

# **PUBLIC DISCLOSURE**

**January 3, 2005**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Collegiate Peaks Bank  
Certificate Number: 26916**

**105 Centennial Plaza  
P.O. Box 3009  
Buena Vista, Colorado 81211-3009**

**Federal Deposit Insurance Corporation**

**Division of Supervision and Consumer Protection  
1910 Pacific Avenue, 19<sup>th</sup> Floor  
Dallas, Texas 75201**

**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.

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## 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 **Collegiate Peaks Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **January 3, 2005**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION RATING

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

The bank received a Satisfactory rating at its prior November 2, 1999 evaluation conducted by the Federal Deposit Insurance Corporation. Examiners used small bank test criteria at the prior evaluation.

For this evaluation, examiners reviewed those tests and performance factors applicable to large banks for this two-office, \$79,001,000 bank, headquartered in Buena Vista, Colorado. Because the institution's holding company's (Guaranty Corporation Bank Holding Company) asset size exceeded \$1 billion, Collegiate Peaks Bank was classified large bank as of January 1, 2003. Therefore, the bank's CRA performance is required to be evaluated under large bank evaluation standards.

Large banks are evaluated under the Lending, Investment, and Service Tests. As noted in the following table, regulators weigh the Lending Test more heavily when arriving at the overall rating. The table shows that the overall rating is supported by outstanding performances for all three tests.

Individual ratings for the Lending, Investment, and Service Tests are summarized below and in the following chart. Performance under each test is detailed elsewhere in this evaluation.

### Lending Test

Collegiate Peaks Bank exhibited an outstanding performance with respect to this test. Each of the factors reviewed under this test supports this rating. Excellent records in borrower profile, lending activity, and assessment area concentration primarily support this rating. An outstanding performance with respect to community development lending contributed to the bank's lending record. Geographic distribution performance is satisfactory. The bank demonstrated a marginally satisfactory record of flexible and innovative lending practices.

Once examiners identified at least satisfactory performance with respect to the bank's level of lending activity and its lending inside the assessment area, the analysis focused on the bank's record of dispersing loans to businesses of varying gross annual revenue levels when arriving at this test's rating. Conclusions for each of the applicable performance factors reviewed emphasized the bank's primary product line of small business loans.

### Investment Test

The bank demonstrated outstanding performance regarding the Investment Test. The high level of qualified investments primarily supports the rating as they demonstrate significant responsiveness to credit and community economic development needs.

### Service Test

The institution displayed an outstanding record regarding this test. Good records of providing retail banking services and excellent records of providing community development services support this rating. Considering the resources and limited opportunities in its isolated assessment area, the bank provided an exceptional level of community development services.

**LENDING, INVESTMENT, AND SERVICE TEST TABLE:**

*The following table indicates the performance level of the institution with respect to the lending, investment, and service tests.*

<b>PERFORMANCE LEVELS</b>	<b><u>Collegiate Peaks Bank</u></b>		
	<b>PERFORMANCE TESTS</b>		
	<b>Lending Test *</b>	<b>Investment Test</b>	<b>Service Test</b>
Outstanding	X	X	X
High Satisfactory			
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* Note: The lending test is weighted more heavily than the investment and service test when arriving at an overall rating.

***DESCRIPTION OF INSTITUTION:***

Collegiate Peaks Bank opened on March 18, 1987. In addition to the main office in Buena Vista, the bank operates a branch in Salida, Colorado, also in Chaffee County. Based on the 2000 U.S. Census geographies, and 2004 adjustment, both offices are located in middle-income census tracts. The branch office is located about a mile from the assessment area's moderate-income geography, prior to the 2004 adjustment. After the 2004 adjustment, the assessment area included all middle-income census tracts.

As of September 30, 2004, the bank reported total assets of \$79,001,000, comprised primarily of loans and investments. This represents significant asset growth of 24 percent since the bank's last evaluation when assets were \$63,785,000. As of September 30, 2004, the bank reported total equity capital of \$9,119,000. The average net loan-to-deposit ratio of 69 percent since the last evaluation indicates that the institution has sufficient ability to respond to future increases in loan demand. The net loan-to-deposit ratio as of September 30, 2004 was 79 percent.

No financial constraints or legal impediments restrict the bank's ability to meet the credit needs of the community. As of September 30, 2004, the bank's Net Interest Margin was 5.20 percent, Return on Average Earning Assets was 1.33 percent, and Tier One Leverage Capital was 9.96 percent, indicating the bank had sufficient financial capacity to meet the community's credit needs.

As indicted by the table below, commercial and commercial real estate loans comprise the majority of the loan portfolio.

