



## **PUBLIC DISCLOSURE**

October 21, 2002

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

**FIRST UNITED BANK  
RSSD# 938653**

**8095 EAST BELLEVIEW AVENUE  
ENGLEWOOD, COLORADO 80111**

**Federal Reserve Bank of Kansas City  
925 Grand Boulevard  
Kansas City, Missouri 64198**

**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**

Institution's CRA Rating ..... 2

Description of Institution ..... 2

Description of Assessment Area ..... 4

Conclusions ..... 6

## GENERAL INFORMATION

**INSTITUTION'S CRA RATING:** *This institution is rated **Satisfactory**.*

An institution in this group has a satisfactory record of helping to meet the credit needs of its entire assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The rating of the bank was assessed under the following five core criteria developed for evaluating Community Reinvestment Act (CRA) performances of small banks:

- ✍ Loan-to-Deposit Ratio
- ✍ Lending Inside the Assessment Area
- ✍ Geographic Distribution of Loans
- ✍ Lending to Individuals of Different Income Levels and Businesses of Different Sizes
- ✍ Record of Responding to Complaints About the Bank's CRA Performance

Conclusions for each performance criterion were based on data compiled from a statistically-derived sample of files for each major product line. Discussions with bank management, a review of the bank's Report of Condition and Income (Call Report), and a review of the volume of loan originations were used to determine the major product lines of the bank. As a result, the two loan types sampled for this evaluation included those designated as consumer real estate loans and commercial loans.

First United Bank's loan-to-deposit ratio reflects a more than reasonable effort to extend credit in a highly competitive banking market consistent with safe and sound banking practices. The analysis shows that a substantial majority of lending activity is within the bank's assessment area and this lending reveals a reasonable penetration among borrowers of different income levels and to businesses of different revenue sizes. The geographic distribution of loans reflects a less than reasonable dispersion throughout the assessment area. Finally, the response to the complaints criterion was not rated as the bank has not received any complaints about its performance under the CRA.

## DESCRIPTION OF INSTITUTION

First United Bank's main office is located in Englewood, Colorado in a business district known as the Denver Technological Center (DTC). The bank's central operations department is located at a branch office in Parker, 13 miles to the southeast. The bank has seven additional full-service branches, with another to be opened in November 2002. In total, eight offices are located in the Denver Metropolitan Statistical Area (MSA) and one is located in the Colorado Springs MSA. Of the offices located in the Denver MSA, six are in the southeast quadrant. The other two offices are located in the western quadrant of the Denver MSA and one of these is currently housed in a temporary building.

The new branch will also be located in the Denver MSA in the downtown area of the city of Denver. The office located in the Colorado Springs MSA is in northern Colorado Springs, approximately 50 miles south of the main office. An automated teller machine (ATM) is available at each of the bank's offices, of which five are full-service and four are cash-dispensing.

The analysis of the bank's CRA performance considers the bank's financial impediments, local economic conditions, and demographics, including the competitive environment in which the bank operates. Although First United Bank is subject to strong competition from other financial institutions within its assessment area, there are no legal impediments that impact the bank's ability to lend. The bank's lending activity by dollar amount is primarily devoted to commercial financing, with an emphasis on construction lending. By number, the bank originates a large percentage of consumer real estate loans in the form of home equity and construction loans. According to the June 30, 2002 Call Report, the bank's total assets were \$121,656,000, including loans totaling \$85,606,000 and deposits totaling \$105,600,000. The majority of the bank's lending and deposit activity occur within the Denver MSA in Arapahoe and Douglas counties. Only 2 percent of the bank's deposit activity and 16 percent of the bank's lending activity occur within the Colorado Springs MSA. Table 1 illustrates the breakdown of the bank's loan portfolio by product.

<b>TABLE 1</b>				
<b>DISTRIBUTION OF LOANS IN FIRST UNITED BANK'S</b>				
<b>LOAN PORTFOLIO AS OF JUNE 30, 2002</b>				
<b>Type of Loan</b>			<b>Amount (\$000s)</b>	<b>Percent</b>
Loans Secured by Real Estate:			65,541	77
	Amount (\$000's)	Percent		
Loans secured by 1- to 4-family residential properties	13,039	20		
Construction and land development	42,307	65		
Secured by nonfarm, nonresidential properties	9,849	15		
Consumer Loans			3,891	4
Commercial Loans			16,171	19
Other Loans			3	< 1
<b>TOTAL</b>			<b>85,606</b>	<b>100</b>

The bank's performance under the CRA was last evaluated at the September 28, 1998, examination at which time it was also assigned a satisfactory rating.

