



PUBLIC DISCLOSURE

June 2, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**COMMUNITY BANKS OF THE ROCKIES
RSSD# 507255**

**P.O. BOX 719
LA JARA, COLORADO 81140**

**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	9

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

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 and Farms 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 Condition and Income Report (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 three loan types sampled for this evaluation included those designated as motor vehicle loans, commercial loans, and agricultural loans.

Community Banks of the Rockies' (CBR) 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 and farms of different revenue sizes. The geographic distribution of loans, taking into account the bank's performance context, reflects an excellent dispersion throughout the assessment area. Furthermore, the bank operates its branch network primarily in low- and moderate-income geographies in an economically depressed area. In addition, the bank is helping meet community needs by providing financing for affordable housing projects within its assessment areas. Finally, the response to complaints criterion was not rated as the bank has not received any complaints about its performance under the CRA.

DESCRIPTION OF COMMUNITY BANKS OF THE ROCKIES

CBR is a wholly-owned subsidiary of Community Bankshares, Inc., a bank holding company out of Greenwood Village, Colorado. Community Bankshares currently owns three banks. The other two banks are Community Banks of Colorado in Greenwood Village and Community Banks of Southern Colorado in Rocky Ford. The bank, previously known as First Western National Bank, took on its current banking structure with the merger of Dove Creek Bank and Rio Grande County Bank in the second quarter of 2001.

The bank's main office is located in La Jara, Colorado and has ten full-service branches and seven automated teller machines.

According to the December 31, 2002 Call Report, the bank has total assets of \$185 million, total net loans of \$132 million, and total deposits of \$135 million. The bank's primary business focus is on commercial and agricultural loans. Table 1 illustrates the breakdown of the bank's loan portfolio as of December 31, 2002. The loan portfolio has been adjusted to account for \$24 million in loans that are classified as "loans available for sale" on the Call Report. These loans represent a participation by the bank in a warehouse loan program with the bank's affiliated mortgage companies. These consumer real estate loans are bundled by the mortgage companies, sold to CBR for a short duration (10 to 30 days), and then sold on the secondary market. As these loans are bundled, the individual loans are not reflected as originations on the bank's loan reports.

TABLE 1 DISTRIBUTION OF LOANS IN CBR's LOAN PORTFOLIO AS OF DECEMBER 31, 2002		
Type of Loan	Amount (\$000's)	Percent of Total Loans
Commercial Purpose Loans (32 Percent):		
Commercial Loans	13,686	10
Secured by Nonfarm, Nonresidential Properties	13,182	10
Construction and Land Development	16,068	12
Agriculture (33 Percent)		
Loans to Finance Agriculture Production	23,769	18
Secured by Farmland	19,551	15
Other Loans Secured by Real Estate: (25 Percent)		
Loans Secured by 1- to 4-Family Residential Properties (First Liens) ¹	31,620	24
Multi-family	1,355	1
Revolving, Open-end Loans	49	< 1
Consumer Loans	10,683	8
Other Loans	1,868	2
TOTAL	131,831	100

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. There are no legal impediments or financial factors that impact the bank's ability to lend or meet the credit needs of its assessment areas. The bank's CRA performance was last evaluated on November 20, 1997 at which time it was rated as Outstanding. This performance evaluation, prepared under the bank's previous name

¹ Adjusted for funded warehouse secondary market loans from Affiliated Mortgage (a subsidiary of CBS).

of First Western National Bank, was completed by the Office of the Comptroller of the Currency.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

CBR's assessment area has changed since the last CRA evaluation conducted on November 20, 1997. Due to the merger between Dove Creek Bank and CBR, the bank now has two separate assessment areas. One of the assessment areas is in the south central portion of Colorado, while the other assessment area is in the southwestern corner of Colorado and the southeastern corner of Utah. The bank has not excluded any low- or moderate-income Block Numbering Areas (BNAs) within either assessment area.

San Luis Valley Assessment Area

The bank's first assessment area is located in the San Luis Valley, a six county region surrounded by the Sange de Cristo and San Juan mountain ranges. The San Luis Valley includes the counties of Alamosa, Conejos, Costilla, Mineral, Rio Grande, and Saguache. The area is approximately 260 miles south of Denver, Colorado.