<b>Table A - Loan Distribution as of 9/30/2004</b>		
<b>Loan Type</b>	<b>Dollar Amount (000s)</b>	<b>Percent of Total Loans (%)</b>
Construction and Land Development	\$ 3,864	8%
Commercial Real Estate	\$ 30,668	59%
Multifamily (5 or more) Residential	\$ 634	1%
1-4 Family	\$ 7,434	14%
Farm Land	\$ 31	0%
<b>Total Real Estate Loans</b>	<b>\$ 42,631</b>	<b>82%</b>
Commercial and Industrial	\$ 5,223	10%
Agricultural	\$491	1%
Consumer	\$ 3,230	6%
Other	\$ 602	1%
Less: Unearned Income	\$ 116	<1%
<b>Total Loans</b>	<b>\$ 52,061</b>	<b>100%</b>

Source: Call Report Data

### ***DESCRIPTION OF ASSESSMENT AREA:***

Collegiate Peaks Bank has designated Chaffee County, Colorado, to be its assessment area. Chaffee County's, located about 120 miles southwest of Denver. The 2000 U.S. Census assigned four census tracts to Chaffee County: 1 moderate-income census tract and 3 middle-income. However, in 2004 an adjustment in the median family income of non-metropolitan counties caused the moderate-income census tract to be redesignated as a middle-income tract.

The center of the county is comprised of a valley surrounding the Arkansas River, hemmed-in by high mountain passes on each side, causing the county to be geographically isolated. Though rural, the county is not dominated by agriculture, due to its semi-arid climate. It is primarily dependent on the recreational industry and immigrating retirees.

In 2000, the assessment area had a population of 16,242 persons, 28 percent more than the 1990 population of 12,684. A state correctional institution houses 1,265 persons, or 7.8 percent of the population. The county has two primary population areas: Buena Vista, population 2,195, and Salida, population 5,504. Salida is located in the southeast portion of the county and Buena Vista in the northern portion. Salida is bisected by U.S. Highway 50, running east and west. Buena Vista is situated approximately at the intersection of U.S. Highways 24 and 285. In 2003, Salida contained the assessment area's only moderate-income census tract, which primarily encompassed the downtown section of the city. All of Chaffee County is located in the

Upper Arkansas River Enterprise Zone as designated by the Colorado Department of Local Affairs on July 1, 1986.

The 2003 median family income in the assessment area was \$50,200 and \$50,000 in 2004. Approximately 12.0 percent of the households are below the poverty level. The major employer in Chaffee County is the Colorado Department of Corrections, which operates a correctional institution near Buena Vista, with 900 employees. Indicative of a primarily tourist dominated area, the county's business with the largest amount of sales is Monarch Ski resort in Salida with \$12.5 million. Unemployment rate in the county peaked at 4.6 percent in the 1st quarter of 2003, but has declined to 2.8 percent as of the 3rd quarter of 2004. Personal bankruptcies jumped 44.6 percent in 2001 and 21.1 percent in 2002 but declined 8.6 percent in 2003.

Single family housing construction permits remained relatively steady at 219 in 2001, 230 in 2002, and 190 in 2003. The median housing value in Buena Vista in 2000 was \$119,500 and \$135,000 in Salida, according to the Chaffee County Realtors Association. County wide the median housing value was \$149,788. The higher housing values outside the towns are attributable to higher-income residents residing and retiring in the rural areas.

As Chaffee County is rural and resort oriented, the economy is highly dependent on tourist spending. After 2002, the county suffered significant reductions in tourist traffic. Additionally, the county participated in the state's economic recession. Chaffee County, however, is benefiting from an explosion of second home construction and retirement immigration, per the Colorado Legislative Council. These residents tend to be higher income and substantial spenders. Additionally, the correctional facility helps mitigate economic and employment fluctuations.

### ***Community Contacts***

An interview with a community leader provided additional information regarding community credit needs, the condition of the local economy, and changes in area demographics. The contact indicated the business environment in the area was stable and slowly gaining strength. Affordable housing was also cited as a need due to the increased housing price in the county.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### *LENDING TEST*

#### *Overall Conclusion*

Collegiate Peaks Bank exhibited outstanding performance with respect to this test. Each of the factors reviewed under this test supports this rating. Excellent records in borrower profile, lending activity, and assessment area concentration primarily support this rating. A strong record of using community development lending highlight the bank's lending record. Innovative and flexible lending practices are minimal.

Once examiners identified at least satisfactory performance with respect to the bank's level of lending activity and its lending inside the assessment area, the analysis focused on the bank's record of dispersing loans to businesses of varying gross annual revenue levels when arriving at this test's rating. Conclusions for each of the applicable performance factors reviewed emphasized the bank's primary product lines of small business loans.

