INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 23, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Colorado Federal Savings Bank
Charter Number 708876

8400 East Prentice Avenue, Suite 545
Greenwood Village, CO 80111

Office of the Comptroller of the Currency

One Front Street, Suite 1000
San Francisco, CA 94111

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.

INSTITUTION'S CRA RATING: Needs to Improve.
The Lending Test is rated: Needs to Improve.
The Community Development Test is rated: Satisfactory.

Colorado Federal Savings Bank's performance does not satisfactorily address the credit needs of its assessment area, particularly low- and moderate-income individuals and areas. The following components were weighted most significantly in determining this rating:

- The distribution of the bank's loans to borrowers of differing income levels does not meet the standard for satisfactory performance.

- The geographic distribution of the bank's loans does not meet the standard for satisfactory performance.

Other Component Factors

- The bank's loan-to-deposit ratio exceeds the standard for satisfactory performance.

- The bank's level of lending in its assessment area compared with its overall lending meets the standard for satisfactory performance. This finding considered the challenges associated with the bank's 2008 change-in-control, its size, competition, and business strategy.

- There were no public complaints about the bank's CRA performance.

- Community development activities were marginally satisfactory, given the bank's performance context.

Scope of Examination

The bank became subject to the Intermediate Small Bank (ISB) test in 2011 when total assets exceeded the minimum ISB threshold of $280 million in both of the prior two years ($314 million in 2009 and $703 million in 2010). As 2011 year-end assets total $1.5 billion, the OCC anticipates the bank will be subject to the large bank tests at the next evaluation.

We evaluated the bank's performance based on loans originated from January 1, 2009, through December 31, 2011. At management's request, we also considered the lending activity in the bank's assessment area of the bank's affiliate, Provident Funding

Associates (PFA). We focused our evaluation on the bank's primary product line, residential mortgage loans. To assess the bank's overall CRA performance, we analyzed the bank's loans to determine the level of lending within the bank's assessment area and to assess the reasonableness of the bank's and PFA's lending to borrowers of differing income levels and within geographies of differing income levels.

This evaluation also included the bank's community development activities and those of its affiliate, PFA since January 1, 2011, when the bank first met or exceeded the asset threshold for an ISB.

Description of Institution

Colorado Federal Savings Bank (CFSB) is a federally chartered stock savings bank, headquartered in Greenwood Village, Colorado. The bank is wholly owned by Silver Queen Financial Services, Inc. As of December 31, 2011, CFSB reported total assets of $1.5 billion with $653 million in loans. The bank's net loans represent 42% of total assets.

On June 28, 2008, CFSB experienced a change in ownership when it was acquired by the principal of PFA. The change in controlling ownership also resulted in a change in bank management and business strategy. Current CFSB management inherited a significant volume of problem legacy loans and contingent liabilities resulting from the activities of prior management.

CFSB continues to operate as a single-family (one-to-four unit) residential mortgage lender and engages in significant secondary market activity. The bank discontinued all referral business relationships with third-party brokers. The bank also closed all loan production offices. While the bank maintains a loan office in Dallas, Texas, this office is a call center. The bank currently only accepts applications from its affiliate, PFA, and does not yet accept applications on a retail basis.

CFSB also changed its means for gathering retail deposits. The only means for customers to open an account or to deposit or withdraw money is through online transfers with a linked external bank account. Customers cannot mail in deposits or walk into any bank office to make a deposit. The bank does not maintain any full service branches or ATMs, but does offer customers 24-hour access via its website. The bank has three customer service department call centers that are available during normal business hours. The call centers are located in Greenwood Village, Colorado, El Dorado Hills, California, and Dallas, Texas.

The bank's growth since the change in control was precipitated by PFA and other affiliates maintaining a significant deposit business directly with the bank and increasing those deposits over time. This deposit growth provided a significant source of funds to operate the bank's nationwide mortgage origination business. As deposits grew, the bank's lending business grew.

