



PUBLIC DISCLOSURE

May 20, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**COMMUNITY BANKS OF SOUTHERN COLORADO
RSSD# 111951**

**P.O. BOX 30
ROCKY FORD, COLORADO 81067**

**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 Combined Assessment Areas..... 4

Overall Conclusions..... 6

Description of Rocky Ford Assessment Area 12

Rocky Ford Assessment Area Conclusions 14

Description of Walsenburg Assessment Area..... 18

Walsenburg Assessment Area Conclusions..... 20

Glossary of Common CRA Terms..... 24

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
- ✍ Lending to Individuals of Different Income Levels and Businesses and Farms of Different Sizes
- ✍ Geographic Distribution of Loans
- ✍ 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 noted that the bank is primarily a commercial and agriculture lender. A review of the bank's Report of Condition and Income (Call Report) and a review of the volume of loan originations were also 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 consumer real estate loans, commercial loans and agriculture loans.

The analysis shows that the bank's loan-to-deposit ratio reflects a more than reasonable effort to extend credit with safe and sound banking practices. A majority of lending activity is within the bank's assessment area. In addition, the distribution of loans among borrowers of different income levels and to businesses and farms of different revenue sizes reflects a reasonable dispersion. Furthermore, the geographic distribution of loans reflects a reasonable dispersion throughout the bank's assessment area. The response to complaints criterion was not rated as the bank has not received any complaints about its performance under CRA.

DESCRIPTION OF COMMUNITY BANKS OF SOUTHERN COLORADO

An evaluation of the institution's CRA performance was conducted as of May 20, 2002, using the examination procedures for small banks. The bank is a wholly-owned subsidiary of Community Banks of Colorado, a holding company based in Englewood, Colorado, with assets totaling approximately \$500 million. Community Banks of Southern Colorado (CBSC), located in Rocky Ford, Colorado, converted from a national bank in September 2000. Since then it has merged with a sister bank which resulted in the

addition of two branches located in Walsenburg and LaVeta, Colorado. The bank has also opened two new branches in Ordway and Pueblo, Colorado and, subsequent to the evaluation date, has acquired an additional branch in Rocky Ford through the purchase of a local financial institution. The opening of the new branch in Pueblo required the bank to expand the assessment area to include Pueblo County. However, since this merger was not affected until March 2002, the assessment area used for this examination consisted of the bank's designated area prior to the opening of the Pueblo branch.

Currently CBSC has five banking locations (excluding the new branch, which opened in March 2002, and the acquisition made after the evaluation date) within its combined assessment area. The assessment area used for the evaluation is located in a nonmetropolitan statistical area (nonMSA) and does not have any upper-income block numbering areas (BNAs). In addition to the main facility in Rocky Ford, the bank owns and operates four full-service branches, and five cash dispensing automated teller machines (ATMs) throughout the bank's assessment area. The bank operates in a highly competitive market, with a number of financial institutions and branches of financial institutions located in its assessment areas.

The evaluation of the bank's CRA performance takes into account its financial capacity, legal impediments, local economic conditions, and demographics, including the competitive environment in which it operates. Although CBSC is subject to competition from other financial institutions, and mortgage companies within and around its assessment area, there are no financial or legal impediments that impact the bank's ability to lend. The bank's lending activity by dollar amount is primarily devoted to consumer real estate, commercial, and agriculture financing. Other consumer loans are offered as well. According to the March 30, 2002 Call Report, the bank's total assets were \$97,783,000, including loans totaling \$58,708,000 and deposits totaling \$71,947,000. Table 1 illustrates the breakdown of the bank's loan portfolio as of the March 30, 2002 Call Report.

TABLE 1
DISTRIBUTION OF LOANS IN CBSC LOAN PORTFOLIO
AS OF MARCH 30, 2002

Type of Loan	Amount (\$000's)	Percent of Total Loans
Commercial Purpose Loans (37%):		
Commercial Loans	12,165	21
Secured by nonfarm, nonresidential properties	9,240	16
Agriculture (24%)		
Loans to Finance Agriculture Production	5,812	10
Secured by Farmland	7,974	14
Other Loans Secured by Real Estate: (33%)		
Loans secured by 1- to 4-family residential properties (first liens)	14,878	25
Multi-family	346	< 1
Construction and Land Development	4,376	7
Revolving, Open-end Loans	21	< 1
Consumer Loans	2,987	5
Other Loans	911	1
TOTAL	58,710	100

The bank's performance under CRA was last evaluated at the March 9, 1998 examination, at which time it was also assigned a satisfactory rating.