#### *Loan Review*

Loan review was limited to small business loans due to the *de minimus* number and amount of small farm and mortgage loans originated by the bank. Small farm and mortgage loans in the year presented in this report (2003) did not comprise a large enough volume so that valid statistical conclusions could be determined. In 2003, farm loans were composed of 5 loans for \$982,000 and mortgage loans were composed of 8 loans for \$1,134,010. As shown in Table A, Commercial Real Estate and Commercial and Industrial lending is the bank's primary business focus, comprising 69 percent of the bank's loan portfolio.

Examiners included in their review those loans reported pursuant to CRA data collection for 2003 and 2004. The review included both loans originated and purchased. Lending data from 2004 is not included in this evaluation since 2004 loans were reported based on the census data that had been altered from 2003 geographies, due to restructuring of the composition of non-metropolitan census tracts (see **DESCRIPTION OF ASSESSMENT AREA** section). Additionally, aggregate and demographic data for 2004 was not available as of the report date. Performance in individual years was reviewed but is not presented herein as no significant anomalies from the overall data were noted. Most recently available Small Business lending aggregate and demographic data is presented for comparison purposes for 2003. The analysis of lending dispersion by business size, income, and geography includes only those loans originated within the assessment area.

#### **Lending Activity and Assessment Area Concentration**

Collegiate Peaks Bank exhibited an outstanding record with respect to this performance factor. This conclusion is supported by an excellent level of lending activity and a strong record of granting loans inside its assessment areas.

## ***Lending Activity***

The bank's lending activity reflects an outstanding responsiveness to the credit needs of the community. For the years 2000 through 2004, the bank originated or purchased 1,957 loans totaling \$133,983,523. This is 2.8 times the bank's total average loan balance of \$47,505,000 during the same time frame. Additionally, the bank dominates the assessment area's small business lending market. Aggregate lending data reflects the bank ranked first (1st) by dollar volume among 26 reporting institutions in the assessment area with a 47.36 percent share. By number of loans, the bank ranked third (3rd) with 10.57 percent share. Banks with average loan sizes of \$12 thousand or less are generally credit card lenders. Credit card loans comprised 80 percent of the loans by number and 19 percent by dollar volume in the assessment area. When those banks' loans are not considered in the market share, Collegiate Peaks Bank ranks first (1st) by both number and dollar amount of lending, with 51.9 percent and 58.2 percent of market share, respectively. The next highest ranked lenders had 3.71 percent by number of loans and 9.23 percent by amount.

## ***Assessment Area Concentration***

Collegiate Peaks Bank extended an outstanding proportion of its 2003 small business loans in the assessment area, given the assessment area's size in relation to the bank's office structure, asset size, and loan product reviewed. This conclusion was based on the percentages of total number and dollar volume of small business loans. The table below depicts the bank's performance inside and outside the assessment area.

<b>Table 1 – Distribution of Loans Inside and Outside of the Assessment Area</b>										
<b>Loan Category or Type</b>	<b>Number of Loans</b>					<b>Dollars in Loans (000s)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<b>Small Business</b>	94	92%	8	8%	102	\$10,619	92%	\$870	8%	\$11,489
<b>Total</b>	94	92%	8	8%	102	\$10,619	92%	\$870	8%	\$11,489

*Source: CRA Disclosure Statement (2003)*

The bank's substantial concentration of its primary product in the assessment area depicts an institution dedicated to serving the community.

## **Borrower Characteristics**

Management has demonstrated outstanding performance in meeting the credit needs of small businesses in the assessment area. Gross annual revenues and loan size of the businesses are used as indicators of the bank's performance in meeting the credit needs of small businesses.

Table 2 shows the aggregate loan distribution for 2003 by gross annual revenues (GAR) of businesses. Collegiate Peaks Bank's lending (84 percent by number of loans) to small businesses was twice as much as aggregate lenders (42 percent) and also exceeded the number of small businesses (70 percent). The bank's record is even more impressive when credit card lenders are excluded from the ratios. As indicated in the *Lending Activity* section, approximately 80 percent of aggregate lending by number is attributable to credit card loans. If those loans were excluded from Table 2, Collegiate Peaks Bank's record would be significantly stronger.

