

PUBLIC DISCLOSURE

March 14, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Grand Mountain Bank, FSB
337 East Agate Avenue
Granby, CO 80446
Docket #: 17950**

**Office of Thrift Supervision
Western Region
225 East John Carpenter Freeway, Suite 500
Irving, TX 75062-2326**

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.



Office of Thrift Supervision
Department of the Treasury

Western Region

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May 25, 2011

Board of Directors
Grand Mountain Bank, FSB
337 East Agate Avenue
Granby, CO 80446

OTS No. 17950

Members of the Board:

Enclosed is your institution's written Community Reinvestment Act (CRA) Performance Evaluation prepared by the Office of Thrift Supervision as of March 14, 2011.

In accordance with 12 C.F.R. 563e, this written CRA Performance Evaluation must be made available to the public within 30 business days of its receipt by your institution. The evaluation must be placed in your CRA public file located at your home office and each branch within this 30 business day time frame. The evaluation may not be altered or abridged in any manner. At your discretion, previous written CRA Performance Evaluation(s) may be retained with the most recent evaluation in your CRA public file.

Your institution is invited to prepare a response to the evaluation. The response may be placed in each CRA public file along with the evaluation. In the event your institution elects to prepare such a response, please forward a copy of it to this office.

We strongly encourage the Board of Directors, senior management, and other appropriate personnel to review this document and to take an active interest and role in the CRA activities of your institution. If you should have any questions concerning this report, please do not hesitate to call me at (972) 277-9559.

Sincerely,

Bill M. Williams
Assistant Director, Compliance

Enclosure

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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 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 CRA performance of Grand Mountain Bank, FSB (Grand Mountain). The Office of Thrift Supervision (OTS) prepared the evaluation as of March 14, 2011. OTS evaluates performance in assessment area(s) delineated by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. OTS rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 563e.

Institution

Overall Rating

INSTITUTION'S CRA RATING: Satisfactory.

Grand Mountain's performance in meeting its overall CRA responsibilities was Satisfactory. The bank maintained a good loan-to-deposit ratio and originated a significant majority of loans within the assessment area. The distribution of loans to applicants of different incomes was stronger than other institutions and the proportion of lending in different geographies were reasonable. There have not been any CRA-related complaints since the previous CRA Performance Evaluation.

Scope of Examination

The OTS evaluated CRA performance under the Small Savings Institution Examination Procedures, which are applicable based on the bank's total assets as of December 31, 2009 and 2010. The procedures apply one test: the Lending Test. The review period for this evaluation is January 1, 2008 through December 31, 2010. The previous CRA evaluation was March 29, 2006, and was conducted using the Small Savings Association Examination Procedures. Grand Mountain was rated "Satisfactory."

The Lending Test includes an evaluation of the bank's CRA results based on five performance criteria. These performance criteria are: 1) loan-to-deposit ratio; 2) assessment area concentration; 3) borrower profile/distribution of loans by borrower income; 4) geographic distribution of loans; and 5) response to CRA-related complaints. The bank may also provide information regarding any community development loans, investments, or services provided during the review period, at their discretion. Residential mortgage loans were evaluated under the Lending Test. We reviewed the evaluation of compliance with consumer laws and regulations performed in the most recent comprehensive examination of Grand Mountain and did not identify any illegal credit practices that violate law, rule, or regulation.

Description of Institution

Grand Mountain Bank is a federally chartered stock institution located in Granby, Colorado. A summary of the balance sheet with items pertinent to the evaluation of CRA performance is detailed in table T1. The table illustrates that the bank primarily invests in one-to-four family mortgage loans. The bank also originates commercial loans and consumer loans, but these loans represent a small percentage of the total portfolio. Grand Mountain funds its loans with deposit accounts and to a lesser extent, FHLB advances. The concentration of one-to-four family mortgage loans warrants the emphasis on residential mortgage loans in the evaluation of the bank's CRA performance.

Institution (continued)

Table T1 - Major Components of Total Assets, Liabilities and Capital			
As of 12/31/2010			
Balance Sheet Component	Balance Sheet \$ Amount	% of Total Assets	\$ Change in Period
Loans			
1-4 Family Permanent Mortgages	41,140	32.9%	+13,171
Nonresidential Perm. Mortgages and Land	32,626	26.1%	-4,381
Residential Construction Loans	3,222	2.6%	-12,647
Commercial Loans	7,334	5.9%	-4,208
Consumer Loans	1,201	1.0%	-1,475
Investments			
Cash, Dep. And Investment Securities	29,562	23.6%	+22,894
Other Interest Earning Deposits	2,330	1.9%	+2,330
Liabilities			
Deposits and Escrows	95,676	76.5%	+4,674
Advances from FHLBank	17,908	14.3%	+10,632
Total Assets	\$125,018	-	+\$14,906
Total Liabilities	\$114,253	-	+\$13,230
Net Worth	\$10,765	-	+\$1,676

Grand Mountain has five full service branches to serve the public. The main office and one other branch are located in the city of Granby, Colorado in an upper-income census tract. Two branch offices are also located in an upper-income census tract in the cities of Grand Lake and Fraser. The remaining branch office is in a middle-income census tract in the city of Kremmling. Four of the branch locations have automated teller machines and three branches offer drive-up service with extended hours. All of the offices are open on Saturdays. The bank did not close any branches during the review period.