## **DESCRIPTION OF THE BANK'S ASSESSMENT AREAS**

### **Denver MSA Assessment Area**

First United Bank has two separate assessment areas. The first assessment area encompasses four counties, Arapahoe, Denver, Douglas, and Jefferson, located within the Denver MSA. The assessment area includes the cities of Denver, Englewood, Parker, Littleton, Aurora, Lakewood, Arvada, Golden, Westminster, Wheat Ridge, Highlands Ranch, and Castle Rock. Based on 2000 census data, this assessment area has a population of 1,745,425, which is an increase of 29 percent from the 1990 census. Within this assessment area, the largest population increase occurred in Douglas County, which grew 191 percent during the same time period. The Denver metropolitan area is highly diverse in terms of the racial and economic composition of its residents and the size, complexity, and industry sectors of its businesses. The area includes a diverse mix of industries including telecommunications, information technology, health services, transportation, education, tourism, and government. There is a high level of construction activity for both residential and commercial structures. New construction is most active in Douglas County, where the housing stock increased by 219 percent in the past twelve years. Competition for financial services is strong, including bank and non-bank entities with both local and multi-state foci. Of the eight bank offices located in this area, one is located in a moderate-income census tract, three are located in middle-income tracts, and the remaining four are located in upper-income tracts.

### **Colorado Springs MSA Assessment Area**

The bank's second assessment area is comprised of all but five of the census tracts in El Paso County located within the Colorado Springs MSA. The five tracts excluded from this assessment area include two tracts occupied by the United States Air Force Academy and the Fort Carson army base and three rural and mountainous tracts that are on the western edge of the county. The assessment area includes the cities of Colorado Springs, Fountain, and Security. Between 1990 and 2000, the population of El Paso County has increased 30 percent from 397,014 to 516,929. The county has a strong military presence due to the location of the Air Force Academy and several military bases. Additionally, there are concentrations of high technology manufacturing and support services for the computer and electronics industries. Construction activity is also strong for this area as evidenced by the record level of building permits issued in El Paso County in 2001. The bank office in this area is located in an upper-income census tract. Characteristics of the bank's two assessment areas are summarized in Table 2.

<b>Table 2</b> <b>CHARACTERISTICS OF BANK'S ASSESSMENT AREA</b> <b>(Based on 1990 Census Data)</b>		
	Denver MSA	Colorado Springs MSA
Total number of census tracts (CTs)	422	79
	Number of CTs	
Low-Income	32	2
Moderate-Income	80	26
Middle-Income	133	34
Upper-Income	103	17
Not categorized	74	N/A
Total Population	1,357,942	364,708
Median-Family Income (2002 HUD)	\$69,900	\$56,800
Percent of Low-Income Families	18	18
Percent of Moderate-Income Families	18	20
Percent of Middle-Income Families	24	23
Percent of Upper-Income Families	40	39
Housing Types		
Owner-Occupied	55	52
Rental Occupied	36	38
Affordability Ratio	42%	38%
(The affordability ratio is calculated by dividing Median Household Income by Median Housing Value)		
Total Businesses (Based on 2001 Dun & Bradstreet Data)	91,546	21,106
Percent of Businesses < \$1,000,000 in Total Revenue	85	88

Both assessment areas have experienced robust economies and below national unemployment levels since 1991. Recently, however, the areas have been affected by an economic slowdown, and unemployment rates have risen while employment growth has stagnated. Affordable housing remains a major issue for both areas. According to the Colorado Affordable Housing Partnership, the median home price in the Denver metropolitan area has risen 158 percent since 1990, while wages have increased by only 50 percent. Average rent prices have also increased substantially, having grown 131 percent during the same time period. There is an overall shortage of affordable housing units in the area. Similarly, in El Paso County the median home price has increased 90 percent since 1990 and the average rent has increased by 92 percent. Despite these large increases, an economist in the Colorado Springs area stated that home prices are currently affordable due to the low interest rate environment and the high level of wages created by high technology and defense jobs. As major employers in the area continue to eliminate jobs, however, homes in El Paso County may be less affordable in the near future.