<b>Table 2: Distribution of Business Loans by Gross Annual Revenues</b>							
<b>Gross Annual Revenues (000s)</b>	<b>Businesses</b>	<b>Aggregate</b>		<b>Bank's 2003 CRA Small Business Disclosure Statement</b>			
	<b>#</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
<b>≤ \$1,000</b>	70%	42%	70%	79	84%	\$8,454	80%
<b>&gt; \$1,000 or NA</b>	30%	58%	30%	15	16%	\$2,165	20%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>94</b>	<b>100%</b>	<b>\$10,619</b>	<b>100%</b>

Source: Dun & Bradstreet, CRA 2003 Disclosure Statement

Table 3 depicts the distribution of Collegiate Peaks Bank's small business loan originations within this assessment area among businesses of different loan sizes. The table shows a strong level of making small business loans under \$100,000, but not as much as aggregate lending. However, as noted in the *Lending Activity* section above, nearly 80 percent of loans made in the assessment area, with average balances under \$12 thousand, are probably credit card loans. If these loans are not considered, the bank's record of making loans under \$100,000 compared to other reporting banks would be substantially more favorable.

<b>Table 3: Distribution of Business Loans by Loan Size</b>					
<b>Loan Size (000s)</b>	<b>Aggregate Lenders</b>	<b>Bank's 2003 CRA Small Business Disclosure Statement</b>			
	<b>% of #</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
<b>≤ \$100</b>	94%	64	68%	\$1,890	18%
<b>&gt; \$100 ≤ \$250</b>	3%	16	17%	\$2,585	24%
<b>&gt; \$250 ≤ \$1,000</b>	3%	14	15%	\$6,144	58%
<b>Total</b>	<b>100%</b>	<b>94</b>	<b>100%</b>	<b>\$10,619</b>	<b>100%</b>

Source: CRA 2003 Disclosure Statement

Overall, the bank’s lending efforts are considered strong compared to aggregate and demographic information and indicates that the bank has an excellent record meeting the credit needs of small businesses.

**Geographic Distribution of Loans within the Assessment Area**

The institution demonstrated a generally satisfactory record of geographically distributing loans. Examiners emphasized the distribution in the moderate-income geography. Table 4 shows the loan distribution of the 2003 business loans in the assessment area as compared to the aggregate data and the percentage of businesses. Although Collegiate Peaks Bank did not lend as much to the moderate income census tract (11 percent) as aggregate lenders (19 percent), the deficiency may be caused, in part, to the competitor’s loan types and branch locations.

As mentioned above, many of the loans made to small businesses in the area are most likely credit card loans, which more easily penetrate the small businesses located in the census tract. Additionally, the bank’s branch is located about 1 mile from the moderate-income census tract, while examiners identified four competitor bank branches located inside the census tract. Census tract income-levels are based on data from the 2000 U.S. Census.

<b>Table 4: Geographic Distribution of Business Loans Among Census Tracts</b>							
<b>Census Tract</b>	<b>Businesses</b>	<b>Aggregate</b>		<b>Bank’s 2003 CRA Small Business Disclosure Statement</b>			
	<b>#</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Moderate</b>	21%	19%	17%	10	11%	\$1,003	9%
<b>Middle</b>	79%	81%	83%	84	89%	\$9,616	91%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>94</b>	<b>100%</b>	<b>\$10,619</b>	<b>100%</b>

*Source: 2003 Dun & Bradstreet; CRA 2003 Disclosure Statement*

Overall, the bank’s lending in the moderate-income census tract, though less than aggregate lending, is satisfactory, considering the competitions’ locations in the moderate-income census tract and the credit card lending from large banks outside the assessment area.

Following are three examples of small business loans the bank originated since the time of the prior evaluation and primarily benefit the assessment area which is the Upper Arkansas River Enterprise Zone.

- The bank made a \$217,000 loan to the non-profit **Buena Vista Community Education Association** for the lease of an **Alternative Educational Facility**. Buena Vista School district board members consulted the bank for help regarding opening the facility without incurring the cost of a bond issue. The bank recommended the formation of a non-profit entity which could purchase the facility using the bank’s loan, make capital improvements, and then lease it to the school district. The facility is operated by the

Buena Vista school district where trouble youth receive instruction. The loan was made in 1996 with a maturity of 2011.

- In 2002, the bank purchased a \$925,000 lease for the **Salida Hospital District** to lease an MRI machine. The MRI machine is the only one in use in Chaffee County and the surrounding counties.
- In 2004, the bank extended a \$53,881 loan to **Intermountain Internal Medicine** for the purchase of a Bone Densometer.

### **Community Development Lending**

The bank exhibited an outstanding record of granting community development loans based on the number and amount of lending and the bank's leadership in meeting the community development needs of the assessment area. In particular, management readily makes loans to facilitate revitalization of the enterprise zone, charitable institutions, and affordable housing, which is identified as one of the area's primary needs. Management indicated the high level of community development lending was due, in part, to the bank's contacts made through community service. All the community development loans were made in the Chaffee County assessment area.

With the exception of multifamily housing loans, only loans that are not first reported as a home mortgage, consumer, or small business loan, may be reported as community development loans. Appendix D lists those criteria used in evaluating an institution's community development lending efforts.