Grand Mountain primarily focuses on the origination of residential mortgage loans. The bank offers fixed and variable-rate mortgage loans for the purchase, improvement, or refinance of owner occupied one-to-four family dwellings. The bank also has notary services, travelers checks, and offers online banking and bill pay. Loans are generally retained in the bank's portfolio; however, they may be sold to the secondary market for the purpose of managing interest rate risk. Grand Mountain has a full compliment of banking products including: checking accounts, savings accounts, individual retirement accounts, and certificates of deposit.

Institution (continued)

Economic or Legal Constraints

During the review period, Grand Mountain conducted operations in a recessionary economy. Furthermore, the bank was subject to regulatory actions that among other things required Grand Mountain to meet and maintain specific capital levels and prohibited the bank from making certain types of loans. Grand Mountain’s financial condition, legal impediments, and economic factors have played a role in the bank’s ability to meet the credit needs of the community.

Description of Grand County, Colorado Assessment Area

Grand Mountain has defined its assessment area as all of Grand County, Colorado. Grand County is not a part of any larger Metropolitan Statistical Area (MSA). The county is located west of Denver in the northern Colorado Rockies. Rocky Mountain National Park, Arapaho National Forest, the Indian Peaks Wilderness and the headwaters of the Colorado River are located along the Continental Divide, which forms the eastern boundary for the county. The western side of the county is rolling hills and plateaus of the Colorado River Valley. Grand County has a total area of 1,869 square miles, of which 1,846 is land.

Table D1 – Demographic Overview	
Demographic Data	2000 Census
Population	12,442
Total Families	3,194
Total Housing Units	10,894
1-4 Family Units	7,452
Occupied Units	5,075
% Owner-Occupied Units	32%
% Rental Units	22%
% Vacant Housing Units	53%
Median Housing Value	\$209,143

Table D1 provides an overview of assessment area demographic data, compiled from the 2000 US Census, that provide the context of the review. According to the US Census Bureau the population in Grand County increased nearly 12.0 percent since the 2000 Census and is an estimated 13,911 persons. The assessment area houses less than one percent of the population of the state of Colorado. The increase in population and the number and types of housing units suggest a single family lender should have reasonable lending opportunities. Tourism and ranching are the primary industries in the region with the Winter Park Ski Area being the largest employer. Service industries and local government also play a large role in supporting the area’s economy.

Institution (continued)

There are a total of six financial service providers in the assessment area consisting of both state and federally chartered institutions. With over \$104 million in deposits, Grand Mountain ranked 1st, with a market share of 39.0 percent.

Table D2 - Assessment Area Family Income Distribution Based on 2010 Median Family Income (MFI) and 2000 Census Data				
Income Category	Assessment Area			
	% MFI	Maximum Income	# of Families	% of Families
Low	<50%	\$28,199	354	11.0%
Moderate	50% - <80%	\$45,119	433	13.6%
Middle	80% - <120%	\$67,679	824	25.8%
Upper	≥120%	NA	1,583	49.6%
Total			3,194	100.0%

Table D2 defines income categories based on the percentage of median family income, and provides the distribution of families based on those income categories. The table reflects a large proportion of upper-income families, suggesting a potential demand for housing. However, the median housing value in Table D1 suggests families in the low-income range may face challenges in finding affordable homeownership opportunities. That value reflects housing costs identified in the 2000 Census, and may be understated during significant portions of the evaluation timeframe.

The HUD-updated weighted average median income for the assessment area was \$53,800 in 2008; increased to \$56,400 in 2009; and remained unchanged at 56,400 in 2010. Table D3 shows the most current available unemployment rates published by the Bureau of Labor Statistics for the assessment area compared to the state of Colorado for the review period.

Table D3 – Assessment Area Annual Average Unemployment Rate			
	2010	2009	2008
Colorado	8.9%	8.3%	4.8%
Grand County	9.0%	7.6%	3.7%

Institution (continued)

Table D4 details the distribution of assessment area families by census tract income levels. The table indicates there are no low- or moderate-income census tracts. The majority of the population is located in the upper-income census tract which would suggest reasonable opportunities for lending in that area.

Table D4 - Assessment Area Demographic Information			
Income Category	# of Tracts	2000 US Census Data Distributions	
		Families	
		#	%
Middle	1	779	24.4%
Upper	1	2,415	75.6%
Total	2	3,194	100.0%

Conclusions with Respect to Performance Tests

LOAN-TO-DEPOSIT RATIO

Grand Mountain’s business model primarily focuses on the origination of residential mortgage loans. We compared the bank’s loan-to-deposit ratio with another similarly situated institution. Similarly situated institutions are those of similar business lines and comparable asset size operating in the same geography. Grand Mountain’s loan-to-deposit ratio averaged 99.2 percent during the review period, a decrease from 104.8 percent at the previous exam. In comparison, the other institution’s loan-to-deposit ratio averaged 73.0 percent for the same period. Based on this comparison, Grand Mountain’s business model, and considering the economic conditions in the marketplace in which it conducts its operations the bank meets the standards for satisfactory performance.

