

PUBLIC DISCLOSURE

WESTSTAR BANK
10-08-1424
352857

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

108 SOUTH FRONTAGE ROAD WEST
VAIL, COLORADO 81657

Federal Reserve Bank

925 Grand Avenue

Kansas City, Missouri 64198

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 WestStar Bank, Vail, Colorado, prepared, by Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of September 9, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

The bank's performance with the CRA is satisfactory. The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. Additionally, a substantial majority of loans were found to be in the bank's assessment area, and the distribution of loans reflects satisfactory dispersion among geographies and individuals of different income levels and businesses of different sizes.

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

SMALL INSTITUTION	WestStar 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	This bank has not received any complaints since the last examination.		

DESCRIPTION OF INSTITUTION

The main bank of WestStar Bank is located in Vail, Colorado. The bank also has nine branches located in Denver, Avon, Edwards, Frisco, Breckenridge and Dillon, Colorado. Except for the two Denver branches which are located in the Denver Metropolitan Statistical Area (MSA), the bank and its branches are located in the ski and resort areas of the Rocky Mountains.

The bank reflected total assets of \$139,343,000 in its June 30, 1996 Report of Condition and Income (Call Report). The table on the next page reflects the distribution of the bank’s loan portfolio.

DISTRIBUTION OF LOANS IN THE LOAN PORTFOLIO		
Type of Loan	\$ Amount (In Thousands)	Percentage of Total Loans
Commercial Loans	17,031	19
Loans Secured by Real Estate:		
Construction and land development	19,348	21
Revolving, open-end loans secured by 1- to 4-family residential properties	0	0
All other loans secured by 1- to 4-family residential properties	27,832	30
Secured by multifamily (5 or more) residential properties	278	0
Secured by nonresidential properties	22,554	25
Consumer instalment loans	3,069	3
Consumer open-end loans	1,005	1
Other	1,321	1
Total	92,438	100

The bank's performance under CRA was last evaluated at the January 9, 1995 examination, at which time it was considered Satisfactory also.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area does not arbitrarily exclude any low- and moderate-income areas, taking into account the bank's size, structure, and financial condition. The bank's assessment area, which is the geographic area the bank has designated as its service area, includes Summit County, most of Eagle County, and the Denver and Boulder MSAs. Per 1990 census data, the core population in the assessment area is 1,871,500.

The bank's assessment area includes seven contiguous block numbering areas (BNAs) surrounding the main bank in Vail and the branches in Eagle County. The assessment area also includes five contiguous BNAs surrounding the bank's branches in Summit County. Then the noncontiguous area outside the region located in Denver, Colorado, that includes the Denver and Boulder MSAs. Community contacts noted that low- and moderate-income geographies are not easily identifiable because low- and moderate-income individuals in the mountain communities outside of the Denver-Boulder MSAs are dispersed throughout the community.

The Eagle and Summit County economies are heavily dependent upon tourism and the resort industry and are considered exclusive resort areas. Market research conducted

by the bank indicated the average median family income for Vail to be approximately \$106,000 and for Dillon approximately \$96,000.

Because of its resort status, the Vail Valley area also boasts some of the highest real estate and median income figures in the state. According to 1990 U.S. Census information, the median family income for the assessment area was \$40,382, higher than the median income for the state of Colorado of \$35,930 for metropolitan areas and \$28,258 for nonmetropolitan areas of Colorado. Local officials estimate that this gap has widened since the 1990 census.

There are a total of 564 census tracts and BNAs in the bank's assessment area. The following table shows the distribution of those tracts among the income categories.

INCOME CLASSIFICATION OF CENSUS TRACTS & BNAs IN WESTSTAR BANK'S ASSESSMENT AREA				
	Low ¹	Moderate ²	Middle ³	Upper ⁴
Number of Tracts	123	118	188	135
Percentage of Total Tracts	22	21	33	24

¹ Less than 50 percent of the census tracts and BNAs' median family income

² At least 50 percent and less than 80 percent of the census tracts and BNAs' median family income

³ At least 80 percent and less than 120 percent of the census tracts and BNAs' median family income

⁴ One hundred twenty percent or more of the census tracts and BNAs' median family income

The bank's assessment area includes the Denver MSA and Boulder MSA, a large metropolitan area with a population of 1,848,329. The bank has two small branches (in comparison to the total bank) located in Denver serving both Boulder and Denver. The Denver branches originate only 10 percent of the bank's total loans. The balance of the bank's loans (90 percent) are originated in the bank and branches located in the mountain communities.

