

PUBLIC DISCLOSURE

December 9, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Colorado Bank and Trust Company
10-08-0279
285151

301 Colorado Avenue
La Junta, Colorado 81050

Federal Reserve Bank of Kansas City
925 Grand Boulevard
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 The Colorado Bank and Trust Company, La Junta, Colorado, prepared by the Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of December 9, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

The bank's performance with the CRA is satisfactory. The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, assessment area credit needs, and strong local competition.

A substantial majority of loans are within the bank's assessment area, and the distribution of loans reflects excellent dispersion among individuals of different income levels. Further, the bank's lending to businesses and farms of different sizes reflects an excellent dispersion throughout the assessment area. The geographic distribution of the bank's loans reflects reasonable dispersion throughout the assessment area.

The following table indicates the performance level of The Colorado Bank and Trust Company of La Junta with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	The Colorado Bank and Trust Company 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	The bank has not received any complaints about its CRA performance.		

DESCRIPTION OF THE COLORADO BANK AND TRUST COMPANY

The Colorado Bank and Trust Company is located in the town of La Junta, Colorado, at 301 Colorado Avenue. The bank has one location and does not own any branches. Since the last examination, the bank installed an automated teller machine (ATM) at its drive-up facility.

The bank has the ability to meet the credit needs of its defined assessment area based on its size, financial condition, and resources. The types of credit products offered by the bank, as noted in the bank’s public file, include agricultural and small business loans, consumer loans, and credit cards. Additionally, the bank extends consumer real estate credit for both in-house loans and loans to be sold on the secondary market.

The bank reported total assets of \$49,112,000 in its September 30, 1996 Report of Condition and Income (Call Report). The table on the following page reflects the distribution of the bank’s loan portfolio as of that date.

DISTRIBUTION OF LOANS IN THE LOAN PORTFOLIO		
<i>Type of Loan</i>	<i>\$ Amount (In Thousands)</i>	<i>Percentage of Total Loans</i>
Agricultural production & other loans to farmers	10,302	40
Commercial	6,957	27
Loans secured by real estate	4,159	16
Consumer loans (closed and open)	4,141	16
Other	335	1
Total	25,894	100

The bank's performance under the Community Reinvestment Act was last evaluated at the May 1, 1995 examination, at which time it was considered Outstanding.

DESCRIPTION OF THE COLORADO BANK AND TRUST COMPANY'S ASSESSMENT AREA

The bank's assessment area is Otero County, Colorado. The bank primarily serves the city of La Junta, as well as the surrounding towns and communities of Fowler, Rocky Ford, Manzanola, Swink, and Cheraw. A map of the bank's assessment area is included as Attachment A.

The bank's assessment area does not arbitrarily exclude any low or moderate-income areas. All income levels are represented in the assessment area population. La Junta is the largest town in the assessment area with a population of 7,637 (per 1990 census data) or 38 percent of the county's population. The population of Otero County is 20,185.

Although the assessment area is sparsely populated, there are four independent banks, a branch of a regional bank, one credit union, and a Farm Credit Bureau office located in the town of La Junta. There are another five financial institutions located in Rocky Ford, two in Fowler, and one in Manzanola.

Information obtained from community contacts was used in analyzing the institution's lending record. The community contacts included a nonprofit organization that recruits new businesses to the city and the local government. The community contacts stated that the credit needs of the community are being met.

Community contacts indicated that the area's economy has remained stable. The leading source of income in the area is from farming and ranching. Rocky Ford is known in the state for its cantaloupe production. Onions and cattle are other important agricultural products from this region. The economy is also reliant on transportation and manufacturing. The major employers in the area include Dean Pickle and Specialty, Burlington Northern Santa Fe Railway Company, Lewis Bolt and

Nut, PTI Communications and DeBourgh Manufacturing. Additionally, major employers include the city and county government, the school districts, and the Ark Valley Regional Medical Center.

According to the community contacts, the population of La Junta now totals approximately 8,000. Community contacts stated that unemployment is dropping and is currently estimated at less than 4 percent. The increase in population has placed a strain on the availability of affordable housing. An outside contact stated that 95 percent of rental units are occupied. Existing homes prices range from \$60,000 to \$80,000. Affordable housing for low- to moderate-income families has become a concern.