Since the last evaluation, Collegiate Peaks Bank originated 10 loans totaling \$5,995,454 to 5 borrowers to provide affordable housing, finance organizations serving the moderate-income geography and enterprise zone, and provide funding to businesses in the moderate-income area and enterprise zone. The following describes the community development loans originated in the assessment area during the review period.

- In 2002 and 2004, the bank acted as lead participant for three unsecured loans to **The Salida Steam Plant** for a total of \$316,449. This electric utility plant was built in the 1880s and abandoned in 1953. An employee at Collegiate Peaks Bank was instrumental in forming the **Salida Enterprise for Economic Development**, and served as chairman of the board, to stabilize and revitalize the downtown area, located in a moderate-income census tract until 2004. One of the Enterprise's projects was the non-profit Salida Steam Plant. The Steam Plant, which today houses various cultural and business enterprises, is the anchor of efforts to revitalize downtown Salida. The Steam Plant board approached the bank for advice and counsel regarding how to finance further improvements. Once Collegiate Peaks Bank analyzed the Plant's needs, it recommended various loans and credit lines be extended to the Plant. Collegiate Peaks Bank originated the loans and participated the loans out to two other local banks, with the intent of promoting more local support for the project.

- The bank was lead participant in extending a \$2,505,000 loan in July 1999 for the construction of **doctors offices** in Salida. The permanent take-out loan was extended in 2000 for \$2,505,000 to purchase of the building. The purpose of the loan is consistent with the definition of community development and is located in an enterprise zone. Additional medical facilities are anticipated to revitalize and stabilize the enterprise zone.
- The bank financed the purchase of three lots for land development and construction in 2002, 2003, and 2004 for the non-profit **Chaffee County Habitat for Humanity** for a total of \$108,500. The bank recognized that affordable housing in this resort and retirement area was becoming more difficult to obtain. Therefore, Collegiate Peaks Bank finances many of the organization's projects to construct single family residences for low- and moderate-income families in Chaffee County. These loans are complex and require specialized skills to process as they often impose special deed and income restrictions. The organization built one house in 2003 and another in 2004, with an estimated value of \$150,000 each. Another house is currently in the process of being constructed.
- A \$350,000 loan was originated in 2004 for the construction of a **Laundry Mat** in the town of Buena Vista. This loan is expected to revitalize and stabilize the enterprise zone.
- In 2000, the bank originated to a non-profit municipality a \$210,505 loan to finance the lease of an ambulance to service **Hartzel Fire Protection District**, which serves the eastern portion of Chaffee County. It is anticipated this credit will stabilize and revitalize the enterprise zone.

### **Innovative and Flexible Lending Practices**

Collegiate Peaks Bank did not utilize innovative and flexible lending practices during the period reviewed, except for one Small Business Administration loan originated in 2004 for \$225,000.

### ***INVESTMENT TEST***

Collegiate Peaks Bank demonstrated an outstanding record with respect to the Investment Test. The level of the bank's dollar amount of investments primarily supports the rating. Appendix D enumerates those criteria that examiners use to evaluate the bank's record under this test.

The bank's dollar amount of investments reflected a high level of commitment. Qualified investment activity since the last evaluation, November 2, 1999 through the current evaluation date, totaled \$980,756. However, this amount does not include any investments purchased prior to the last evaluation, which were outstanding during the evaluation period but have since paid off or paid down. An additional \$792,725 in these investments was outstanding during the evaluation period and was given consideration. Therefore, qualified investments totaled \$1,773,481, representing 2.24 percent of Average Total Assets of \$79,150,000 (for the five-year period ending September 30, 2004) and 25.3 percent of Average Equity Capital of \$7,016,000 (for the same period). Investments also represented 41.26 percent of Aggregate Net Income of \$4,297,000 since the last evaluation.

Outstanding qualified debt investments of \$1,728,144 also comprised 10.61 percent of total securities of \$16,282,000 as of September 30, 2004. These qualified investments are generally composed of general obligation and revenue municipal bonds for capital improvements to schools, infrastructure, and a library. These investments are readily available to the private sector and are not considered innovative or complex. Qualified donations as of the evaluation date totaled \$45,337, which represents 1.06 percent of aggregate net income of \$4,297,000 since the prior evaluation.

Focusing on the overall percentages above and quality of the investments, the bank demonstrated an outstanding dollar commitment. Management indicated it has a standing order with its broker to participate in all debt instruments issued by federal, state, county, municipal, and private offerings affecting the assessment area. To avoid undue risk caused by excessive concentration, the bank generally does not purchase more than one third of any one issue.