There are a total of 12 BNAs in the mountain communities included in the bank's assessment area, not including the Denver and Boulder MSAs. The following table shows the distribution of those tracts among the income categories.

INCOME CLASSIFICATION OF BNA'S IN WESTSTAR BANK'S ASSESSMENT AREA				
	Low ¹	Moderate ²	Middle ³	Upper ⁴
Number of Tracts	0	0	0	12
Percentage of Total Tracts	0	0	0	100

¹ Less than 50 percent of the BNAs' median family income

² At least 50 percent and less than 80 percent of the BNAs' median family income

³ At least 80 percent and less than 120 percent of the BNAs' median family income

⁴ One hundred twenty percent or more of the BNAs' median family income

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance under the CRA is satisfactory. The bank's performance under each of the five small institutions' assessment criteria is summarized as follows:

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio, which contrasts the level of loans to deposits, is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's average loan-to-deposit ratio for the end of the four quarters, July 1, 1995 through June 30, 1996, based on Call Report information, was 65 percent. This ratio is similar to the average of other banks of similar sizes and capacities located in the assessment area.

Lending in Assessment Area

A substantial majority of loans are in the bank's assessment area. This is based on a sample of loans reviewed during the examination, using sampling software procedures. Three loan types were sampled, including consumer automobile loans, real estate-secured consumer loans, and small business loans. Overall, 94 percent of the number and more than 93 percent of the dollar of loans sampled were in the bank's assessment area.

As noted in the following table, all loans showed the extremely high concentrations in the bank's assessment area.

DISTRIBUTION OF LOANS IN AND OUT OF THE ASSESSMENT AREA								
	Inside the Assessment Area				Outside the Assessment Area			
	Number of Loans	%	\$ Amount of Loans	%	Number of Loans	%	\$ Amount of Loans	%
Consumer Auto Loans	27	93	224,819	96	2	7	15,563	6
Other Consumer Loans	27	96	1,062,485	96	1	4	48,980	4
Small Business Loans	37	93	5,567,112	93	3	7	423,795	7

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

The distribution of loan originations across the bank's assessment area by income level of borrowers was satisfactory. This analysis was also completed using the same sample mentioned above. Comparisons were made of borrowers' income levels as compared to the average median income for the bank's assessment area. This review showed 34 percent of consumer motor vehicle loans and 26 percent of other secured consumer loans for a total of 30 percent of all consumer loans sampled were to low- and moderate-income borrowers (borrowers whose average family income is 0 to 80 percent of the 1990 state of Colorado median family for nonmetropolitan areas). While this does not compare favorably with the low- and moderate-income families located in the bank's assessment area, (represents 46 percent) it is important to note that the assessment area includes the combined Denver-Boulder MSAs. As previously noted, only 10 percent of the bank's loans are originated in this large market.

The table listed below shows the distribution of consumer loans sampled in the bank's assessment area by income level of borrower.

DISTRIBUTION OF CONSUMER LOANS SAMPLED IN THE ASSESSMENT AREA BY INCOME LEVEL OF BORROWER								
	Automobile				Other-secured			
	Number	%*	Dollar	%*	Number	%*	Dollar	%*
Low Income ¹	5	19	23,182	10	1	4	6,000	1
Moderate Income ²	4	15	23,578	10	6	22	15,962	2
Middle Income ³	8	30	64,448	29	7	26	66,776	6
Upper Income ⁴	10	37	113,611	51	13	48	973,747	91

¹ Less than 50 percent of the 1990 state of Colorado MSA and nonmetropolitan area median family income

² At least 50 percent and less than 80 percent of the 1990 state of Colorado MSA and nonmetropolitan area median family income

³ At least 80 percent and less than 120 percent of the 1990 state of Colorado MSA and nonmetropolitan area median family income

⁴ 120 percent or more of the 1990 state of Colorado MSA and nonmetropolitan area median family income

* May not total 100 percent due to rounding

In order to look at the area where the bank originates 90 percent of its loans, the loans originated in Denver were removed from the sample. These loans have been compared with the BNAs where the loans were originated, as detailed below.