ASSESSMENT AREA CONCENTRATION

A review of loans originated by Grand Mountain shows the bank originated a significant majority of loans within the delineated assessment area and exceeds the standards for satisfactory performance. Table C2 reflects the concentration of loans granted within the assessment area compared to total lending by product type.

Table C2 - Assessment Area Concentration						
<i>Lending Reported between 1/1/08 –12/31/10</i>						
Review Period	Number of Loans			Dollar Amount (\$000)		
	Assessment Area Lending	Total Lending	Ratio of AA to Total	Assessment Area Lending	Total Lending	Ratio of AA to Total
Residential Mortgage Loans	189	191	99.0%	\$40,566	\$41,349	98.1%

Institution (continued)

The percentages for the number of residential mortgage loans and the dollar amount originated within the assessment area have increased slightly since the previous examination. Grand Mountain previously originated 92.7 percent of the number of loans and 91.9 percent of the dollar amount of loans in the assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES

A review of Grand Mountain’s loan originations shows that lending to low- and moderate-income borrowers was stronger than that of other HMDA reporting institutions. The bank exceeds the standards for satisfactory performance. Table B3 illustrates Grand Mountain’s performance compared to other HMDA reporting institutions.

Table B3 – Distribution of Residential Mortgage Loans By Borrower Income Level in the Assessment Area				
Borrower Income Category	# of Loans	% of Loans	2009 HMDA Aggregate	Family Distribution
Low	8	4.2%	0.8%	11.0%
Moderate	16	8.5%	5.1%	13.6%
Middle	36	19.1%	9.5%	25.8%
Upper	111	58.7%	71.5%	49.6%
Income Not Avail.	18	9.5%	13.1%	-
Total	189	100.0%	100.0%	100.0%

GEOGRAPHIC DISTRIBUTION OF LOANS

Grand Mountain had a good record of lending in different geographies. Table G4 illustrates Grand Mountain’s loan originations compared to other HMDA reporting institutions. There are only two census tracts in the assessment area, one middle-income tract and one upper-income tract. The bank’s performance is consistent with the population distribution of the assessment area and is considered satisfactory.

Table G4 – Geographic Distribution of HMDA-Reportable Loans By Census Tract Income Level in the Assessment Area				
Census Tract Income Category	# of Loans	% of Loans	2009 HMDA Aggregate	Family Distribution
Middle	39	20.6%	9.5%	24.4%
Upper	150	79.4%	90.5%	75.6%
Total	189	100.0%	100.0%	100.0%

Institution (continued)

RESPONSE TO COMPLAINTS

During the review period, there were no written complaints concerning the bank's CRA performance reported by Grand Mountain or received by the Office of Thrift Supervision's Consumer Affairs Division.

Fair Lending or Other Illegal Credit Practices Review

In May 2010 we performed a comprehensive examination of Grand Mountain. We reviewed the evaluation of compliance with consumer laws and regulations performed at that examination and did not identify any illegal credit practices that violate law, rule, or regulation.

Appendix A

Scope of Examination

SCOPE OF EXAMINATION		
Full Scope CRA Examination		
TIME PERIOD REVIEWED:	January 1, 2008 through December 31, 2010	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED
Grand Mountain Bank, FSB		Home Mortgage Disclosure Act Loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
None		

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED ¹	OTHER INFORMATION
Grand County, Colorado	Full Scope	0	

¹ There is a statutory requirement that the written evaluation of a multistate institution's performance must list the individual branches examined in each state.

CRA Rating Definitions

There are four separate and distinct CRA assessment methods set forth in the CRA: the lending, investment, and service tests for large, retail institutions; the streamlined examination method for small institutions; the community development test for wholesale and limited purpose institutions; and the strategic plan option for all institutions. OTS will assign an institution one of the four assigned ratings required by Section 807 of the CRA:

1. "Outstanding record of meeting community credit needs."
2. "Satisfactory record of meeting community credit needs."
3. "Needs to improve record of meeting community credit needs."
4. "Substantial noncompliance in meeting community credit needs."

OTS judges an institution's performance under the test and standards in the rule in the context of information about the institution, its community, its competitors, and its peers. Among the factors to evaluate in an examination are the economic and demographic characteristics of the assessment area(s); the lending, investment, and service opportunities in the assessment area(s); the institution's product offerings and business strategy; the institution's capacity and constraints; the prior performance of the institution; in appropriate circumstances, the performance of a similarly situated institution; and other relevant information. An institution's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The institution's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile. In addition, OTS adjusts the evaluation of an institution's performance under the applicable assessment method in accordance with §563e.21 and §563e.28, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.