DESCRIPTION OF CBSC COMBINED ASSESSMENT AREA

CBSC's acquisition and merger activity during 2001 and 2002 has increased the complexity of the bank's assessment area. The branches used for this evaluation are located within the nonMSA areas of Crowley, Otero, and Huerfano Counties.

CBSC's defined assessment area for this examination consists of two separate assessment areas. Because the areas are not contiguous a separate evaluation of each area is required under the Small Bank CRA procedures. The first assessment area (Rocky Ford assessment area) consists of most of Otero County and all of Crowley County. The Rocky Ford assessment area consists of one low-income, two moderate-income and three middle-income BNAs. Within these geographies are three banking facilities, two in moderate-income geographies and one in a middle-income geography. The second assessment area (Walsenburg assessment area) consists of all of Huerfano County. This assessment area consists of one low-income and two moderate-income geographies. CBSC has two banking facilities in this area, both in moderate-income geographies. Both assessment areas are located in rural areas and border the Pueblo MSA. The Rocky Ford assessment area borders the Pueblo MSA to the east, the Walsenburg assessment area to the south.

According to 1990 census data, the combined assessment areas contain approximately 4 percent of the state's rural population, households and housing units. Census data for 1990 revealed that the affordability ratio of a home in the assessment area is .43:1¹, which is more favorable, compared to the state's other rural areas, at .39:1. In 1990, the population of the bank's combined assessment area was 22,863, or less than one percent of the state's total population of 3,294,394. As of the 1990 census, the combined assessment area was comprised of nine BNAs. Two geographies are low-income, four are moderate-income, three are middle-income, and none are upper-income. Based on 1990 census data, the population of the three counties was 22,863. Updated 2000 census figures show that the population is 33,691, an increase of 12 percent. Per capita income has increased 29 percent for the counties as a whole from 1990 to 1999. Characteristics of the bank's assessment area are summarized in Table 2.

TABLE 2 CHARACTERISTICS OF BANK'S ASSESSMENT AREA (Based on 1990 Census Data)	
Total number of block numbering areas	9
	Number of BNAs
Low-Income Areas	2
Moderate-Income Areas	4
Middle-Income Areas	3
Total Population	22,863
Median Family Income	\$20,943
Percent of Low-Income Families	32
Percent of Moderate-Income Families	23
Percent of Middle-Income Families	20
Percent of Upper-Income Families	25
Total Small Businesses*	914
Percent of Businesses in Low-Income Areas	19
Percent of Businesses in Moderate-Income Areas	55
Percent of Businesses in Middle-Income Areas	26
Total Small Farms*	145
Percent of Farms in Low-Income Areas	8
Percent of Farms in Moderate-Income Areas	52
Percent of Farms in Middle-Income Areas	40
* Percentage of Businesses and Farms is based on 2000 Dun & Bradstreet data.	

A more detailed description of each assessment area is contained in the discussion of the bank's CRA performance within the two assessment areas.

¹ Affordability ratio is calculated by dividing the median housing income by the median housing value.

Members of the community were interviewed during the examination to gain perspective on local economic conditions and possible credit needs. Community contacts included a local trade association director, a local government-housing agency official, and a representative from a community development corporation. Their comments indicated that the area is in need of affordable housing. In addition, they noted that employment is increasing, the economy is stable, and competition among the area financial institutions is strong.

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 information from the performance context, including the institution's capacity to lend, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area. Small bank procedures dictate that the loan-to-deposit ratio average should be reviewed based on all quarters since the bank's last CRA examination. However, due to the number of mergers and acquisitions since September 2000, this ratio was evaluated based on the last six quarters ending March 30, 2002. The bank's average net loan-to-deposit ratio based on the last six quarters is 97.8 percent. For comparison, similarly-situated banks in rural areas of Colorado reported an average 76.9 percent loan-to-deposit ratio for the same timeframe. For all rural Colorado banks with assets of \$100,000,000 or less, the ratio was 75.3 percent.

The bank's high loan-to-deposit ratio is due to the bank participating in a warehouse loan program with the bank's affiliate 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. Most of these types of loans are high dollar loans with locations outside of the bank's assessment area. While these loans are outside the bank's assessment area, community contacts noted that the area's real estate loan needs are adequately served by area financial institutions. In addition, the bank did not have any warehouse loans on its books when reporting CALL report information for the end of the first quarter of 2002. The bank's loan-to-deposit ratio at that time was 81.6 percent which is more than reasonable when compared with the similarly-situated banks in rural areas of Colorado.