There are no legal or regulatory circumstances impeding the bank's ability to help meet the credit needs of the community. The circumstances behind the bank's rapid growth did not impede CFSB's ability to help meet credit needs, but rather provided tremendous opportunity for the bank to better service its community. However, CFSB did face significant financial constraints pursuant to the change-in-control, with bank management devoting a significant amount of resources to work through problems acquired from the prior ownership. Subsequent to the change-in-control, the bank has operated with stricter underwriting standards for loan production, which has been significant at $9.2 billion over the past three years. Management implemented this strategy to support reserving for and working through problem assets and contingent liabilities originated by prior bank ownership.

The last CRA evaluation, which took place under the previous ownership, resulted in a rating of Satisfactory as of May 28, 2007.

Description of the Assessment Area(s)

The board of directors and management of CFSB have designated the Denver-Aurora-Broomfield Metropolitan Statistical Area (MSA) as the bank's Assessment Area (AA). This MSA encompasses 545 contiguous census tracts and meets the requirements of the regulation. It does not arbitrarily exclude any low- or moderate-income geographies. The Denver-Aurora-Broomfield MSA includes the counties of Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park. As of July 2011, the U.S. Census Bureau estimated the population of CFSB's AA to be 2,599,504. The 2011 Housing and Urban Development (HUD) Updated Median Family Income for counties in the Denver-Aurora-Broomfield, CO MSA is $78,200.

According to the 2000 Census, low- and moderate-income families make up 37.7% of the families residing within the MSA. Economic conditions have remained relatively stable during the review period. According to the Bureau of Labor Statistics (BLS), the average annual unemployment rate was 8.3% in 2009, rose to 9.0% in 2010, and declined back to 8.3% in 2011.

Housing in the Denver-Aurora-Broomfield MSA is generally affordable based on the National Association of Home Builder's (NAHB) Housing Opportunity Index (HOI) for 4th Quarter 2011. The HOI for the Denver-Aurora-Broomfield MSA was 79.1 based on the median income in 2011 and the median home sales price of $210,000 during fourth-quarter 2011. This MSA ranked 141 out of 225 metropolitan areas monitored nationally. The HOI is defined as the share of homes sold in that area that would have been affordable to a family earning the median income. Notwithstanding the general affordability of this assessment area, homeownership opportunities may be limited for low- and moderate-income individuals.

CFSB faces strong competition with 72 banks operating within the assessment area. CFSB ranks 15th in deposit market share with 1.15%. The five largest banks hold a total of 67.10% of the deposit market share. The competing institutions include: Wells Fargo, FirstBank, JPMorgan Chase, US Bank, and Bank of the West.

The following table displays the demographics of the AA:

Denver-Aurora-Broomfield CO MSA

Demographic Information for Full Scope Area: Denver-Aurora-Broomfield CO MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	545	3.85	26.61	39.63	27.89	2.02
Population by Geography	2,179,240	4.56	27.71	40.28	27.32	0.12
Owner-Occupied Housing by Geography	570,412	1.89	21.89	42.97	33.26	0.00
Business by Geography	349,905	3.23	20.61	37.60	37.57	0.98
Farms by Geography	5,880	1.55	18.64	41.31	37.99	0.51
Family Distribution by Income Level	550,797	18.01	18.65	23.68	39.66	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	201,889	7.68	41.89	37.34	13.09	0.00
Median Family Income HUD Adjusted Median Family Income for 2011 Households Below Poverty Level		61,301 78,200 7%	Median Housing Value Unemployment Rate (2000 US Census)		180,045 2.14%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2011 HUD updated MFI

In conjunction with this CRA evaluation, we conducted a community contact interview. We conduct such interviews to learn about credit opportunities within the community, and how well financial institutions address the credit and service needs of the community. The contact for this evaluation was a representative from a local nonprofit organization. The contact expressed a need for more affordable housing and stressed the need for more aid to first time and low- or moderate-income home buyers.

DETERMINATION OF PRIMARY LOAN PRODUCTS

Table 1 reflects the bank's loan portfolio by number and dollar volume.

Table 1

Colorado Federal Savings Bank Loan Portfolio Composition As of 12/31/2011		
Loan Type	**Dollar (000)***	**Percentage**
Business/Commercial Loans	**13,975**	**2.1%**
Residential Mortgage Loans:	**639,327**	**97.9%**
Single Family (1-4 Units) Loans	639,327	97.9%
Multifamily (5+ units) Loans	0	0.0%
Consumer Loans	**0**	**0.0%**
TOTAL	**653,302**	**100.0%**

Source: Thrift Financial Report as of 12/31/11
*Reflects total commitment amount.