According to 1990 census data, the assessment area is designated as a nonmetropolitan area that includes 18 BNAs. Four of the BNAs (two in Rio Grande County and two in Alamosa County) are considered middle-income. A majority (11) of the BNAs are delineated as moderate-income. These encompass all of Mineral and Saguache Counties, the town of Del Norte, a portion of the town of Alamosa, the southwestern portion of Rio Grande County, the northern portion of Alamosa County, the northern portion of Costilla County, and the eastern portion of Conejos County. In addition, there are two low-income BNAs located in the western portion of Conejos County and the southern half of Costilla County. Both of these areas are predominantly agricultural, sparsely populated (5 percent of the population) and have a high concentration of Hispanic farm workers. The last geography is a non-populated BNA located in the southwest corner of Rio Grande County.

The bank's main office is located in La Jara, Colorado, with eight branch locations in San Luis Valley's primary communities of Alamosa, Antonito, Creede, Center, Del Norte, Monte Vista, San Luis, and South Fork. The main bank and six of its branches are located in moderate-income BNAs, one branch is located in a middle-income BNA, and one branch is located in a low-income BNA.

Between 1990 and 2000, according to U.S. census data, the population in the San Luis Valley has grown by 15 percent from 40,207 to 46,190. As indicated by the number of low- and moderate-income BNAs, the area's income levels are well below the state average. Per capita income for the six counties ranges from \$14,738 to \$21,232, compared to the state average of \$32,432. The Department of Housing and Urban

Development (HUD) year 2000 median family income is \$33,257 for the area, compared to \$55,883 for nonmetropolitan areas of the state. In addition, 16 percent of area families live below the poverty level, while the state average is about 6 percent. The 2000 year-end unemployment rate within the assessment area is also high at 7.4 percent, compared to the state average of 4.3 percent. On the other hand, median housing values and median gross rents are less than 50 percent of the state average. As a result, the affordability ratio is 37 percent², representing greater affordability than in the state as a whole, where the affordability ratio is 29 percent.

Members of the community were interviewed during this review to gain perspective on local economic conditions and possible credit needs. The community contacts included individuals from an economic development organization and a small business development corporation.

Both community contacts advised that the local economy has been poor and usually lags the state and national economies. The recent fires, drought, high gas prices, and business closings have all contributed to deteriorating economic conditions in the valley. One contact noted that there also is a high inventory of vacant buildings due to the closure of Kmart, two grocery stores in Alamosa and Monte Vista, the potato grower's coop, a U.S. Forest Service production facility, and the closure of other smaller businesses. The contact stated that CBR has provided financing commitments to relocate a potato processing company in the area and to create a new water bottling company in Costilla County.

Both contacts stated that due to decreasing local government budgets there are no large community projects or community investment opportunities available. However, they stated that there are always opportunities for banks to support their organizations and other similar community organizations in the area. The contacts also advised that most banks in the community have been very supportive to their organizations and have contributed time and resources. Further, the banks are involved in other projects and issues in their respective communities

The San Luis Valley is dependent on agriculture and tourism. The southern part of the valley is principally livestock-based operations, which have been impacted by the drought due to lack of feed and pasture. The northern part of the valley is predominately potato and grain operations, which have performed fairly well over the past two years. These operations are primarily pump irrigation and have not been as affected by the drought. The tourism economy in the valley has been severely impacted by the drought, national forest restrictions, and fire potential. The major employers in the area are the Wal-Mart, San Luis Valley Community Hospital, county and federal governments, and the local school districts.

² The affordability ratio is calculated by dividing median household income by median housing value.

Other characteristics of the San Luis Valley assessment area are summarized in Table 2 on page 8.

Cortez—Dove Creek Assessment Area

The second assessment area is located in the Four Corners region where four states (Colorado, Utah, New Mexico, and Arizona) meet. The assessment area includes Montezuma County, Dolores County, and San Miguel County in Colorado and San Juan County in Utah. San Juan County is not considered a separate assessment area, as the bank does not have a branch in Utah. The Dove Creek Branch is located eight miles from the state line and the bank attracts a number of customers from the town of Monticello, Utah.