To further enhance this rating, the bank has originated a community development loan for \$757,817. The loan is to help a local housing authority purchase two multi-family dwellings (110 units total) with the specific purpose of turning them into low-income housing for the elderly. Additionally, both units are located in a low-income geography. Given these considerations, the bank's loan-to-deposit is 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 majority of the loans (73 percent of the consumer real estate loans, 70 percent of the business, and 72 percent of the agriculture loans) were originated within the bank's assessment area. In aggregate, 75 of the 105 loans sampled (71 percent) were inside the assessment area. However, only 41 percent of the aggregate dollar amount of loans were made inside the assessment area. This irregularity is attributed to the high dollar amount of warehouse loans from the bank's holding company that affected performance in consumer real estate. Also, two commercial loans in the statistically-derived loan sample were located just outside the bank's assessment area and were large enough to contribute to this irregularity. Based on this analysis the bank has satisfactorily met the standards for this performance criterion.

TABLE 3 DISTRIBUTION OF LOANS IN AND OUT OF CBSC ASSESSMENT AREA								
Type of Loan	Inside the Assessment Area				Outside the Assessment Area			
	Number of Loans	%	\$ Amount of Loans (000s)	%	Number of Loans	%	\$ Amount of Loans (000s)	%
Consumer Real Estate	24	73	1,330	24	9	27	4,248	76
Business	28	70	1,303	37	12	30	2,213	63
Agriculture	23	72	2,075	87	9	28	303	13
TOTAL	75	71	4,708	41	30	29	6,764	59

Overall 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. An analysis was performed based on data compiled from a statistically-derived sample of loans mentioned earlier. Overall, the distribution of loans in the bank's assessment area revealed a reasonable penetration among individuals of different income levels and businesses and farms of different sizes. Therefore, the bank has satisfactorily met the standards for this performance criterion. As mentioned earlier, the main focus of this bank is primarily commercial and agriculture loans. Thus, these areas were given more weight in the rating of this criterion as discussed in the following paragraphs.

Consumer Real Estate Loans

The bank's origination of consumer real estate loans to individuals of varying income levels in the assessment area is considered less than reasonable. Table 4 shows that 25 percent of the number and 20 percent of the dollar amount of the consumer real estate loans sampled in the assessment area were to moderate-income borrowers. While this percentage compares favorably with the percentage of moderate-income borrowers within the assessment area, there is a lack of consumer real estate loans to low-income borrowers. The percentages for both number and dollar amount are less than favorable when compared to demographic figures, which indicate that 32 percent of the families in the assessment area are considered low-income.

TABLE 4 PERCENTAGE OF LOANS REVIEWED BY DIFFERENT INCOME LEVELS IN CBSC ASSESSMENT AREA			
Income Level of Borrower	Percentage of Consumer Real Estate Loans		Percentage of Families in Assessment Area*
	#	\$	
Low (Less than 50 percent of median income)	8	5	32
Moderate (50 to 80 percent of median income)	25	20	23
Middle (80 to 120 percent of median income)	42	43	20
Upper (Greater than 120 percent of median income)	25	32	25

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

Commercial Loans

The bank's lending levels to small businesses are comparable to the revenue demographics of the assessment area and represent a reasonable penetration. Dun and Bradstreet estimated data for 2002 reveals that 94 percent of the businesses in the bank's assessment area have revenues of less than \$1 million. As shown in Table 5, a review of 28 commercial loans originated within the bank's assessment area revealed that 96 percent of the number and 99 percent of the dollar amount of loans were made to small businesses. Additional analysis of small business loans reveals that the average dollar amount of loans to small businesses was less than \$48,000, further demonstrating the bank's strong commitment to its small business customers.

Agriculture Loans

The bank's lending levels to small farms are comparable to the revenue demographics of the assessment area and represent a reasonable penetration. According to Dun and Bradstreet 2002 data, 95 percent of the farms in the bank's assessment area have revenues of less than \$1 million. As shown in Table 5, a review of 23 farm loans originated within the bank's assessment area revealed that 100 percent were made to small farms with revenue under \$1 million.