Members of the community were interviewed during this review to gain perspective on local economic conditions and potential credit needs. Community contacts included the director of a local chamber of commerce and an individual from a county housing authority. These contacts supported information obtained on local economic and business trends and the housing market.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

This core performance criterion evaluates the reasonableness of the bank's aggregate loan-to-deposit ratio in light of performance context information, including the institution's capacity to lend, demographic and economic factors present in the assessment area, and the availability of lending opportunities.

The bank's average quarterly loan-to-deposit ratio since the prior examination (16 quarters) is 87.28 percent. This compares favorably with the national peer (banks with total assets between \$100 million and \$300 million with three or more offices in a metropolitan area) loan-to-deposit ratio over the same time period of 75.02 percent. The bank's ratio was also compared with an average loan-to-deposit ratio of six selected peer banks within the Denver MSA. This peer ratio was 73.55 percent, which again demonstrates an excellent level of overall lending activity. As of June 30, 2002, First United Bank's loan-to-deposit ratio was 80.12 percent while for the same time period the loan deposit ratio for the average of all the peer banks in the Denver MSA was 46.25 percent. The bank's loan-to-deposit ratio is considered more than reasonable and exceeds the standards for a satisfactory rating for this performance criterion.

### **Lending in the Bank's Combined Assessment Area**

This core performance criterion evaluates the concentration of loans originated by the bank in its combined assessment area. An analysis was performed based on data compiled from the statistically-derived sample of loans. As shown in Table 3, a majority of loans were originated in the bank's assessment area.

**Table 3**  
**DISTRIBUTION OF LOANS IN AND OUT OF THE ASSESSMENT AREA**

Type of Loan	Inside the Assessment Area				Outside the Assessment Area			
	Number of Loans	%	\$ Amt. of Loans \$(000)	%	Number of Loans	%	\$ Amt. of Loans \$(000)	%
Consumer Real Estate	24	80	1,961	90	6	20	225	10
Commercial	34	94	7,006	92	2	6	603	8
<b>TOTAL</b>	58	87	8,967	91	8	13	828	9

By number, 80 percent of the real estate loans and 94 percent of the commercial loans were originated in the bank's assessment area. Of the real estate loans made outside the assessment area, four of the loans were located in the town of Elizabeth, which is just outside the Denver MSA boundaries bordering the town of Castle Rock. As growth has continued in Castle Rock and the surrounding areas, Elizabeth has become a large bedroom community. According to 1990 census data, however, it is not included in the Denver MSA and is considered rural.

By dollar, 90 percent of the real estate loans and 92 percent of the commercial loans were made inside the assessment area. As a substantial majority of the bank's lending activity is located inside the assessment area, the bank's performance is considered outstanding for this performance criterion.

### **Geographic Distribution of Loans**

This core performance criterion focuses on the bank's penetration among census tracts of different income levels in the assessment area.

### **Denver MSA Assessment Area**

The geographic distribution of the bank's real estate and commercial loans reflects a less than reasonable dispersion throughout the Denver MSA assessment area. Only 13 percent by number and 3 percent by dollar of the real estate loans were originated in low- and moderate- income tracts. This compares less than favorably to the demographics of the area in which 25 percent of families are located in these tracts. Additionally, no loan activity occurred in the low-income tracts. For commercial loans, 8 percent by number and 3 percent by dollar were originated in low- and moderate-income tracts while 28 percent of all businesses are located in these tracts. Additionally, no loans were originated to businesses located in the moderate-income tracts. Table 4 summarizes the bank's geographic distribution of lending in this assessment area.



<b>Table 4 DISTRIBUTION OF LOANS ACROSS THE DENVER MSA ASSESSMENT AREA BY INCOME LEVEL OF CENSUS TRACT</b>								
Loan Type	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
Real Estate Loans (24 Total)	0	0	3	64	9	733	12	1,163
Percent of Total	0	0	13	3	37	37	50	60
Commercial Loans (25 Total)	2	135	0	0	12	1,873	11	3,191
Percent of Total	8	3	0	0	48	36	44	61
Percentage of Families by Income Level of Census Tract	6		19		43		32	
Percentage of Businesses by Income Level of Census Tract	9		19		37		35	

The bank's small business lending was considered during the prior CRA evaluation on September 28, 1998. At that time, the bank's geographic distribution was considered reasonable as 30 percent of the loans by number and 46 percent by dollar were originated in low- and moderate-income tracts. The bank's current distribution of lending evidences a decline from the previous levels.