This assessment area is delineated, according to 1990 census data, as a nonmetropolitan area that includes 13 BNAs. Two BNAs are considered low-income and consist of the Navajo Indian reservation and a part of the Ute Mountain Indian Tribe reservation. Both reservations are located in the lower quarter of San Juan County. There are also two moderate-income BNAs in the assessment area. One BNA encompasses the majority of San Juan County and consists mostly of forest and canyon wilderness areas. According to 2000 census data, 66 percent of the population is located in the BNA's only town of Blanding, Utah (approximately 50 miles from Dove Creek). Further, 1990 census data indicates that the area's median-family income is 78 percent of the statewide nonmetropolitan median income. Since "moderate-income" is defined as "at least 50 percent and less than 80 percent of median family income," this area is only a couple of percentage points away from being classified as a middle-income BNA. Preliminary 2000 census data indicates that the area is actually now regarded as a middle-income geography. The other moderate-income BNA is in the lower portion of Montezuma County and is also a part of the Ute Mountain Indian Tribe reservation. The rest of the assessment is made up of eight middle-income BNAs and one upper-income BNA. The upper-income geography is located in San Miguel County and includes the tourist and recreational town of Telluride, Colorado. Community Banks of the Rockies has two locations in the towns of Cortez and Dove Creek, both of which are in middle-income BNAs.

According to 1990 and 2000 census data, the assessment area population has grown by 28 percent from 36,460 to 46,861. Per capita income for Dolores and Montezuma counties in Colorado are \$19,221 and \$21,234, respectively, compared to \$32,434 for the state. San Miguel County per capita income is 97 percent of the state average, or \$30,476. In San Juan County, the per capita income ranks last in Utah counties at \$12,606, compared to \$23,430 for the state. The Year 2000 HUD median-family income in the assessment area is \$38,267 compare to \$51,022 and \$55,883 for Utah and Colorado, respectively. The household poverty rate is much higher in the area at 28 percent, compared to about 9 percent for both states. Similar to the other assessment area, the unemployment rate is at nearly 8 percent. The assessment area's

affordability ratio is similar to both state averages, while the median housing values and median gross rents are approximately two-thirds of the state averages.

Other characteristics of the Dove Creek-Cortez assessment area is summarized in Table 2 located on page 8.

A member of the community within this assessment area was also interviewed during this review to gain perspective on local economic conditions and possible credit needs. The community contact represented a local economic development organization.

According to the contact, the local economy is very stagnant. It continues to be affected by the current drought, large-scale wildfires, and the outbreak of the Hantavirus. In addition, the reduction in government budgets and the condition of the state and national economies have impacted the local economy.

The contact said that most of the banks in the area, including CBR, are involved in the various community organizations and are supportive of the community in general. In addition, the contact stated that the financial institutions are serving the credit needs of the assessment area and do not discriminate on the basis of any protected class.

Dolores and San Miguel counties are highly dependent on agriculture and tourism, while Montezuma County is dependent on tourism and retail services. In San Juan County, the economy relies on federal government service such as the Bureau of Land Management and the U.S. Forest Service. Due to the topography of the area, farming activities are limited in San Juan County and on the Indian reservations. According to community contacts, the Indian reservations for both the Navajo and Ute Mountain tribes are self-sufficient. Both tribes have programs available through the federal government and tribal leadership that offer financial services to meet the credit needs of their members. In addition, the Ute Mountain Indian Tribe generates income from gas and mineral rights, a large road construction company, and ownership of a casino. Contacts stated that they had little knowledge of qualified Native Americans having difficulty obtaining loans.

The major employers in Montezuma County are Wal-Mart, Western Excelsior (manufacturing), Southwest Memorial Hospital, the Ute Mountain Casino, and the Montezuma-Cortez school district. The major employers for Dolores, San Miguel, and San Juan Counties are the local governments, school districts, and federal government agencies.