TABLE 5 LENDING TO BUSINESSES AND FARMS OF DIFFERENT SIZES WITHIN CBSC ASSESSMENT AREA								
Revenue	<i>Small Business Loan</i>				<i>Small Farm Loan</i>			
	Number	Percent	Dollar (000)	Percent	Number	Percent	Dollar (000)	Percent
< = \$100,000	16	57	422	32	14	61	797	38
\$100,001 - \$250,000	5	18	368	28	6	26	213	10
\$250,001 - \$500,000	2	7	60	5	2	9	166	8
\$500,001 - \$750,000	3	10	412	32	1	4	900	44
\$750,001 - \$1,000,000	1	4	23	2	0	NA	0	NA
> \$1,000,000	1	4	18	1	0	NA	0	NA
Total	28	100	1,303	100	23	100	2,076	100

Geographic Distribution of Loans

This core performance criterion focuses on loan penetration among low-, moderate-, middle-, and upper-income geographies in the bank's assessment area. Given that the assessment area contains no upper-income geographies and the CBSC branch locations, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Therefore, the bank has met the satisfactory standards for this performance criterion.

Consumer Real Estate Loans

CBSC geographic distribution of consumer real estate loans reflects a reasonable dispersion within the assessment area by the income level of the geographies. Table 6 shows the distribution of the bank's consumer real estate lending within the assessment area. As shown, 92 percent of the number of the bank's sampled consumer real estate loans were originated in the low- and moderate-income geographies. This percentage is

considered reasonable when compared to the percentage of families located the moderate-income geographies which, according to 1990 Census Bureau information, is 59 percent. As with the distribution of loans to low-income borrowers, the bank's performance with regard to low-income geographies is somewhat weak. However given the focus of the bank, the location of the offices, and the assessment of community credit needs by the community contacts, this weakness is not an overriding concern.

Commercial Loans

The geographic distribution of small business loans reflects a reasonable dispersion throughout the respective income geographies in the assessment area. Table 6 shows the distribution of small business loans within the applicable income categories. The analysis shows that 79 percent of the small business loans were originated in the low- and moderate-income geographies. This percentage compares favorably to the percentage of businesses located in these geographies, which according to Dun and Bradstreet information, is estimated at 74 percent.

Agriculture Loans

The geographic distribution of small farm loans reflects excellent dispersion in the assessment area. Table 6 reveals that 78 percent of the small farm loans were originated in the low- and moderate-income geographies. This percentage compares very favorably to the percentage of small farms located in these geographies, which according to Dun and Bradstreet information, is estimated at 58 percent.

TABLE 6 DISTRIBUTION OF LOANS ACROSS CBSC ASSESSMENT AREA BY INCOME LEVEL OF GEOGRAPHIES						
	Low-Income		Moderate-Income		Middle-Income	
	#	\$	#	\$	#	\$
Consumer Real Estate Loans (24 Total)	4%	3%	88%	94%	8%	3%
Small Business Loans (28 Total)	14%	21%	65%	61%	21%	18%
Small Farm Loans (23 Total)	4%	43%	74%	41%	22%	16%
Number of Tracts	2		4		3	
Percentage of Families in Each Geography*	16		43		41	
Percentage of Small Businesses in Each Geography**	19		55		26	
Percentage of Small Farms in Each Geography**	10		48		42	
* According to 1990 Census Data						
** According to 2002 Dun & Bradstreet Data						

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.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

The examination did not identify any substantive violations of the antidiscrimination laws and regulations.

CBSC ROCKY FORD ASSESSMENT AREA

DESCRIPTION OF THE ASSESSMENT AREA

The Rocky Ford assessment area consists of most of Otero County and all of Crowley County. Otero County includes the communities of Rocky Ford, Manzanola, Cheraw, Swink, La Junta, and Fowler. Crowley County includes the communities of Ordway, Crowley, Onley Springs, and Sugar City. The bank's main office is located in Rocky Ford, Colorado, in the Arkansas River basin that is situated in the southeastern portion of the state. Rocky Ford is approximately 55 miles east of the city of Pueblo, Colorado. As noted earlier, the assessment area consists of six geographies, one low-income, two moderate-income and three middle-income geographies. The main office is located in Otero County in a middle-income geography. The town of Rocky Ford is divided in half with a large low-income geography on the north side of town and a middle-income geography on the south side of town. The two branch locations are located in moderate-income geographies. One location in Ordway, Colorado, is situated in Crowley County, a moderate-income geography. Crowley County is just north and adjacent to Otero County. Another branch is located within Otero County in Manzanola, Colorado, approximately 10 miles west of Rocky Ford, in a moderate-income geography. In addition to the main facility and two branch locations, the bank owns and operates one automated teller machine at the Ordway branch and two drive-up facilities (one at the main facility and one at the Ordway branch) in the Rocky Ford assessment area.