Since the change in control in June 2008, the bank only originates residential mortgage loans. The bank sells most of its loan originations in the secondary market. While the bank purchased some residential mortgage loans from its affiliate during the review period, these loan purchases represent a very small proportion of the bank's residential lending activity and were made as an accommodation. The commercial lending represents affiliate transactions and does not reflect normal activity of the bank.

We analyzed the bank's reportable residential mortgage loan originations for this performance evaluation. We analyzed loans originated between January 1, 2009 and December 31, 2011. We compared this lending to the 2000 U.S. Census demographic data and the 2011 HMDA aggregate, the most current peer data available.

Conclusions with Respect to Performance Tests

LENDING TEST

CFSB's performance under the Lending Test needs to improve.

CFSB is a residential mortgage lender and through its fulfillment agreement with its affiliate, PFA, CFSB originates and sells a significant volume ($9.2 billion between 2009 and 2011) of residential mortgage loans nationwide. Between January 1, 2009 and December 31, 2011, CFSB originated $203.5 million in residential mortgage loans in the Denver AA.

CFSB's headquarters office in Greenwood Village, Colorado does not operate a branch nor offer deposit-taking facilities, and the bank does not maintain or operate any other branches or deposit-taking facilities. The bank's website is the only avenue through which retail deposits are generated. As of December 31, 2011, the bank held $1.1 billion in deposits, of which only $293 million were derived through its retail deposit channel and the remainder represents deposit accounts of its affiliates. Of the $293 million in retail deposits, only $25 million was derived from accounts in the AA.

As previously noted, the June 2008 change-in-control resulted in a change in management of the thrift. Current management has spent a significant amount of time managing problems inherited from the bank's previous owners. In response to the effort and expenses required to resolve problem assets acquired with the bank, current management implemented strict underwriting standards to improve the quality of loans originated in order to maintain profitability, minimize credit risk, and support workout efforts related to the legacy loans.

We recognize the challenges and costs faced by current management to resolve problems inherited from prior bank ownership. Ultimately, however, the bank had significant capacity and opportunity to address the credit needs of low- and moderate-income individuals and areas, but instead its lending performance disproportionately favored upper-income individuals and areas. Given the bank's structure, business strategy, and unique partnership with its affiliate, PFA, we expect the bank to expand its lending products to better reach and serve low- and moderate-income areas and borrowers.

All criteria of the lending test are discussed below.

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size and financial condition, and credit needs in the assessment area.

The bank's quarterly LTD ratio between June 2008 through December 2011 ranged from a low of 21.4% to a high of 115.47%. The average LTD was 78.64% over the 15 quarters ended December 31, 2011. The bank does not maintain any branches or deposit-taking facilities. All retail deposits, which represent less than 30.0% of total deposits, are derived from the bank's website. The majority of the bank's deposits are derived from deposit accounts maintained by its affiliates. The bank funds a significant level of loans through secondary market sales. As a result, the bank's quarterly LTD ratio does not provide a true reflection of deposits derived from the community nor the volume of the bank's lending activity. The average LTD adjusted for loan sales is 236.2 percent.

There are no true peer banks of similar structure and comparable asset size that operate in the same assessment area due to the bank's unique structure. We compared the bank with two internet banks, BofI Federal Bank and First Internet Bank of Indiana, due to their similar lack of "brick and mortar" branch presence. Despite the differences in size, location, and strategic focus, we found that these three financial institutions have a similar average LTD over the review period. The average LTD was 84.04% as of December 31, 2011. The bank's LTD ratio, however, showed much more volatility over the 15 quarters than the other two banks.

Lending in the Assessment Area

A small percentage of CFSB's loans were granted within the Denver-Aurora-Broomfield MSA, as the following table illustrates:

Colorado Federal Savings Bank
Table 2 - Lending in Denver-Aurora-Broomfield, CO MSA

Loan Type	Number of Loans				Dollars of Loans			
	Inside		Outside		Inside		Outside	
	#	%	#	%	$	%	$	%
HMDA Loans	732	2.7%	25,890	97.3%	$203,505	2.2%	$9,002,820	97.8%
Totals	**732**	**2.7%**	**25,890**	**97.3%**	**$203,505**	**2.2%**	**$9,002,820**	**97.8%**

Source: HMDA-reportable loans originated between January 1, 2009 and December 31, 2011

Our review included all HMDA-reportable loans that the bank originated in 2009, 2010, and 2011. Although the number and dollar volume of loans in the assessment area is very low as a percentage of the total, this level of production is considered adequate given the bank's nationwide business model and significant concentration of institutional (non-retail) deposits.