Table 2 CHARACTERISTICS OF THE BANK'S ASSESSMENT AREAS (Based on 1990 Census Data)		
	San Luis Valley	Dove Creek—Cortez
Total Number of BNAs	18	13
	Number of BNAs	
Low-Income	2	2
Moderate-Income	11	2
Middle-Income	4	8
Upper-Income	0	1
Not categorized	1	NA
Total Population	40,207	36,450
Median-Family Income (2002 HUD) ³	\$20,519	\$24,773
Percent of Low-Income Households	35	30
Percent of Moderate-Income Households	19	16
Percent of Middle-Income Households	19	19
Percent of Upper-Income Households	27	35
Housing Types		
Owner-Occupied	51	55
Rental	23	20
Affordability Ratio	41	36
Total Small Businesses ⁴	2,235	2,670
Percent of Businesses < \$1,000,000 in Total Revenue	86	86
Percent of Businesses in Low-Income Areas	4	2
Percent of Businesses in Moderate-Income Areas	56	10
Percent of Businesses in Middle-Income Areas	40	62
Percent of Businesses in Upper-Income Areas	NA	26
Total Small Farms ⁴	159	159
Percent of Farms < \$1,000,000 in Total Revenue	87	91
Percent of Farms in Low-Income Areas	3	0
Percent of Farms in Moderate-Income Areas	65	7
Percent of Farms in Middle-Income Areas	32	85
Percent of Farms in Upper-Income Areas	NA	8

³ Based on the 2002 U.S. Department of Housing and Urban Development (HUD) figure for the nonmetropolitan areas of Colorado.

⁴ Based on 2002 Dun & Bradstreet (DB) data.

OVERALL CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

This core performance criterion evaluates the reasonableness of the bank's 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 in the assessment area.

The bank's average loan-to-deposit ratio was adjusted to account for the bank's participation in a warehouse loan program with the bank's affiliated mortgage loan companies. These consumer real estate loans are held by the bank in the short term and are bundled and sold on the secondary market. The loan-to-deposit averages were based on the last 16 quarters as of December 31, 2002.

CBR's average loan-to-deposit ratio over this period was 95 percent while the adjusted average was 91 percent. For comparison, the average loan-to-deposit ratio of local banks within or near the bank's assessment area was also calculated over the same time period. The loan-to-deposit ratio reported for these banks averaged 74 percent. In addition, the loan-to-deposit ratio was compared against the state and national peer group averages for the same time period, which averaged 70 and 75 percent, respectively. As a result, the bank's loan-to-deposit ratio is considered more than reasonable.

Lending in the Assessment Area

This core performance criterion evaluates the concentration of loans originated by the bank in its assessment area.

As shown in Table 3, a substantial majority of the loans were originated within the bank's assessment area with 95 percent by number and 91 percent by dollar amount.

TABLE 3 DISTRIBUTION OF LOANS IN AND OUT OF CBR's COMBINED ASSESSMENT AREAS								
Type of Loan	Inside the Assessment Area				Outside the Assessment Area			
	Number of Loans	%	\$ Amount of Loans (000's)	%	Number of Loans	%	\$ Amount of Loans (000's)	%
Motor Vehicle Purchase	59	97	718	97	2	3	25	3
Business	57	92	3,384	85	5	8	597	15
Agriculture	53	98	2,355	< 99	1	2	5	< 1
TOTAL	169	95	6,457	91	8	5	627	9

Lending to Borrowers of Different Income Levels and Businesses and Farms 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 and farms of different sizes based on their gross annual revenues. An analysis was performed based on data compiled from a statistically-derived sample of loans mentioned earlier.

San Luis Valley Assessment Area

Motor Vehicle Loans

The bank's origination of motor vehicle loans within this assessment area reflects a reasonable penetration to low- and moderate-income borrowers. As shown in Table 4, 58 percent of the auto loans originated to low- and moderate-income borrowers compares reasonably with the 54 percent of the households in the assessment area that are low- and moderate-income borrowers.

TABLE 4 PERCENTAGE OF LOANS REVIEWED BY DIFFERENT INCOME LEVELS IN SAN LUIS VALLEY ASSESSMENT AREA			
Income Level of Borrower	Percentage of Motor Vehicle Loans		Percentage of Households in Assessment Area⁵
	#	\$	
Low Income	27	23	35
Moderate Income	31	21	19
Middle Income	27	32	19
Upper Income	15	24	27

Commercial Loans

Table 5 shows the lending distribution of commercial loans among businesses of different revenue sizes. Of the 41 loans sampled, 71 percent by number and 50 percent by dollar amount were made to businesses with revenues under \$1 million while DB data reveals that 86 percent of businesses within the assessment area have gross revenues under \$1 million. However, three loans in the sample were made on the same day for a total amount of \$807 million to a large retail business to purchase and construct a retail building. The building was constructed in a new industrial park located in a moderate-income BNA in the city of Alamosa. These loans accounted for over 56 percent of the

⁵ The percentage of households in the assessment area is based on 1990 census data.

loans made to larger businesses. On the other hand, 79 percent of loans made to small businesses were in amounts less than \$250,000. Smaller loan amounts usually indicate more lending to small businesses and small farms. Considering all factors, the lending to businesses of different sizes is reasonable.