### **Colorado Springs MSA Assessment Area**

As the bank has only one office located in this assessment area, the overall lending activity is low. However, the bank's lending activity to census tracts of different income levels in the Colorado Springs MSA assessment area is considered reasonable. There were nine commercial loans originated in the assessment area. Of these loans, 22 percent were located in moderate-income tracts and 78 percent were located in middle-income tracts. Demographic figures show that only 2 percent of businesses are located in low-income tracts and 31 percent are located in moderate-income tracts. The bank did not originate any real estate loans in this assessment area. Although the bank does not offer any first mortgage loan products, the bank does offer both home equity loan products and consumer construction loans. While neither of these loan types was extended in this assessment area, the bank's performance context should be considered. First United Bank has only one office, whose primary focus is commercial lending, in this assessment area. Additionally, competition from other financial institutions for these types of consumer real estate-secured loans is strong. Residential housing is also indirectly made available by the bank through the financing of development loans and tract builder construction loans in the area. First United Bank committed to finance the

construction of numerous homes for one tract builder located in Falcon, Colorado. The homes have a base price of \$185,900, which is similar to the current median home price in El Paso County. Therefore, when considered within the bank's strategic focus and its ability to meet residential housing needs through other avenues, the geographic distribution of loans is considered reasonable for this assessment area.

### **Overall Geographic Distribution of Lending**

In evaluating the overall geographic distribution of lending, greater weight was given to the bank's performance in the Denver MSA assessment area, as the largest percentage of lending activity is in this area. The bank's lending activity for both real estate and commercial loans did not parallel the levels suggested by the demographics of the overall assessment area. In particular, the lending activity in the low- and moderate-income tracts for both real estate and commercial loans was low. Overall, the bank does not meet the standards for a satisfactory rating in this performance criterion.

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

This core performance criterion evaluates the bank's loan originations to borrowers of different income levels, particularly low- and moderate-income individuals, and to businesses of different sizes based on their reported gross annual revenues.

### **Denver MSA Assessment Area**

#### **Consumer Real Estate Loans:**

Table 5 shows that 42 percent of the number and 15 percent of the dollar amount of the loans sampled in this assessment area were to low- and moderate-income borrowers. This is similar to the demographics of the assessment area, which indicate that 36 percent of the families are low- and moderate-income. Although the bank's lending activity by dollar volume shifts toward the upper-income borrowers, this is considered reasonable, as the property values of upper-income individuals would also likely be higher. Therefore, the overall penetration of loan originations to borrowers of different income levels is considered reasonable for the Denver MSA assessment area.

Table 5 PERCENTAGE OF REAL ESTATE LOANS REVIEWED BY DIFFERENT INCOME LEVELS IN THE DENVER MSA ASSESSMENT AREA			
INCOME LEVEL OF BORROWER*	Percentage of Real Estate Loans		Percentage of Families in Assessment Area**
	% by #	% by \$	
Low (Less than 50 percent of Median-Family Income)	9	2	18
Moderate (50 to 80 percent of Median-Family Income)	33	13	18
Middle (80 to 120 percent of Median-Family Income)	25	21	24
Upper (Greater than 120 percent of Median-Family Income)	33	64	40

\* The Income Level of the Borrower is determined from the 2002 HUD estimated median family income for the Denver MSA.

\*\* The percentage of families in the assessment area is based on 1990 census data.

### Commercial Loans:

Table 6 shows that 56 percent of the loans sampled were to businesses with gross annual revenues of less than \$1,000,000. According to Dun and Bradstreet's 2001 data, 85 percent of the businesses in the bank's assessment area have gross annual revenues of less than \$1,000,000. Although the bank's penetration is below the demographics of the area, this penetration is considered reasonable. The bank's primary product line is construction lending to homebuilders. The majority of these builders are either tract builders or custom homebuilders. Therefore, due to either the volume of construction or the price of the homes, most of these builders generate over \$1,000,000 in annual revenues. Despite their revenue size, these businesses are closely held and based upon employee size and structure, act as small businesses in terms of their sophistication and financial knowledge. Considering the bank's performance context and the factors noted above, the distribution of loans to businesses of different sizes in this assessment area is considered reasonable.