The bank's assessment area is comprised of seven block numbering areas (BNAs). Each BNA is identified according to median family income. Median family income is based on the state of Colorado's nonmetropolitan statistical area income figures from the 1990 census data. The median family income for the bank's assessment area is \$22,243. The bank's assessment area does not include any upper-income BNAs, although upper-income families reside within the assessment area. The table below shows the distribution of the BNAs among the four income categories and the number of families living in the respective income geographies.

INCOME CLASSIFICATION OF BNAs IN THE ASSESSMENT AREA				
<i>Income Category</i>	<i>Low¹</i>	<i>Moderate²</i>	<i>Middle³</i>	<i>Upper</i>
Number of BNAs	1	3	3	0
Percentage of Total BNAs	14%	43%	43%	NA
Number of families	805	2,214	2,482	NA
Percentage of Families	15%	40%	45%	NA

1 Less than 50 percent of the nonmetropolitan statistical area (MSA) median family income

2 Between 50 and 80 percent of the nonMSA median family income

3 Between 80 and 120 percent of the nonMSA median family income

4 Greater than 120 percent of the nonMSA median family income

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The Colorado Bank and Trust Company's performance under the CRA is considered Satisfactory. The bank's lending levels reflect responsiveness to the community's credit needs. The bank's performance under each of the five small institution core assessment criteria is summarized on the following pages.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio, which contrasts the level of net loans to deposits, is satisfactory given the bank's size, financial condition, assessment area credit needs, and competition. The bank's average net loan-to-deposit ratio for the last four quarters based on Call Report information ending with September 30, 1996, is 60 percent. This ratio is reasonable compared to the average net loan-to-deposit ratio for competing banks within the bank's assessment area. The loan-to-deposit ratios for these banks ranged between 49 and 67 percent, averaging 58 percent. Comparatively, the bank's average loan-to-deposit ratio was slightly below that of similarly-sized Colorado rural banks, which averaged 66 percent.

The bank's loan-to-deposit ratio does not include the real estate loans that are originated and then subsequently sold to the secondary market. These loans are sold in less than four weeks from the date of origination. The real estate loans sold to the secondary market serves two purposes in meeting the bank's assessment area credit needs. First, the bank is meeting the area's need for consumer real estate loans. Secondly, as a result of the loans sold, the bank constantly has sufficient liquidity to meet other loan requests.

Since the last examination, the bank originated and sold the following loan types:

<u>Loan Types</u>	<u>Loans Sold</u>	<u>Loan Volume</u>
Veterans Administration (VA)	16	\$1,029,901
Federal Housing Administration	20	997,448
Conventional	<u>37</u>	<u>2,605,650</u>
Total	<u>73</u>	<u>\$4,632,999</u>

Lending in the Bank's Assessment Area

A substantial majority of the bank's loan originations are located within the bank's assessment area. This conclusion is based on a sample of loans reviewed during the examination. The three loan types sampled included consumer-unsecured loans, small business, and farm loans as they were determined to be the bank's major product lines. Overall, 84 percent of the total number and 77 percent of the total dollar volume of loans sampled were within the bank's assessment area.

As noted in the following table, the concentration of consumer unsecured loans and small business loans within the bank's assessment area is considered outstanding at 89 and 92 percent, respectively. The small farm loan sample indicates a lower lending concentration within the bank's assessment area. This is due to the strong competition for agricultural lending within and adjacent to the bank's assessment area.

DISTRIBUTION OF LOANS IN AND OUT OF THE ASSESSMENT AREA								
<i>Loan Type</i>	<i>Inside</i>				<i>Outside</i>			
	Number of Loans	%	Amount of Loans	%	Number of Loans	%	Amount of Loans	%
<i>Consumer-Unsecured</i>	48	89	122,070	88	6	11	16,210	12
<i>Small Business</i>	44	92	1,599,252	98	4	8	38,186	2
<i>Small Farm</i>	30	68	2,216,552	67	14	32	1,089,287	33

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

The distribution of borrowers, given the demographics of the assessment area, reflects an excellent penetration among individuals of different income levels. Overall, the distribution of the total number of sampled unsecured consumer loans to low- and moderate-income borrowers is 71 percent. This percentage is noteworthy considering that 51 percent of the assessment area is comprised of low- and moderate-income individuals. The following table demonstrates the lending to borrowers within the different income levels.