Farm Loans

Table 5 also reveals the lending to farms of different income levels. According to DB data, 87 percent of farms have gross revenues less than \$1 million. The lending penetration by the bank shows that 98 percent by loan number and 95 percent by dollar volume were made to small farmers. In addition, 98 percent of small farm loans were made in amounts of less than \$250,000. Therefore, the penetration of lending to farms of different sizes is considered excellent.

TABLE 5 LENDING TO BUSINESSES AND FARMS OF DIFFERENT SIZES WITHIN SAN LUIS VALLEY ASSESSMENT AREA								
Gross Revenue	Small Business Loans				Small Farm Loans			
	Number	Percent	Dollar (000's)	Percent	Number	Percent	Dollar (000's)	Percent
< = \$100,000	20	49	826	30	29	64	801	39
\$100,001 - \$250,000	6	15	295	11	8	18	481	23
\$250,001 - \$500,000	1	2	51	2	4	9	356	17
\$500,001 - \$750,000	1	2	32	1	3	7	320	16
\$750,001 - \$1,000,000	1	2	181	6	0	0	0	0
> \$1,000,000	12	29	1,404	50	1	2	100	5
Total	41	100*	2,789	100	45	100	2,058	100
*Percentage amount includes rounding differences.	Percent of Small Businesses and Farms in AA with Revenues Less than \$1MM⁶							
	86				87			

⁶ 2001 DB data.

Dove Creek-Cortez Assessment Area*Motor Vehicle Loans*

As illustrated in Table 6, the percentage of loans made to low- and moderate-income borrowers is 43 percent, compared to 46 percent of households in these income categories. As a result, the distribution of loans to borrowers of different income levels is reasonable.

TABLE 6 PERCENTAGE OF LOANS REVIEWED BY DIFFERENT INCOME LEVELS IN THE DOVE CREEK—CORTEZ ASSESSMENT AREA			
Income Level of Borrower	Percentage of Motor Vehicle Loans		Percentage of Households in Assessment Area⁷
	#	\$	
Low Income	22	17	30
Moderate Income	21	24	16
Middle Income	36	30	19
Upper Income	21	29	35

Commercial Loans

The lending to businesses of different revenue sizes is shown in Table 7. As shown, 75 percent of loans and 88 percent of the dollar volume are made to businesses with gross revenues less than \$1 million compared to 86 percent of small businesses in the assessment area. While the percentage of number of loans is slightly below DB data, three of the four loans to large businesses in the sample were made to an auto dealership for small floor plan loans. In addition, 100 percent of loans were made in amounts less than \$250 thousand. Smaller loan amounts usually indicate more lending to small business and farms. As a result, the lending to small businesses is considered reasonable.

Farm Loans

Table 7 also shows the number and amount of loans made to farms of different sizes. As explained in the assessment area's description, a large percentage of the area is not suitable for farming, therefore, the bank originates very few farm loans. As shown in the

⁷ The percentage of households in the assessment area is based on 1990 census data.

table, 88 percent of the number of loans and 87 percent of the loans were made to small farms compared to 91 percent of small farms in this assessment area. In addition, 100 percent of farm loans were made in amounts less than \$100,000. Therefore, the lending to farms of different sizes reflects a more than reasonable penetration.

TABLE 7 LENDING TO BUSINESSES AND FARMS OF DIFFERENT SIZES WITHIN DOVE CREEK-CORTEZ ASSESSMENT AREA								
Gross Revenue	Small Business Loans				Small Farm Loans			
	Number	Percent	Dollar (000's)	Percent	Number	Percent	Dollar (000's)	Percent
< = \$100,000	9	56	334	56	5	63	195	66
\$100,001 - \$250,000	2	13	85	14	2	25	62	21
\$250,001 - \$500,000	1	6	107	18	0	0	0	0
\$500,001 - \$750,000	0	0	0	0	0	0	0	0
\$750,001 - \$1,000,000	0	0	0	0	0	0	0	0
> \$1,000,000	4	25	68	12	1	12	40	13
Total	16	100	594	100	8	100	297	100
	Percent of Small Businesses and Farms in AA with Revenues Less than \$1MM							
	86				91			

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

In evaluating the overall distribution of lending based upon the borrower's profile, greater weight was given to the bank's performance in the San Luis Valley assessment area. 84 percent of the loans within the bank's combined assessment areas were made within the San Luis Valley area. Overall, the bank's lending demonstrates a reasonable penetration among borrowers of different income levels and businesses and farms of different sizes.