The number and dollar amount of loans granted by CFSB within the AA is significant in relation to total deposits from the AA. The bank garners $25 million in retail deposits from the AA, compared to $293 million in retail deposits nationwide and $1.1 billion in affiliate and retail deposits, combined. The bank originated $204 million in loans within the AA, or approximately eight times local area deposits. Just under $8 million, equivalent to 32% of area deposits, of loans in the AA were made within low- or moderate-income census tracts and $14 million, or 57% of area deposits, were granted to low- or moderate-income families. This represents an adequate level of reinvestment in the AA through lending and responsiveness to community needs.

In addition, competition within the Denver AA is strong with 631 lenders. CFSB ranks 103rd with 0.13% of the lending market share in 2011, which shows reasonable performance in the Denver AA given the competition. Although the bank ranks 15th in deposit share with $665 million in deposits as June 30, 2011, 96.7% of the deposits used in that calculation result from institutional deposits made by the bank's affiliates and, to a lesser extent, retail deposits from customers outside the AA, rather than retail deposits from the AA. The $25 million derived from local retail deposits would represent a 0.05% deposit market share or approximate rank of 58th.

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

The overall borrower distribution of home mortgage loans does not meet the standard for satisfactory performance.

CFSB originated 732 residential mortgage loans totaling $204 million in the AA. This volume represents nearly eight times the dollar volume of deposits derived from the local area. While the dollar volume of loans relative to local deposits is significant, the distribution of loans (by number) to low- and moderate-income borrowers is very low and compares unfavorably to both the HMDA peer lending results and demographic data for low- and moderate-income families in the AA.

The following covers only performance in the Denver AA.

Table 3 - Borrower Distribution of CFSB Residential Real Estate Loans in Denver MSA

Borrower Income Level	Low			Moderate			Middle		Upper	
		% of Number of Loans			% of Number of Loans					
% of Total	% of AA Families	CFSB	2011 HMDA Agg	% of AA Families	CFSB	2011 HMDA Agg	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	18.01%	0.00%	14.72%	18.65%	10.00%	24.35%	23.68%	35.00%	39.66%	55.00%
Home Refinance	18.01%	1.54%	7.93%	18.65%	8.71%	16.55%	23.68%	21.91%	39.66%	67.84%

Table 3A below reflects lending activity of the bank's affiliate, Provident Funding Associates (PFA). This data has been included at the request of bank management and has not been validated. While PFA's overall borrower distribution of home mortgage loans is better than the bank's, when considered with the bank's data it does not meet the standard for satisfactory performance.

The bank did not purchase any loans to low- and moderate-income borrowers in the assessment area from other lenders.

Table 3A - Borrower Distribution of PFA Residential Real Estate Loans in Denver MSA

Borrower Income Level	Low			Moderate			Middle		Upper	
		% of Number of Loans			% of Number of Loans					
% of Total	% of AA Families	PFA	2011 HMDA Agg	% of AA Families	PFA	2011 HMDA Agg	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	18.01%	5.76%	14.72%	18.65%	14.99%	24.35%	23.68%	25.78%	39.66%	53.48%
Home Refinance	18.01%	2.90%	7.93%	18.65%	12.01%	16.55%	23.68%	26.24%	39.66%	58.85%

<u>Home Refinance Lending</u>

CFSB originated 712 home refinance loans totaling $197.3 million in the AA. Of these loans, 73 totaling $13.8 million were granted to low- or moderate-income borrowers. CFSB's distribution of home refinance loans by income level of the borrower in the AA is poor.