The bank's donations also show responsiveness to community development needs. Donations were made to organizations that revitalize and stabilize the moderate-income census tract and enterprise zone, provide affordable housing, and assist low- and moderate-income individuals and families.

Following are detailed descriptions of the qualified investments owned by the bank as of examination date.

- In May 2002, the bank purchased a \$199,430 Chaffee County General Obligation bond, Cusip 157375EC6, for the purpose of funding capital improvements, enlarging, improving, remodeling, repairing, or making additions to Buena Vista School District No. R-31 school buildings.
- In August 2004, the bank purchased two Chaffee and Fremont County General Obligation bonds, Cusip 157357BD5 for \$102,531 and Cusip 157357BC7 for \$103,590, for Salida School District No. R-32 to finance the construction of a new middle school.
- In March 1996, the bank purchased two Chaffee County Limited Tax General Obligation bonds, Cusip 794709CB9 for \$20,000 and Cusip 794709CC7 for \$20,000, for the purpose of repairing and improving the water system in the City of Salida.
- In February 1996, the bank purchased two Chaffee County General Obligation bonds, Cusip 157370AK3 for \$38,992 and Cusip 157370AL1 for \$44,565, with the purpose of constructing a library in Salida by the Southern Chaffee Library District.

The bank is considered to have met the community development investment needs of its assessment area. Management sought to participate in all debt instruments issued by federal, state, county, municipal, and private entities affecting Chaffee County. Following are debt instruments purchased and owned by the bank as of the examination date which are included in the bank's qualified investments, although not directly affecting the assessment area.

- In January 2004, the bank purchased Freemont County General Obligation bond, Cusip 357190DU8 for \$99,306, for the purpose of constructing and equipping a new elementary school in Canon City School District RE-1. Freemont County is in also in the Upper Arkansas Enterprise Zone and borders Chaffee County.
- In November 2003, the bank purchased Alamosa & Conejos County General Obligation bond, Cusip 011536DL0 for \$104,669, for the purpose of constructing and equipping a new high school for Alamosa School District RE-11J. Alamosa and Conejos Counties are in the Upper Arkansas Enterprise Zone.
- In November 2003, the bank purchased two Las Animas County General Obligation bonds, Cusip 517446BR0 for \$102,337 and 517446BS8 for \$100,000, for the construction and a new school in the Hoehne Reorganized School District No. 3. Las Animas County is in the South Central Enterprise Zone.

The bank purchased twenty-one bonds from seven issues prior to the current evaluation period but sold them prior to examination date. Examples of the issues are detailed below.

- In February 1996, the bank purchased five Chaffee County General Obligation bonds, with maturity dates ranging from 1999 to 2004 totaling \$192,725, with the purpose of constructing a library in Salida by the Southern Chaffee Library District.
- In March 1996, the bank purchased five Chaffee County Limited Tax General Obligation bonds, with maturity dates ranging from December 1999 to December 2004 totaling \$85,000, for the purpose of repairing and improving the water system in the City of Salida.
- In December 1997, the bank purchased two Chaffee County General Obligation bonds, with maturities ranging from 2002 to 2003 totaling \$200,000, for the Salida School District R-32J for the construction and equipping of a new middle school.

## **Grants/Donations**

The institution has supported 28 organizations in the two assessment areas having community development as their primary purpose from 2002 through 2004. Qualified donations made by the bank totaled \$6,000 in 2002, \$26,732 in 2003, \$12,605 in year-to-date 2004 for a total of \$45,337. All organizations serve the bank's Chaffee County assessment area. Donations to the following organizations were considered a few of the most significant and responsive.

- The bank contributed significant amounts in 2002, 2003, and 2004 to **Colorado Mountain College** for the construction of a campus in Chaffee County, a designated enterprise zone. The college will be the only post-secondary educational institution campus in the county. In addition to the campus, an employee of the bank was able to negotiate an agreement to extend water treatment lines to the proposed campus site to

approximately 600 acres of mixed-use, undeveloped property adjacent to the town of Buena Vista.

- In 2002, 2003, 2004, the bank gave significant amounts to benefit the non-profit **Salida Steam Plant**. This electric utility plant was built in the 1880s and abandoned in 1953. Through contributions to **Salida Enterprise for Economic Development**, the Steam Plant and environs were rehabilitated, stabilizing and revitalizing this moderate-income census tract. The Steam Plant, which today houses various cultural and business enterprises, is the anchor of efforts to restore downtown Salida's economic viability.
- The bank donated to the non-profit **Chaffee County Habitat for Humanity** in 2002 and 2003. Habitat for Humanity constructs single family residences for low- and moderate-income families. Volunteers and the family purchasing the house build the home, then favorable financing is provided to the family to purchase the house. The organization built one house in 2003 and another in 2004, with an estimated value of \$150,000 each. Another house is currently in the process of being constructed.