Geographic Distribution of Loans

This core performance criterion focuses on the bank's lending among different income level geographies.

San Luis Valley Assessment Area

Motor Vehicle Loans

The bank's lending, as shown in Table 8, shows a reasonable distribution of loans among different geographies. In total, 67 percent of loans were made within low- and moderate-income BNAs compared to 72 percent of the households within these BNAs.

Commercial Loans

Table 8 also reveals that 78 percent of loans and 79 percent of the dollar volume were made within low- and moderate-income BNAs while only 60 percent of small businesses are within these geographies. As a result, the geographic distribution of commercial loans is excellent.

Farm Loans

The geographic distribution of farm loans also shows an excellent dispersion within the assessment area. Table 8 shows that 82 percent of farm loans and 86 percent of the dollar volume were made within low- and moderate-income BNAs. Conversely, DB data reveals that only 68 percent of farms are within these same BNAs.

TABLE 8 DISTRIBUTION OF LOANS ACROSS THE SAN LUIS VALLEY ASSESSMENT AREA BY INCOME LEVEL OF GEOGRAPHIES								
(Total Loans)	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	#	\$	#	\$	#	\$	#	\$
Motor Vehicle Loans (45)	7%	7%	60%	53%	33%	40%	NA	NA
Small Business Loans (41)	7%	8%	71%	71%	22%	21%	NA	NA
Small Farm Loans (45)	16%	8%	64%	78%	20%	14%	NA	NA
Number of BNAs	2		11		4		0	
Percentage of Households in Each Geography ⁷	6		66		28		NA	
Percentage of Small Businesses in Each Geography ⁸	4		56		40		NA	
Percentage of Small Farms in Each Geography ⁸	3		65		32		NA	

Dove Creek-Cortez Assessment Area

Motor Vehicle Loans

Table 9 shows the distribution of motor vehicle loans within the second assessment area. While census data reveals that 24 percent of household are in low- and moderate-income BNAs, there is no lending by the bank in these geographies. The bank's ability to lend in these geographies is hindered by several barriers. As explained in the description of the bank's assessment area, the two low-income and one of the moderate-income BNAs are within the Navajo and Ute Indian reservations. According to community contacts, the tribal councils for each reservation provide financing alternatives to their tribe members. In addition, Native Americans are able to buy new vehicles at cost with zero percent financing at several local automobile dealerships resulting from available government subsidies. The branch in Cortez also faces extreme competition from auto dealerships and auto finance companies in Farmington, New Mexico that is approximately 15 miles south of the Colorado border. As a result, the Cortez branch makes very few car loans. The branch originated only two of the fourteen loans in the sample for this assessment area. The other moderate-income area is located in Utah and is mostly U.S. Forest and Bureau of Land Management land. The majority of the population is located in the town of Blanding, Utah. The Dove Creek branch is approximately 50 miles away while the town is roughly the same distance from the Cortez branch. Direct access is limited to gravel roads. In addition, Zions Bank and Wells Fargo Banks have a local presence in Blanding and provide most of the consumer loans. Therefore, in consideration of the

⁷ According to 1990 census data.

⁸ According to 2001 DB data.

consumer lending obstacles, the bank's distribution of motor vehicle loans is considered reasonable.

Commercial Loans

The distribution of commercial loans within the assessment area is excellent. Table 9 shows that 19 percent by number and 26 percent by dollar volume are made within the moderate-income BNA compared to 10 percent of small businesses within this geography. Because the bank is primarily a commercial lender, it is able to attract loans from small businesses in Blanding. The majority of small business in the low-income BNA is located within the Navajo Indian reservation.