DISTRIBUTION OF CONSUMER LOANS SAMPLED IN THE ASSESSMENT AREA BY INCOME LEVEL OF BORROWER				
<i>Income Category</i>	<i>Low</i> ¹	<i>Moderate</i> ²	<i>Middle</i> ³	<i>Upper</i> ⁴
Number of Unsecured loans	28	6	3	6
Percentage of Unsecured loans	58%	13%	17%	13%
Total Dollar Amount of Loans	52,000	16,168	17,320	36,602
Percentage Dollar Amount of Loans	43%	13%	14%	30%

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2 Between 50 and 80 percent of the nonMSA median family income

3 Between 80 and 120 percent of the nonMSA median family income

4 Greater than 120 percent of the nonMSA median family income

The size of farms and small businesses was based upon annual gross revenues that were obtained from interviews with the lending officers. The distribution of the loan sample to farms with gross revenues below \$500,000 is favorable. For this category, the number of loans and the loan dollar volume were 94 percent and 71 percent, respectively. This is significant given the strong local competition for agricultural loans. The business development contact indicated that the agricultural industry is experiencing a downward trend. However, the bank's lending activity to the farming industry has continued to remain competitive. The following table demonstrates the bank's agricultural lending to farms of different sizes within its assessment area.

DISTRIBUTION OF FARM LOANS SAMPLED WITHIN THE ASSESSMENT AREA				
Gross Annual Revenue	Number of Loans	%	Dollar of Loans	%
Less than \$100,000	9	30	207,000	9
Greater than or equal to \$100,000 but less than \$250,000	13	44	935,761	42
Greater than or equal to \$250,000 but less than \$500,000	6	20	448,676	20
Greater than or equal to \$500,000 but less than \$1,000,000	1	3	326,000	15
Greater than or equal to \$1,000,000	1	3	300,025	14

The distribution of loans to businesses of different sizes is excellent. This data is shown in the following table. The bank's lending activity to small and large businesses within its assessment area reflects the improved economic conditions of the local area. As stated by the business development community contact, businesses are growing and expanding their employee base. Additionally, new businesses open when others close. Also, the vacancy rate is low in the downtown business section of La Junta.

DISTRIBUTION OF BUSINESS LOANS SAMPLED WITHIN THE ASSESSMENT AREA				
Gross Annual Revenue	Number of Loans	%	Dollar of Loans	%
Less than \$100,000	16	36	326,444	20
Greater than or equal to \$100,000 but less than \$250,000	3	3	47,085	3
Greater than or equal to \$250,000 but less than \$500,000	8	18	452,093	28
Greater than or equal to \$500,000 but less than \$1,000,000	7	16	296,426	19
Greater than or equal to \$1,000,000	10	23	477,204	30

Geographic Distribution of Loans

The bank's overall geographic distribution of loans reflects a satisfactory dispersion throughout the bank's assessment area given the bank's location, size, and competition. As mentioned previously, the assessment area includes one low-income BNA, three moderate-income BNAs, and three middle-income BNAs.

Overall, the analysis showed that the bank's lending activity was evenly distributed between the moderate and middle income BNAs. Although lending in the low-income tract is relatively low compared to demographic data, the one low-income tract is located in the town of Rocky Ford which has five financial institutions. The major business districts in the bank's assessment area are primarily located in middle-income BNAs. Therefore, small business lending mainly occurred in middle-income BNA tracts. The table below demonstrates that the bank's lending activity within the moderate- and middle-income BNAs reasonably reflects the demographic census data with respect to the number of BNAs and families within each income level.

DISTRIBUTION OF LOANS ACROSS THE ASSESSMENT AREA BY INCOME LEVEL OF CENSUS TRACT								
	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	#	\$	#	\$	#	\$	#	\$
Consumer Unsecured	2	3,739	23	49,211	23	69,120	0	0
<i>Percent of Total</i>	4%	3%	48%	40%	48%	57%	0%	0%
Small Farms	1	7,995	9	922,465	20	1,286,092	0	0
<i>Percent of Total</i>	3%	0%	30%	42%	67%	58%	0%	0%
Small Business	1	20,050	27	985,837	16	593,783	0	0
<i>Percent of Total</i>	2%	1%	61%	63%	36%	36%	0%	0%
Combined Loan Total	4	31,784	59	1,957,095	59	1,948,995	0	0
<i>Percent of Total</i>	3%	<1%	48%	50%	48%	49%	0	0
Number of BNAs in Assessment Area	1		3		3		0	
<i>Percentage of BNAs</i>	14%		43%		43%		0%	
Number of Families by tract	805		2,214		2,482		0	
<i>Percentage of Families</i>	15%		40%		45%		0%	

Response to Complaints

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.