<b>Table 6 LENDING TO BUSINESSES OF DIFFERENT SIZES WITHIN THE DENVER MSA ASSESSMENT AREA</b>				
<b>Gross Annual Revenue</b>	<b>Number of Business Loans</b>	<b>%</b>	<b>Total Amount of Loans \$(000)</b>	<b>%</b>
Less than \$100,000	6	24	494	9
\$100,000 to \$250,000	1	4	448	9
\$250,001 to \$500,000	2	8	505	10
\$500,001 to \$1,000,000	5	20	776	15
Greater than \$1,000,000	11	44	2,976	57
<b>TOTALS</b>	<b>25</b>	<b>100</b>	<b>5,199</b>	<b>100</b>

#### Colorado Springs MSA Assessment Area

The bank's lending activity to borrowers of different income levels and businesses of different sizes throughout the Colorado Springs MSA assessment area also appears reasonable. However, an analysis of lending activity in this area is limited. As noted previously, there were no real estate loan originations in this assessment area. However, the bank has financed many residential construction loans for a tract builder whose homes are targeted to moderate- and middle-income families. Of the nine commercial loans sampled, two borrowers had annual revenues of less than \$100,000 and two had annual revenues of between \$100,000 and \$250,000. The remaining five loans were to businesses with more than \$1,000,000 in annual revenues. Four of these loans were to the tract homebuilder mentioned above.

#### Overall Distribution of Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

In evaluating the overall distribution of lending based upon the borrower's profile, greater weight was again given to the bank's performance in the Denver MSA assessment area, as the largest percentage of lending activity is in this area. For real estate loans, the bank's level of lending activity is well distributed among individuals of varying income levels. On average, 53 percent of all commercial loans originated within both assessment areas are to businesses with less than \$1,000,000 in annual revenues. Of those businesses with greater than \$1,000,000 in revenues, the majority are noncomplex organizations with a small number of employees in the home construction industry. Overall, the bank meets the standards for a satisfactory rating for this performance criterion.

**Record of Responding to Complaints**

The bank has not received any complaints about its performance in meeting assessment area credit needs. Therefore, the bank's performance in responding to complaints was not assessed.

**COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS**

There were no violations of any antidiscrimination laws and regulations identified during the fair lending component of the compliance examination. Overall, adequate policies, procedures, and training programs have been developed to ensure equal treatment in the bank's lending activities.

## GLOSSARY OF COMMON CRA TERMS

(For additional information, please see the Definitions section of Regulation BB at 12 CFR 228.12.)

**Assessment Area** – The geographic area(s) delineated by the bank and used in evaluating the bank’s record of helping to meet the credit needs of its community. The assessment area must include the geographies where the main office, branches, and deposit-taking automated tellers machines are located. The assessment area must consist only of whole geographies, may not reflect illegal discrimination, and may not arbitrarily exclude low- or moderate-income geographies.

**Census Tracts** – Census tracts are small, relatively permanent geographic entities within counties delineated by a committee of local data users. Generally, census tracts have between 2,500 and 8,000 residents and boundaries that follow visible features.

**Dun & Bradstreet Data** – Data collected by Dun & Bradstreet regarding types of businesses and their respective gross annual revenues. The data can be sorted by geographies.

**Geography** – A census tract or a block numbering area.

**Income Level** – Both geographies and individuals can be described in terms of their income levels. In MSAs, the level is based on the MSA median income. In nonMSA areas, the level is based on the statewide, nonMSA median income.

**Low-Income** – Less than 50 percent of the area median income

**Moderate-Income** – At least 50 percent and less than 80 percent of the area median income

**Middle-Income** – At least 80 percent and less than 120 percent of the area median income

**Upper-Income** – At least 120 percent or more of the area median income

**Metropolitan Statistical Area (MSA)** - The general concept of an MSA is that of a core area containing a large population nucleus, together with adjacent communities having a high degree of economic and social integration with that core. Generally, a single city with at least 50,000 inhabitants or an urbanized area with a total population of at least 100,000 would meet the definition of an MSA.

**Small Business** – A business with gross annual revenues of \$1 million or less.

**Small Business Loan** – A loan with an original amount of \$1 million or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by nonfarm nonresidential properties” or “Commercial and industrial loans.”