Agriculture Loans

Similar to the motor vehicle lending, Table 9 shows that the bank has not originated any loans within the moderate-income geography, however, 7 percent of the farms are located within this area. There are only 159 small farms in the assessment area (as reported by DB data) with only 11 small farms located in the moderate-income area in San Juan County. As a result of the transportation barriers and the natural features of the county that makes the majority of the area unsuitable for farming, farm loan demand is low. Further, preliminary 2000 census data indicates that the area is now considered to be a middle-income geography. For these reasons, and the fact that the bank also does not have any loans in the upper-income geography, the bank's distribution of small farm loans is considered reasonable.

TABLE 9
DISTRIBUTION OF LOANS ACROSS DOVE CREEK-CORTEZ ASSESSMENT AREA
BY INCOME LEVEL OF GEOGRAPHIES

	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	#	\$	#	\$	#	\$	#	\$
Motor Vehicle Loans (14)	0%	0%	0%	0%	100%	100%	0%	0%
Small Business Loans (16)	0%	0%	19%	26%	81%	74%	0%	0%
Small Farm Loans (8)	0%	0%	0%	0%	100%	100%	0%	0%
Number of BNAs	2		2		8		1	
Percentage of Households in Each Geography ⁸	11		13		68		8	
Percentage of Small Businesses in Each Geography ⁹	2		10		62		26	
Percentage of Small Farms in Each Geography ⁹	0		7		85		8	

Overall Geographic Distribution of Loans

In evaluating the overall distribution of lending among geographies of different incomes, greater weight was again given to the bank's performance in the San Luis Valley assessment area. Branches in the San Luis Valley area made 84 percent of the loans sampled within the bank's combined assessment areas. Moreover, the barriers to lending within the low- and moderate-income geographies results in an analysis of primarily middle-income areas, further decreasing the weight given to the geographical analysis of the Dove Creek/Cortez assessment area is further decreased. Therefore, the overall geographic distribution for loans within the bank's assessment areas reflects and excellent dispersion.

Response to Complaints

The final core performance criterion, which evaluates the bank's performance in responding to substantiated complaints about its performance in meeting assessment area credit needs is not rated. The bank has not received any complaints about its performance in meeting assessment area credit needs; therefore, no assessment of the bank's performance in responding to complaints was made.

⁸ According to 1990 census data.

⁹ According to 2001 DB data.

Other Considerations

The bank operates in a historically depressed area within the state of Colorado. The bank has bank locations in one low-income, seven moderate-income, and three middle-income geographies. All locations are tailored to the convenience and needs of the geographies where they are located. Further, the San Luis and Antonito locations are the only banking institutions located in the low-income BNAs of the San Luis Valley. Therefore, the bank's branch delivery systems help support the availability of credit and bank services that benefit the community especially in low- and moderate-income areas.

Since the last examination, the bank has originated three construction loans for affordable housing projects in the amount of \$3.6 million. In addition, the bank originated a loan in the amount of \$151,000 for railroad repairs to revitalize the Cumbres & Toltec Railroad that is located in low- and moderate-income areas.

Furthermore, bank officers are currently providing their banking expertise by serving on the boards of directors or on committees of local economic development organizations and affordable housing coalitions.

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. Further, the bank was not engaged in any other illegal credit practices inconsistent with helping to meet community credit needs.

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.

Block Numbering Areas (BNAs) – BNAs are geographic entities similar to census tracts. Metropolitan areas are most often delineated into census tracts, while rural areas are delineated into BNAs.

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.

Community Development – Includes affordable housing (including multifamily rental housing) for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing businesses or farms that have gross annual revenues of \$1 million or less, or activities that revitalize or stabilize low- or moderate-income geographies.

Community Development Loan – A loan that has community development as its primary purpose and (except in the case of a wholesale or limited-purpose bank).

1. Has not been reported or collected by the bank or an affiliate as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan and
2. Benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s).

Community Development Service – A service that has as its primary purpose community development, is related to the provision of financial services, has not been considered in the evaluation of the bank’s retail banking services, benefits the banks assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area and has not been claimed by other affiliated institutions.

Consumer Loans – Loans to individuals for household, family and other personal expenditures. These loans do not include real estate-secured loans.

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.

Qualified Investment – A lawful investment, deposit, membership share or grant that has as its primary purpose community development.

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.”

Small Farm – A farm with gross annual revenues of \$1 million or less.

Small Farm Loan – A loan with an original amount of \$500,000 or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by farmland” or “Loans to finance agricultural production and other loans to farmers.”