- The distribution of CFSB's home refinance loans among low-income borrowers is well below the percentage of low-income families in the AA. The distribution of CFSB's home refinance lending is also below the 2011 HMDA aggregate's home refinance lending among low-income borrowers.
- CFSB currently does not participate in FHA programs or other government loan programs. Adjusting the 2011 HMDA aggregate's lending for conventional loans only, the distribution of home refinance loans granted to low-income borrowers represented 7.37% of total refinance transactions. Adjusting for conventional lending only does not significantly lower the HMDA aggregate's lending results and does not improve the bank's performance on a comparative basis.
- The distribution of CFSB's home refinance loans among moderate-income borrowers is well below the percentage of moderate-income families in the

Denver AA. The distribution of CFSB's home refinance lending is also well below the 2011 HMDA aggregate's home refinance lending among moderate-income borrowers.

- Adjusting the 2011 HMDA aggregate's lending for conventional loans only, the distribution of home purchase loans granted to moderate-income borrowers represented 14.89% of total home purchase transactions. Adjusting for conventional lending only lowers the HMDA aggregate's lending results but does not lower the peer distributions enough to improve the bank's performance on a comparative basis.
- Notwithstanding the low level of lending to low- and moderate-income borrowers, the dollar volume of loans to low- and moderate-income borrowers represent 56.9% of local area deposits. This volume significantly exceeds the volume attainable under a traditional, portfolio lending business model and represents a reasonable volume considering the constraints faced by the bank as a result of pre-existing problem assets and corporate restructuring. However, given the overall volume of loans granted in the AA and the heavy skewing of that lending to upper-income borrowers, the bank has not demonstrated satisfactory effort to address the credit needs of low- or moderate-income borrowers.

Home Purchase Lending

CFSB originated 20 home purchase loans totaling $6.2 million in the AA. Of these loans, only two loans totaling $484,000 were granted to moderate-income borrowers. Given home purchase loans represent less than 3.0% of the bank's AA residential mortgage loans, the distribution of home purchase loans by income level of the borrower in the AA was not evaluated.

Geographic Distribution of Loans

The overall geographic distribution of home mortgage loans does not meet the standard for satisfactory performance.

CFSB originated 732 residential mortgage loans totaling $204 million in the AA. This volume represents nearly eight times the dollar volume of deposits derived from the local area. While the dollar volume of loans relative to local deposits is significant, the distribution of loans (by number) within low- and moderate-income census tracts is very low and compares unfavorably to both the HMDA peer lending results and demographic data for owner-occupied housing units by census tract income level in the AA.

The following discussion covers only performance in the Denver-Aurora-Broomfield MSA.

Table 4 - Geographic Distribution of Residential Real Estate Loans in Denver MSA										
Census Tract Income Level	Low			Moderate			Middle		Upper	
		% of Number of Loans			% of Number of Loans					
% of Total	% of AA Owner Occupied Housing	CFSB	2011 HMDA Agg	% of AA Owner Occupied Housing	CFSB	2011 HMDA Agg	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1.89%	0.00%	2.55%	21.89%	0.00%	16.65%	42.97%	36.84	33.26%	63.16
Home Refinance	1.89%	0.43%	1.52%	21.89%	4.32%	11.24%	42.97%	23.17%	33.26%	72.09%

<u>Home Mortgage Refinance Lending</u>

CFSB originated 695 home refinance loans totaling $191.5 million in the AA. Of these loans, 33 totaling $7.8 million were granted within low- or moderate-income census tracts. The distribution of home refinance loans by income level of geography in the AA is poor.

- The distribution of CFSB's home refinance loans within low-income census tracts is below the percentage of owner occupied units in low-income census tracts. The distribution of CFSB's home refinance lending is also below the 2011 HMDA aggregate's home refinance lending within low-income census tracts.
- CFSB currently does not participate in FHA programs or other government loan programs. Adjusting the 2011 HMDA aggregate's lending for conventional loans only, the distribution of home refinance loans granted within low-income census tracts represented 1.53% of total refinance transactions. This adjustment does not impact the HMDA aggregate's lending results and, therefore, does not improve the bank's performance on a comparative basis.
- The distribution of home refinance loans within moderate-income census tracts is well below the percentage of owner occupied units in moderate-income census tracts. The distribution of CFSB's home refinance lending is also well below the 2011 HMDA aggregate's home refinance lending within moderate-income census tracts.
- Adjusting the 2011 HMDA aggregate's lending for conventional loans only, the distribution of home refinance loans granted within moderate-income census

tracts represented 10.72% of total refinance transactions. Adjusting for conventional lending only lowers the HMDA aggregate's lending results but does not lower the peer distributions enough to improve the bank's performance on a comparative basis.