The bank has chosen to exclude two moderate-income BNAs in Otero County. One BNA coincides with the town of La Junta (about 11 miles southeast of Rocky Ford) and the other with the town of Fowler (about 18 miles northeast of Rocky Ford). Both geographies comprise 30 percent of the county's population. According to management, local competing banks adequately serve these communities. Management further noted that they do not actively market bank products in these communities, but have made loans to customers in these areas.

According to 1990 census data, the Rocky Ford assessment area population was 16,854. The total population of both counties in 1990 was 24,131. Updated 2000 figures from the Bureau of Economic Analysis (BEA) show that the area population is 25,829, an increase of 7 percent. The low-income geography has only 17 percent of the assessment area's population and 18 percent of the number of families. Per capita personal income has increased 73 and 50 percent for all of Crowley and Otero Counties, respectively, from 1990 to 1999. Characteristics of the bank's assessment area are summarized in Table 7.

TABLE 7 CHARACTERISTICS OF THE ROCKY FORD ASSESSMENT AREA (Based on 1990 Census Data)	
Total number of block numbering areas	6
	Number of BNAs
Low-Income Areas	1
Moderate-Income Areas	2
Middle-Income Areas	3
Total Population	16,854
Median Family Income	18,333
Percent of Low-Income Families	32
Percent of Moderate-Income Families	21
Percent of Middle-Income Families	20
Percent of Upper-Income Families	27
Total Small Businesses*	551
Percent of Businesses in Low-Income Areas	28
Percent of Businesses in Moderate-Income Areas	29
Percent of Businesses in Middle-Income Areas	43
Total Small Farms*	121
Percent of Farms in Low-Income Areas	4
Percent of Farms in Moderate-Income Areas	48
Percent of Farms in Middle-Income Areas	48
*Percentage of Businesses and Farms is based on 2002 Dun & Bradstreet data.	

Census data for 1990 revealed that the affordability ratio of a home in the assessment area is .49:1, which is more favorable, compared to the state's other rural areas, at .39:1. The median housing value was \$37,741 compared to \$60,770 for other rural areas. The median age of housing is significantly greater in the assessment area with a median age of 39 years compared to 19 years for the state's rural areas. The percentage of units built prior to 1950 is 46 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 a local government-housing agency and a community development corporation. They noted that affordable housing is a major need in the community of Rocky Ford. There are not enough houses in the community and some residents who are issued housing vouchers from the Housing Authority in Rocky Ford are forced to leave the area and transfer their vouchers to Pueblo where housing and jobs are more plentiful. However, housing for the elderly is adequate. The average resale cost of existing homes is \$50,000. New homes are selling for between \$85,000 - \$105,000.

One community contact noted that the economy of Rocky Ford has been declining. Most of the larger employers have closed and left the area, leaving a need for jobs. Many residents are forced to seek employment in La Junta and Pueblo. Another contact noted that the economic base of the area relies on irrigation agriculture. In recent years, due to a soft agriculture market, many of the local farmers have given up farming and have sold their water rights to the lucrative markets in the Denver Metro area. As a result, the available job market has continued to shrink with fewer people working.

A contact also noted that current demographics reflect an aging, high minority population. Crowley County was the second poorest county in Colorado. Banking and credit needs are generally being met.

The major employers in the area are Oliver Manufacturing (a factory which produces machinery parts for farm equipment), county and local governments, Otero Junior College, the local school systems, the local hospital, Debourgh Manufacturing, Century Telephone, and Dean Pickle (a produce distribution company).

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE ROCKY FORD ASSESSMENT AREA

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. An analysis was performed based on data compiled from a statistically-derived sample of loans mentioned earlier. Overall, the distribution of loans in the Rocky Ford assessment area revealed a reasonable penetration among individuals of different income levels and businesses and farms of different sizes. Therefore, the bank has satisfactorily met the standards for this performance criterion.

Consumer Real Estate Loans

The bank's origination of consumer real estate loans to individuals of varying income levels in the assessment area is considered less than reasonable. Table 8 shows 20 percent of the number and 24 percent of the dollar amount of the consumer real estate loans sampled in the assessment area were to moderate-income borrowers. While this percentage compares favorably with the percentage of moderate-income borrowers within the assessment area, loan originations to low-income borrowers was low. The percentages compare less favorably with demographic figures, which indicate that 32 percent of the families in the assessment area are considered low-income families.

