the county. The county is made up of 84 census tracts. Two census tracts are categorized as low-income. And 27 are designated moderate-income census tracts. The main office and one branch are located in moderate-income census tracts. Three of the eighty-four census tracts consist entirely of the Fort Carson Army Base, Peterson Air Force Base, and U.S. Air Force Academy. Fort Carson Army Base and Peterson Air Force Base are located in moderate-income census tracts.

The chart below reflects the composition of the assessment area by census tract type.

ASSESSMENT AREA COMPOSITION		
<i>Census Tract Type</i>	<i># of Census Tracts in Assessment Area</i>	<i>% of Census Tracts in Assessment Area</i>
Low Income	2	3%
Moderate Income	27	32%
Middle Income	37	44%
Upper Income	18	21%
Total	84	100%

There are 397,014 residents in the assessment area. Based on the 1990 United States Census, the population by income level consists of the following:

PERCENTAGE OF FAMILIES IN THE ASSESSMENT AREA BY INCOME CATEGORY	
<i>Income Level</i>	<i>% of Assessment Area</i>
Low	2%
Moderate	26%
Middle	44%
Upper	28%
Total	100%

The 1990 U.S. Census median-family income was \$33,932. The median housing value (based on 1990 data) for the assessment area is \$72,350. The median housing value for each income tract type ranges between \$46,050 to \$109,700.

The services, government, retail trade, and manufacturing industries make up the majority of the employment in the area.

Contacts made in the Colorado Springs community revealed the following credit needs:

- Construction and residential lending;
- Lower fee and interest rates with less stringent qualification guidelines;
- Housing project financing;
- Venture and working capital financing for small businesses; and
- Other small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is satisfactory. The average loan-to-deposit ratio for eight quarters beginning July 1994 and ending June 1996 is 43%. We chose five other comparable banks. The banks were selected based on similar business focus and asset size. For the same time period, the eight-quarter average loan-to-deposit ratios for the comparable banks are 48%, 59%, 60%, 66%, and 74%.

WNB has a mortgage department that originated \$16 million in mortgage loans in 1995. As of year-to-date September 30, 1996, the mortgage department closed \$19 million in loans. As various investors provide funding for the loans at closing, these numbers are not incorporated in the bank's totals, thus impacting the bank's loan-to-deposit ratio. If the \$19 million were included to September 30, 1996, total loans, the loan-to-deposit ratio would be 76%.

Lending in the Assessment Area

The bank makes a substantial majority of its loan within its assessment area. We used data from the bank-prepared Home Mortgage Disclosure Act Loan Application Register (HMDA LAR) which was verified for accuracy. We concluded that 96% of the bank's mortgage originations are within El Paso County. In addition, we sampled 20 business loans originated in the third quarter of 1996. We discovered that all but one are located within El Paso County.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The lending activities reflect a satisfactory penetration among individuals of different income levels. Once again, we used data from the bank-prepared HMDA LAR. The following table illustrates the income distribution of the bank's 1996 mortgage loan originations.

LENDING IN ASSESSMENT AREA BY BORROWER INCOME January 1996 through September 1996					
<i>Income Level</i>	<i>% of Assessment Area by Income</i>	<i>Number of Mortgage Loans Originated</i>		<i>Dollar Volume of Mortgage Loans Originated</i>	
		<i>#</i>	<i>% of Total #</i>	<i>\$ (000s)</i>	<i>% of Total \$</i>
Low	2%	13	6%	\$ 185	4%
Moderate	26%	29	12%	\$ 393	7%
Middle	44%	71	30%	\$1,279	24%
Upper	28%	120	52%	\$3,490	65%
Total	100%	233	100%	\$5,347	100%

The bank has demonstrated a satisfactory lending penetration to small businesses. Of the 20 commercial loans we sampled, 50% were extended to businesses whose annual gross revenues exceeded \$1 million. Further, we noted the following loan size distribution.

DISTRIBUTION OF BUSINESS LOANS BY SIZE August 1996 through October 1996				
<i>Loan Size</i>	<i>Number of Loans Sampled</i>		<i>Dollar Volume of Loans Sampled</i>	
	<i>#</i>	<i>% of Total #</i>	<i>\$ (000s)</i>	<i>% of total \$</i>
< \$100M	6	30%	\$ 255	6%
\$100M to \$249M	10	50%	\$1,497	32%
\$250M to \$499M	3	15%	\$1,257	27%
\$500M to \$1MM	0	0%	\$ 0	0%
> \$1MM	1	5%	\$1,615	35%
Total	20	100%	\$4,624	100%

Geographic Distribution of Loans

The bank's lending activities exhibit a reasonable dispersion throughout the assessment area. We analyzed the HMDA LAR data and found the numbers somewhat skewed toward the middle- and upper-income census tracts. This is due to:

- Only two census tracts being categorized as low-income;
- Two moderate-income census tracts consisting of Fort Carson Army Base and Peterson Air Force Base;
- Seventy-four percent of families residing in middle- and upper-income census tracts;
- Seventy-two percent of the number of housing units being within middle- and upper-income census tracts;
- Forty-eight percent of the number of housing units in low-income tracts are rental units; and
- Fifty percent of the number of housing units in moderate-income tracts are rental units.

LENDING IN THE ASSESSMENT AREA BY CENSUS TRACT TYPE January 1996 through September 1996			
<i>Income Level</i>	<i>% of Assessment Area</i>	<i>Number of Loans in Census Tract</i>	
		<i>% of Assessment Area #</i>	<i>% of Total #</i>
Low	2%	1	0%
Moderate	32%	25	11%
Middle	44%	102	43%
Upper	21%	107	46%
Total	100%	235	100%

Response to Substantiated Complaints

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

Other Information

We found no evidence of disparate treatment or practices intended to discourage applicants from applying for credit. We also found no violations of the substantive provisions of antidiscrimination laws and regulations during this examination.