### ***SERVICE TEST***

Collegiate Peaks Bank demonstrated an outstanding level of performance with respect to this test. Satisfactory records of providing retail banking services and an outstanding performance of community development services support this conclusion. Examiners focused first on the bank's retail record and then on its community development record when arriving at the rating. Considering the resources and limited opportunities in its isolated assessment area, the bank provided an exceptional level of community development services.

#### **Retail Banking Services**

The bank exhibited a good level of retail banking services.

#### ***Accessibility of Delivery Systems***

Collegiate Peaks Bank provided a satisfactory level of accessibility to retail delivery systems. The bank's offices are primarily accessible to the northern and southern portions of the assessment area. The institution offers a complete selection of retail services that enhance the availability of credit and deposit products at both offices.

The main office is located in a middle-income census tract in Buena Vista. The branch in Salida is situated approximately a mile away from the moderate-income census tract, as assigned by the U.S. Census in 2003 but was changed to middle-income in 2004. Proprietary ATMs are located at the main office and branch. Overall, access to the bank's facilities is adequate for a bank of this size and complexity.

### ***Reasonableness of Business Hours and Services Meeting Assessment Area's Needs***

The bank demonstrated a good record of providing reasonable business hours and services that meet the area's needs. The institution offers typical lobby hours at each of its locations and it offers a variety of commercial and consumer retail services that enhance the availability of credit and deposit products.

Lobby hours at the main bank are 9:00 a.m. to 4:00 p.m., Monday through Thursday, and until 5:00 p.m. on Fridays. At the branch, the lobby hours are 9:00 a.m. to 5:00 p.m. Monday through Friday. Lobby hours on Saturday are 9:00 a.m. to 12:00 p.m. at both locations. Drive-up hours at both locations are 8:00 a.m. to 5:30 p.m. Monday through Friday and 9:00 a.m. to 12:00 p.m. on Saturday.

The bank offers a full range of credit products including the following:

Consumer Installment	Working Capital Lines
Purchase Money Mortgage Loans	Business Term Loans
Second Mortgage Loans	Commercial Construction
Residential Construction Loans	Business Loans
Consumer Cash Reserves	

As primarily a commercial bank, Collegiate Peaks Bank offers an adequate selection of products to business customers, including Small Business Checking and Regular Commercial Checking. Consumer deposit accounts include no-fee personal checking, tiered interest checking, personal savings, direct deposit, and IRAs. Ready Reserve revolving credit is available to checking customers with approved credit. The Senior 50 checking program is designed to accommodate customers over 50 year of age, with no minimum balance, no fees, and unlimited check writing.

### ***Changes in Branch Locations***

No branches were opened, closed, or changed during the evaluation period.

### ***Alternative Delivery Systems***

The bank offers a good level of alternative delivery systems, including the following convenient services that enhance the accessibility of credit.

- ***Internet Banking*** – Online banking is offered to both commercial and consumer customers. Customers may use the service to check balances, view cleared checks, and transfer funds.
- ***24-Hour Telephone Banking and Customer Service*** – Telephone Banking system allows customers to determine account balances, verify electronic debits and credits to their accounts, confirm loan payments, and transfer funds among accounts.

### *Other Services*

The bank accepts 30-year mortgage applications, performs limited processing on those applications, and delivers them to a mortgage broker for underwriting and funding. In 2003, the bank processed 93 first lien mortgage applications that were ultimately originated and 45 applications in 2004. This is a service the bank provides to the community since the bank does not offer a 30-year mortgage product.

### **Community Development Services**

The bank displayed an outstanding record of providing community development services. The excellent level of these services and the significant degree to which these services revitalize and stabilize the moderate-income census tract and enterprise zone and serve lower income people support this conclusion. Bank employees exhibited a leadership role to develop and ensure fruition of the projects.

Since the previous evaluation, 10 bank personnel have participated in various qualifying capacities in 5 organizations with community development as their primary purpose. All the services were performed in Chaffee County, which is part of the Upper Arkansas River Enterprise Zone. The following are examples of specific community development services provided by the institution.