TABLE 8 PERCENTAGE OF LOANS REVIEWED BY DIFFERENT INCOME LEVELS IN THE ROCKY FORD ASSESSMENT AREA			
Income Level of Borrower	Percentage of Consumer Real Estate Loans		Percentage of Families in Assessment Area*
	Number	Dollar	
Low (Less than 50 percent of median income)	13	9	32
Moderate (50 to 80 percent of median income)	20	24	21
Middle (80 to 120 percent of median income)	53	43	20
Upper (Greater than 120 percent of median income)	14	24	27

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

Commercial Loans:

The bank's lending levels to small businesses are comparable to the revenue demographics of the assessment area and represent a reasonable penetration. Dun and Bradstreet estimated data for 2002 reveals that 95 percent of the businesses in the bank's assessment area have revenues of less than \$1 million. As shown in Table 9, a review of 15 commercial loans originated within the bank's assessment area revealed that 100 percent were made to small businesses.

Agriculture Loans

The bank's lending levels to small farms are comparable to the revenue demographics of the assessment area and represent a reasonable penetration. According to Dun and Bradstreet 2002 data, 87 percent of the farms in the bank's assessment area have revenues of less than \$1 million. As shown in Table 9, a review of 18 farm loans originated within the bank's assessment area revealed that 100 percent were made to small farms. Further analysis reveals that the average dollar amount of loans to small farms was less than \$40,000, indicating a high level of commitment to small farms.

**TABLE 9
LENDING TO BUSINESSES AND FARMS OF DIFFERENT SIZES
WITHIN THE ROCKY FORD ASSESSMENT AREA**

Revenue	Small Business Loans				Small Farm Loans			
	Number	Percent	Dollar (000)	Percent	Number	Percent	Dollar (000)	Percent
< = \$100,000	7	47	217	25	10	56	335	47
\$100,001 - \$250,000	4	27	240	27	6	33	213	30
\$250,001 - \$500,000	2	13	60	7	2	11	166	23
\$500,001 - \$750,000	2	13	358	41	0	NA	0	NA
TOTAL	15	100	875	100	18	100	714	100

Geographic Distribution of Loans

This core performance criteria focuses on loan penetration among low-, moderate-, middle-, and upper-income geographies in the bank’s assessment area. Given that there are no upper-income geographies in the assessment area and the CBCS branch locations, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Therefore, the bank has met the satisfactory standards for this performance criterion.

Consumer Real Estate Loans

CBCS geographic distribution of consumer real estate loans reflects a reasonable dispersion within the assessment area by the income level of the geographies. Table 10 reveals the distribution of the bank’s consumer real estate lending within the assessment area’s income geographies. As shown, 87 percent of the number of the bank’s sampled consumer real estate loans were originated in the low- and moderate-income geographies. This percentage is considered very good when compared to the percentage of families located the low- and moderate-income geographies which, according to 1990 Census Bureau information, is 44 percent. Analysis of the low- and moderate-income geographies separately reveals that the percentage of consumer real estate loans originated in the low-income geography is low. However, a community contact noted that the housing needs of the area are being met by the local financial institutions and that the area is lacking job creation more than housing. The analysis of moderate-income geographies reveals that the consumer real estate lending in these areas is very good. As noted earlier, of the bank’s three locations in this assessment area, two are located in moderate-income geographies. Therefore, although weak in regard to low-income BNAs, this dispersion is considered reasonable.

Commercial Loans

The geographic distribution of small business loans reflects a reasonable dispersion throughout the geographies in the assessment area. Table 10 shows the distribution of small business loans within the applicable income categories. The analysis shows that 60 percent of the small business loans were originated in the low- and moderate-income geographies. This percentage compares favorably to the percentage of businesses located in these geographies, which according to Dun and Bradstreet information is estimated at 57 percent.

Agriculture Loans

The geographic distribution of small farm loans reflects a reasonable dispersion in the assessment area. Table 10 reveals that 72 percent of the small farm loans were originated in the moderate-income geographies. This percentage compares very favorably to the percentage of small farms located in these geographies, which according to Dun and Bradstreet information, is estimated at 48 percent. While no small farm loans were originated in the low-income geography, only four percent of the small farms are located in the low-income geography.

