

PUBLIC DISCLOSURE

January 8, 1996

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

PIONEER BANK OF LONGMONT
10-08-1091
579654

1610 HOVER ROAD
LONGMONT, COLORADO 80501

**Federal Reserve Bank of Kansas City
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 Pioneer Bank of Longmont, Longmont, Colorado, prepared by the Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of January 8, 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 **Outstanding**.

The bank is actively lending in its assessment area, which has a high loan demand. The bank's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. A substantial majority of loans are in the bank's assessment area. The distribution of loans reflects excellent dispersion among geographies and individuals of different income levels.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	Pioneer Bank of Longmont PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes	X		
Geographic Distribution of Loans	X		
Response to Complaints	No complaints have been received since the previous examination.		

DESCRIPTION OF INSTITUTION

The bank's financial condition and size allows it to meet the various credit needs of the community. The bank has total assets of \$79,231,000 according to the December 31, 1995 Report of Condition ("Call Report"). The Call Report reflects that 74 percent of the bank's loan portfolio is real estate-secured. Commercial loans comprise 13 percent and consumer loans make up 11 percent of the loan portfolio. The bank's main office is in Longmont, Colorado, which is located in Boulder County. Additionally, the bank has three branch offices also in Boulder County located in Longmont, Niwot, and Lyons. The bank is in the process of opening another branch office in Berthoud, Colorado, in Larimer County. According to management, the bank's primary business focus is on small business, residential construction, and consumer lending.

DESCRIPTION OF BANK'S ASSESSMENT AREA

The bank's assessment area includes the entire Metropolitan Statistical Area ("MSA") of Boulder County and small portions of the Larimer and Weld Counties MSAs. The assessment area is a contiguous area with 64 census tracts. Most are in Boulder County. Four of the 64 census tracts are located in Larimer County and two are located in Weld County. According to 1990 U.S. Census information, the median household income for the three MSAs is \$35,322 for Boulder County, \$29,686 for Larimer County, and \$25,642 for Weld County. The City of Longmont and Boulder County continue to experience substantial growth. In 1994, the city's population was 56,102 and the county's population was 247,775. These figures represent a 9 percent increase in city and county populations since 1990 and a 31 percent increase since 1980. The assessment area does not arbitrarily exclude any low- and moderate-income areas, taking into account the bank's size, branching structure, and financial condition.

The local economy is strong. The area is attracting high growth companies in such areas as high-tech, bio-med, and pharmaceuticals, all of which offer high paying jobs. The area is also nurturing a large number of business start-ups. Consequently, the population has experienced rapid growth and the area has been active in residential and commercial real estate development. Major employers in the Boulder/Longmont area are manufacturers involved in producing spacecraft accessories, computer peripherals and software, and pharmaceuticals. Other major employment sectors are retail trade, services, and government.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank's performance under the Community Reinvestment Act is considered outstanding. The bank has continued to respond to the high lending needs of the community through its lending activity. This performance is reflected in the bank's loan-to-deposit ratio, its lending in the assessment area, and its lending to borrowers of different income levels, particularly low- and moderate-income individuals, and lending activity in geographies of different income levels within the assessment area.

The bank's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. As stated previously, loan demand in the assessment area is high and is creating a need for consumer, small business, and real estate development loans. The bank's efforts to meet these credit needs is reflected in the loan-to-deposit ratio. The bank's average loan-to-deposit ratio based on 1995 quarterly figures is 73.1 percent.

A substantial majority of loans are in the bank's assessment area. This is based on a sample of loans reviewed during the examination. Three types of loan products were

sampled, including 71 consumer motor vehicle loans, 46 home equity consumer loans, and 76 business loans. Based on this sample, 65 percent of motor vehicle loans were within the bank's assessment area. The percentage of home equity and small business loans was much higher. The sample showed that 89 percent of home equity loans and 84 percent of small business loans were within the bank's assessment area. Overall, the total sample reflects that 78 percent of the bank's loans are within its assessment area.

Given the demographics of the assessment area, the distribution of borrowers reflects excellent penetration among individuals of different income levels (particularly low- and moderate-income) and businesses of different sizes.

According to 1990 U.S. Census data, household income in the bank's assessment area is classified in the following income categories:

	Low ¹	Moderate ²	Middle ³	Upper ⁴
Percentage of Households	22.6%	16.2%	17.8%	43.3%

- 1 Less than 50 percent of the area median income
- 2 At least 50 percent and less than 80 percent of the area median income
- 3 At least 80 percent and less than 120 percent of the area median income
- 4 120 percent or more of the area median income

The bank's lending to individuals in low- and moderate-income categories is proportionately higher than the demographic composition of its assessment area. For instance, the analysis showed that 30 percent of motor vehicle loans were to low-income individuals and 33 percent were to moderate income individuals.

For home-equity loans, the sample revealed that five percent of these loans were to low-income individuals. Although the bank's home equity lending to low-income individuals appears disproportionately low, it should be noted that low-income individuals in the bank's assessment area are typically not home owners, which accounts for the disparity. Specifically, in the low-income census tracts located in the bank's assessment area, only 1 percent of housing units are owner occupied, and 95 percent are renter occupied. In the moderate-income category where individuals are much more likely to be home owners, the bank's home-equity lending is proportionately higher than demographic figures.

The bank makes a substantial majority of its commercial loans to small businesses. According to the loan sample, 76 percent of the commercial loans were to small businesses or individuals with annual revenues less than \$1,000,000. The bank originates loans to businesses of different sizes as well. The sample revealed that 25 percent of business loans were to businesses or individuals with annual revenues less than \$100,000; 26 percent to businesses or individuals with annual revenues between \$100,000 and \$250,000; and 25 percent to businesses with annual revenues between \$250,000 and \$1,000,000.

The bank's geographic distribution of loans reflects excellent dispersion throughout the assessment area. According to 1990 U.S. Census data, of the 64 census tracts in the bank's assessment area, 3 are low-income, 11 moderate-income, 32 middle-income, and 18 upper-income census tracts. As a percentage of total census tracts, the census tracts in each income category are as follows:

	Low ¹	Moderate ²	Middle ³	Upper ⁴
Percentage of Census Tracts	4.7%	17.2%	50.0%	28.1%

- 1 Less than 50 percent of the area median income
- 2 At least 50 percent and less than 80 percent of the area median income
- 3 At least 80 percent and less than 120 percent of the area median income
- 4 120 percent or more of the area median income

The bank's lending in low- and moderate-income census tracts is proportionately higher than the demographic composition of its assessment area. For instance, in moderate-income census tracts, the sample reflects that 35 percent of the bank's motor vehicle loans, 24 percent of home equity loans, and 23 percent of small business loans were to borrowers located in these census tracts.

The bank has received no complaints about its performance in meeting assessment area credit needs since the last examination.

There were no substantive violations of the antidiscrimination laws and regulations identified during the fair lending component of the compliance examination. Minor violations of Regulation B (Equal Credit Opportunity Act) were noted during the examination and are easily correctable by management. These findings would not lower the bank's overall CRA rating.

In summary, the bank's overall performance in CRA is considered outstanding. The bank materially exceeds the standards for satisfactory in all relevant performance criteria to the extent that an outstanding rating is warranted.