- Notwithstanding the relatively low level of lending within low- and moderate-income census tracts, the dollar volume of loans within low- and moderate-income census tracts represent 31.1% of local area deposits. This volume exceeds the volume attainable under a traditional, portfolio lending business model and represents a reasonable volume considering the constraints faced by the bank as a result of pre-existing problem assets and corporate restructuring. However, given the overall volume of loans granted in the AA and the heavy skewing of that lending within upper-income census tracts, the bank has not demonstrated satisfactory effort to address the credit needs of low- or moderate-income geographies.

Home Purchase Lending

CFSB originated 19 home purchase loans totaling $5.8 million in the AA. None of these loans were granted within low- or moderate-income census tracts. Given home purchase loans represent less than 3.0% of the bank's residential mortgage loans, the distribution of home purchase loans by income level of the geography in the AA was not evaluated.

Responses to Complaints

The bank did not receive any complaints regarding its CRA performance during the review period.

COMMUNITY DEVELOPMENT TEST

CFSB's performance under the Community Development Test is marginally satisfactory. The bank became an Intermediate Small Bank and hence subject to the Community Development Test on January 1, 2011, as assets at both of the prior two calendar year ends exceeded the 2011 Intermediate Small Bank threshold of $280 million. Prior to 2011, the bank was not obligated to perform community development activities. As a result, community development activities were limited during the period.

The bank did not provide any qualifying loans, services, or investments since it became subject to the Community Development Test. The bank's affiliate, however, provided community development lending and services via foreclosure prevention loan modification programs.

The bank was subject to the Community Development Test for only the last year of this evaluation period. We recognize that developing a community development program takes time. A community development program requires conducting outreach in the community to identify financial needs and developing strategies to meet some or all of those needs. Identifying and building partnerships with organizations that serve community development credit needs is also an important part of developing a community development program. These steps often involve a trial and error period to develop products, programs, and partnerships that are fruitful.

This consideration is provided only for this evaluation review period. While qualifying affiliate activity can and will, upon request, be considered in future evaluations, we expect the bank, on its own and/or through its affiliate, to significantly expand its community development activities to better reach and serve its assessment area.

For purposes of this evaluation, we reviewed community development services in the form of foreclosure prevention modifications provided by the bank’s affiliate, PFA.

Number and Amount of Community Development Loans

The bank did not make any community development loans in 2011. As management works through problem legacy loans acquired upon the change in control of the bank in June 2008, as well as contingent liabilities resulting from activities of prior management, current management is only making high quality low-risk loans to support its current operations.

In 2011, PFA granted 1,221 loan modifications on loans with outstanding principal balances totaling $281 million. These modifications included Home Affordable Modification Program (HAMP) participations as well as non-HAMP loan modifications. In the Denver AA, PFA granted 14 loan modifications to homeowners to keep the borrowers out of foreclosure. These modifications involved outstanding principal balances totaling $3.0 million and resulted in $89,000 in deferred principal, on which interest is not charged and interest rates are reduced for the remaining term of the loan.

Number and Amount of Qualified Investments

The bank did not make any qualifying investments in 2011. While the bank purchased mortgage backed securities (MBS) as community investments, these securities were not targeted investments secured by loans to low- or moderate-income borrowers, and therefore do not qualify as community development.

Extent to Which the Bank Provides Community Development Services

The bank supports various organizations in communities where it maintains its administrative office in California but these organizations are not located in, nor serve a broader regional or statewide area that includes the Denver AA. Also, the services provided by the bank were not financial services or the organizations served do not have community development as the primary purpose.

The bank's affiliate, PFA provided community development services through its foreclosure prevention activities. PFA's loan modification practices qualify as community development services as it entails foreclosure prevention programs that offer affordable, sustainable, long-term loan modifications to low- and moderate-income homeowners facing foreclosure. In the Denver AA, PFA granted nine loan modifications to low- and moderate-income borrowers to keep the borrowers out of foreclosure.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.