TABLE 10 DISTRIBUTION OF LOANS ACROSS THE ROCKY FORD ASSESSMENT AREA BY INCOME LEVEL OF GEOGRAPHIES						
	Low-Income		Moderate-Income		Middle-Income	
	#	\$	#	\$	#	\$
Consumer Real Estate Loans (15 Total)	7%	5%	80%	91%	13%	4%
Small Business Loans (15 Total)	20%	20%	40%	53%	40%	27%
Small Farm Loans (18 Total)	NA	NA	72%	56%	28%	44%
Number of Tracts	2		4		3	
Percentage of Families in Each Geography*	18		26		56	
Percentage of Small Businesses in Each Geography**	28		29		43	
Percentage Small Farms in Each Geography**	4		48		48	
* According to 1990 Census Data						
** According to 2002 Dun & Bradstreet Data						

CBSC WALSENBURG ASSESSMENT AREA

DESCRIPTION OF THE ASSESSMENT AREA

The bank's Walsenburg assessment area includes all of Huerfano County. Huerfano County includes the communities of Walsenburg, La Veta, Gardner, Farisita, and Cuchara. Huerfano County is west and slightly south of Otero and Crowley counties. The assessment area consists of one low- and two moderate-income geographies and is defined by census data as a rural area.

CBSC has two branch locations in this assessment area, which are located in Walsenburg and La Veta, Colorado. Both branch locations are in moderate-income geographies. Walsenburg is approximately 45 miles south of the city of Pueblo, Colorado. La Veta, Colorado is approximately 15 miles to the southwest of Walsenburg. In addition to the two branch locations, the bank owns and operates four ATMs and two drive-up facilities in the Walsenburg assessment area.

Based on 1990 census data, the population of the assessment area was 6,009. Updated 1999 figures from the BEA show that the area population is 6,802, an increase of 13 percent. The low-income geography has only 10 percent of the county's population and 11 percent of the number of families. The per capita personal income has increased 29 percent for the county from 1990 to 1999. Characteristics of the bank's assessment area are summarized in Table 11.

TABLE 11	
CHARACTERISTICS OF THE WALSENBURG ASSESSMENT AREA	
(Based on 1990 Census Data)	
Total number of block numbering areas	3
	Number of BNAs
Low-Income Areas	1
Moderate-Income Areas	2
Total Population	6,009
Median Family Income	19,001
Percent of Low-Income Families	34
Percent of Moderate-Income Families	27
Percent of Middle-Income Families	20
Percent of Upper-Income Families	19
Total Small Businesses*	363
Percent of Businesses in Low-Income Areas	6
Percent of Businesses in Moderate-Income Areas	94
Total Small Farms*	24
Percent of Farms in Low-Income Areas	29
Percent of Farms in Moderate-Income Areas	71
*Percentage of Businesses and Farms is based on 2002 Dun & Bradstreet data.	

The 1990 census data revealed that the affordability ratio of a home in the assessment area is .34:1, less than the .39:1 reported for other state rural areas. The median housing value for the Walsenburg assessment area was \$44,200 compared to \$60,770 for other state rural areas.

One individual from a local trade association was interviewed during this review to gain perspective on local economic conditions and possible credit needs. The comments indicated that affordable housing is not a major need in the community of Walsenburg. According to the community contact, there are enough houses for rent in the community and there are plenty of homes for sale in the moderate range. The low- and moderate-income areas are located in and around the town of Walsenburg. While the economy of Walsenburg is stable, the economy has slowed some due to the attacks on the World Trade Center in September 2001.

The major employers in Huerfano County are the Huerfano Correctional Facility (a privately operated minimum-security correctional facility), city, county, and state government, the school district, and Mountain View Manufacturing (a sewing company which produces protective firefighter gear). The ranching community is also critical to the local economy.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE WALSENBURG ASSESSMENT AREA

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. An analysis was performed based on data compiled from a statistically-derived sample of loans mentioned earlier. Overall, the distribution of loans in the Walsenburg assessment area revealed a reasonable penetration among individuals of different income levels and businesses and farms of different sizes. Although there is weakness in the bank’s real estate lending performance, the performance in regard to small businesses and farms indicates that, overall, the bank meets the standards for satisfactory performance.

Consumer Real Estate Loans

The bank’s origination of consumer real estate loans to individuals of varying income levels in the assessment area is considered less than reasonable. Table 12 shows 33 percent of the number and 13 percent of the dollar amount of the consumer real estate loans sampled in the assessment area were to moderate-income borrowers. While this percentage compares favorably with the percentage of moderate-income borrowers within the assessment area, there were no loans to low-income borrowers which account for 34 percent of the families in the assessment area. As mentioned earlier, the affordability ratio for this area is low thus, many low-income borrowers may not be able to afford a home in this area.