- A bank employee led the fund raising to construct a campus for the **Colorado Mountain College** in Chaffee County. The bank employee is Chairman of the Board of the **Colorado Mountain College Foundation**, a non-profit organization which is dedicated to the expansion of the college into mountainous portions of the state. Of \$2.3 million in cash and in-kind contributions collected for the college, the bank employee was personally responsible for soliciting \$1 million. Included in the contributions for which the bank staff member was personally credited is 36 acres of land, with an estimated value of \$525,000, for future construction of the campus. In fact, the efforts earned the bank employee the **2004 National Philanthropy Day Award for Outstanding Volunteer Fundraiser**. In addition to the contributions, the bank employee was able to negotiate an agreement to extend water treatment lines for the proposed campus site to approximately 600 acres of mixed-use, undeveloped property adjacent to the town of Buena Vista.
- Bank personnel spearheaded efforts to revitalize and stabilize downtown Salida by committing significant amounts of time and resources to **The Salida Steam Plant**. This electric utility plant was built in the 1880s and abandoned in 1953. One bank employee was instrumental in forming the **Salida Enterprise for Economic Development**, where the employee served as Chairman of the Board. The Enterprise's purpose is to stabilize and revitalize downtown Salida, a moderate-income census tract until 2004. Beginning in the 1990s, the bank employee convinced 40 businesses to donate \$100 for 10 years to rehabilitate the utility plant. Today, bank employees continue to raise funds and provide financial counsel to The Steam Plant, which today houses various cultural and business enterprises and is the anchor of efforts to restore downtown Salida's economic viability.

- A bank employee served as president of the non-profit **Heart of the Rockies Regional Medical Center Foundation** from 1999 through 2004. Under the employee's leadership, the Foundation raised contributions to provide the **Heart of the Rockies Regional Medical Center** hospital with non-routine expenditures. For instance, the Foundation sponsors full scholarships for nurses and other medical personnel to help relieve the critical staffing shortage at the hospital. Nearly all the scholarship recipients are financially unable to afford the required tuitions. Similarly, the foundation raised funds for equipment such as a \$1.3 million MRI machine, the only one within 60 miles.
- A bank staff member was treasurer from 1998 to 2004 at the **Salida Housing Development Corporation**. Among other projects, the Corporation facilitated the construction of the River Bend Apartments, which provides affordable housing to the town of Salida. Per the apartment's covenants, 75 percent of the units must be occupied by low- and moderate-income families or individuals. The bank staff member was crucial in procuring a low-interest federal government loan to finance the project. The Corporation also administrates programs to make no-fee, low-interest rate loans to low- and moderate-income families for home repair and improvement.
- A bank employee has been secretary of the board for **Chaffee County Habitat for Humanity** from 2003 to present. The bank employee also sits on the budget committee and serves as credit analyst. The bank employee was instrumental in introducing sound underwriting principals in the evaluation of applications submitted by prospective clients. The organization constructs affordable housing and built one house each in 2003 and 2004, with an estimated value of \$150,000 each. Another house is currently in the process of being constructed.

### ***COMPLIANCE WITH ANTIDISCRIMINATION LAWS***

A review of the bank's policy guidelines and underwriting standards was conducted to verify compliance with outstanding fair lending laws and regulations. Collegiate Peaks Bank solicits applications from all segments of the assessment area. Lending policies expressly forbid denying credit on any prohibited basis. Violations of the substantive provisions of the anti-discrimination laws and regulations were not identified at this evaluation. Indications of exclusionary practices were not evident.

## APPENDIX A

### SCOPE OF EXAMINATION:

<b>Collegiate Peaks Bank</b>
<b>SCOPE OF EXAMINATION:</b> Reviewed bank performance in the assessment area under the lending, investment, and services tests.
<b>TIME PERIOD REVIEWED:</b> November 2, 1999 through December 31, 1999 and years ending December 31, 2000, 2001, 2002, 2003 and 2004.
<b>PRODUCTS REVIEWED:</b> Small business loans and community development loans.

LIST OF AFFILIATES AND PRODUCTS REVIEWED		
AFFILIATE(S):	AFFILIATE RELATIONSHIP:	PRODUCTS REVIEWED:
NA		

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA:	TYPE OF EXAMINATION:	BRANCHES VISITED:	OTHER INFORMATION:
Chaffee County	On-site	Main	NA

## APPENDIX B - GENERAL DEFINITIONS

### GEOGRAPHY TERMS

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

**Rural Area:** Territories, populations and housing units that are not classified as urban.

## **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Dun & Bradstreet:** The Dun & Bradstreet Corporation is a provider of business and financial information drawn from a global database of more than 50 million businesses.

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## APPENDIX C - INVESTMENT DEFINITIONS

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Low Income Housing Tax Credits:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

**Qualified Investments:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

## **APPENDIX D - STANDARD PE LANGUAGE**

### **LENDING TEST**

#### **Scope of Test**

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

#### **Community Development Lending:**

##### **Performance Criteria**

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

#### **Innovative and Flexible Lending Practices:**

##### **Performance Criteria**

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

## **INVESTMENT TEST**

### **Scope of Test**

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

## **SERVICE TEST**

### **Scope of Test**

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.