DISTRIBUTION OF CONSUMER LOANS SAMPLED IN THE NON-MSA PORTION OF THE ASSESSMENT AREA BY INCOME LEVEL OF BORROWER								
	Automobile				Other-secured			
	Number	%*	Dollar	%*	Number	%*	Dollar	%*
Low Income ¹	4	10	20,882	10	0	0	0	0
Moderate Income ²	4	16	23,578	11	6	23	15,962	2
Middle Income ³	7	10	59,382	27	7	27	66,776	6
Upper Income ⁴	10	40	113,611	52	13	50	973,747	92

¹ Less than 50 percent of the 1990 state of Colorado nonmetropolitan area median family income

² At least 50 percent and less than 80 percent of the 1990 state of Colorado nonmetropolitan area median family income

³ At least 80 percent and less than 120 percent of the 1990 state of Colorado nonmetropolitan area median family income

⁴ 120 percent or more of the 1990 state of Colorado nonmetropolitan area median family income

* May not total 100 percent due to rounding

This comparison, excluding the Denver-Boulder MSAs, shows 28 percent of the consumer loans to low- and moderate-income families and compares favorably to the 17 percent of the BNAs of low- and moderate-income families. Also, while the number of consumer loans originated in the Denver branch was small, 75 percent were in low- and moderate-income census tracts. There are opportunities for the bank to expand its Denver originated consumer loans in low- and moderate-income census tracts adjacent to the downtown area where the Denver branch is located. When looking at the two areas separately the two areas compare favorably with the low- and moderate-income in each of the areas within the bank's assessment area.

The sample of small business loans (loans with original amounts of \$1 million or less) showed that the bank is making loans to businesses of different sizes. The sample showed that 82 percent of the small business loans sampled were to businesses with gross annual revenues less than \$1 million. Additionally, as shown on the following table, the bank is making loans to businesses of different sizes as well. A review of the number of loans by review category is noteworthy. Specifically, 66 percent of the number of loans in the assessment area were to businesses with gross annual revenues of less than \$500,000. In addition, of the seven small business loans originated in the Denver branch, 71 percent were to businesses with gross revenues of less than \$1,000,000 or less.

DISTRIBUTION OF BUSINESS LOANS SAMPLED WITHIN THE ASSESSMENT AREA				
Revenue Category¹	Number of Loans	%	Dollar of Loans	%
Less than \$100,000	12	32	572,787	8
Greater than or equal to \$100,000 but less than \$250,000	7	19	298,068	4
Greater than or equal to \$250,000 but less than \$500,000	5	14	1,885,996	26
Greater than or equal to \$500,000 but less than \$1,000,000	6	16	763,858	10
Greater than or equal to \$1,000,000	7	19	3,872,528	52

¹ Based on Gross Annual Revenue Figures

Geographic Distribution of Loans

The bank's overall geographic distribution of loans appears to reflect a less than satisfactory dispersion throughout the assessment area. However, it is important to note again the fact that 90 percent of the loans are originated in the BNAs that represent only 2 percent of the bank's assessment area population, and 10 percent of the loans are originated in census tracts (Denver-Boulder MSAs) that represent 98 percent of the population. This anomaly makes it difficult to obtain a true reflection of the geographic distribution of loans on the following table.

DISTRIBUTION OF LOANS ACROSS THE ASSESSMENT AREA BY INCOME LEVEL OF CENSUS TRACT								
	Low-Income ¹		Moderate-Income ²		Middle-Income ³		Upper-Income ⁴	
	#	\$	#	\$	#	\$	#	\$
Automobile	0	0	1	2,300	0	0	27	222,519
<i>Percent of Total</i>	0	0	4	1	0	0	96	99
Other Consumer Secured	0	0	1	6,000	0	0	26	1,062,485
<i>Percent of Total</i>	0	0	4	1	0	0	26	99
Small Business	0	0	0	0	6	248,125	31	5,318,987
<i>Percent of Total</i>	0	0	0	0	16	4	84	96
Number of BNA & Census tracts in Assessment Area	123		118		188		135	
<i>Percentage of Tracts*</i>	22		21		33		24	
Number of Families by BNA and Census Tract	89,794		89,451		119,132		185,668	
<i>Percentage of Families</i>	19		18		25		38	

¹ BNA tracts having less than 50 percent of the Colorado nonmetropolitan area median family income

² BNA tracts having at least 50 percent and less than 80 percent of the Colorado nonmetropolitan area median family income

The BNAs in mountain communities which represents only 2 percent of the population, where 90 percent of the bank's loans are originated are all upper income tracts. Therefore, all loans originated were in upper income tracts. When looking at the two areas (Denver-Boulder census tracts and the mountain community's BNA tracts) separately the bank's overall geographic distribution of loans reflects a satisfactory dispersion throughout the assessment area.

Response to Complaints

The bank has received no complaints about its performance in meeting assessment area credit needs. Therefore, no assessment of the bank's performance in responding to complaints was made.

Compliance with Antidiscrimination Laws and Regulations

The examination identified no violations of antidiscrimination laws and regulations.