TABLE 12 PERCENTAGE OF LOANS REVIEWED BY DIFFERENT INCOME LEVELS IN THE WALSENBURG ASSESSMENT AREA			
Income Level of Borrower	Percentage of Consumer Real Estate Loans		Percentage of Families in Assessment Area*
	Number	Dollar	
Low (Less than 50 percent of median income)	NA	NA	34
Moderate (50 to 80 percent of median income)	33	13	27
Middle (80 to 120 percent of median income)	22	44	20
Upper (Greater than 120 percent of median income)	45	43	19

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

Commercial Loans

The bank's lending levels to small businesses are comparable to the revenue demographics of the assessment area and represent a reasonable penetration. Dun and Bradstreet estimated data for 2002 indicates that 96 percent of the businesses in the bank's assessment area have revenues of less than \$1 million. As shown in Table 13, 93 percent of the number and 96 percent of the dollar amount of loans were made to small businesses. Further analysis of small business loans reveals that the average dollar amount of loans to small businesses was less than \$33,000, indicating a high level of commitment to small businesses in the area.

Agriculture Loans

The bank's lending levels to small farms are comparable to the revenue demographics of the assessment area and represent a reasonable penetration. According to Dun and Bradstreet 2002 data, 92 percent of the farms in the bank's assessment area have revenues of less than \$1 million. As shown in Table 13, a review of 5 farm loans originated within the bank's assessment area revealed that 100 percent were made to small farms.

TABLE 13 LENDING TO BUSINESSES AND FARMS OF DIFFERENT SIZES WITHIN THE WALSENBURG ASSESSMENT AREA								
Revenue	Small Business Loans				Small Farm Loans			
	Number	Percent	Dollar (000)	Percent	Number	Percent	Dollar (000)	Percent
< = \$100,000	9	69	205	48	4	80	461	34
\$100,001 - \$250,000	1	8	127	30	0	NA	0	NA
\$250,001 - \$500,000	0	NA	0	NA	0	NA	0	NA
\$500,001 - \$750,000	1	8	55	13	1	20	900	66
\$750,001 - \$1,000,000	1	8	23	5	0	NA	0	NA
> \$1,000,000	1	7	18	4	0	NA	0	NA
Total	13	100	428	100	5	100	1,361	100

Geographic Distribution of Loans

This core performance criterion focuses on loan penetration among low-, moderate-, middle-, and upper-income geographies in the bank's assessment area. Given that there are no middle- or upper-income geographies, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Therefore, the bank has met the satisfactory standards for this performance criterion.

Consumer Real Estate Loans

CBSC's geographic distribution of consumer real estate loans reflects a reasonable dispersion within the assessment area by the income level of the geographies. Table 14 reflects the distribution of the bank's consumer real estate lending within the Walsenburg assessment area's geographies. As shown, all of the sampled loans were originated in the moderate-income geography. As noted earlier, both of the bank's two locations in the Walsenburg assessment area are located in moderate-income geographies. Also, if the penetration of loans in the low-income geography were extrapolated to match the demographics, the desired penetration would be only one loan.

Commercial Loans

The geographic distribution of small business loans reflects a reasonable dispersion throughout the geographies in the assessment area. Table 14 shows that the percentage of businesses in the low-income BNA (6 percent) compares to the number (8 percent) and dollar amount (23 percent) of the business loans originated by the bank in this area.

Agriculture Loans

The geographic distribution of small farm loans reflects a reasonable dispersion in the assessment area. As shown in Table 14, CBSC's origination of small farm loans within the geographies of the Walsenburg assessment area compares favorably to the percentage of farms within those geographies. Specifically, 27 percent of farms are located within the low income BNA while 20 percent of the number and 66 percent of the dollar volume of the farm loans are attributable to this area.

TABLE 14 DISTRIBUTION OF LOANS ACROSS THE WALSENBURG ASSESSMENT AREA BY INCOME LEVEL OF GEOGRAPHIES				
	Low-Income		Moderate-Income	
	#	\$	#	\$
Consumer Real Estate Loans (9 Total)	0	NA	100%	100%
Small Business Loans (13 Total)	8%	23%	92%	77%
Small Farm Loans (5 Total)	20%	66%	80%	34%
Number of Tracts	1		2	
Percentage of Families in Each Geography*	11		89	
Percentage of Small Businesses in Each Geography**	6		94	
Percentage of Small Farms in Each Geography**	27		73	
* According to 1990 Census Data				
** According to 2002 Dun & Bradstreet Data				

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).

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.

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.”