



# LARGE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

Public Disclosure

April 09, 2003

Community Reinvestment Act  
**Performance Evaluation**

Cornerstone Bank, National Association  
Charter Number: 2683

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York, Nebraska 68467

Office of the Comptroller of the Currency

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**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, and should not 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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## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated **Satisfactory**.

The following table indicates the performance level of **Cornerstone Bank, N.A.** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Cornerstone Bank, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

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

The major factors that support this rating include:

- Cornerstone Bank, N.A. (Cornerstone) achieved an excellent distribution of home purchase loans to borrowers of different income levels. The bank extended 19% and 25% of home purchase loans to low-income and moderate-income borrowers, respectively. Demographic information revealed that 13% and 18% of families in the assessment area (AA) were low- and moderate-income, respectively.
- The bank also had an excellent distribution of home improvement loans to borrowers of different income levels. Cornerstone extended 19% of home improvement loans to low-income borrowers and 27% of home improvement loans to moderate-income borrowers. This distribution compares favorably with the demographic data noted above.
- Cornerstone originated a relatively high dollar volume of community development loans given the limited opportunities for this activity within the AA.
- Cornerstone had a reasonable record of meeting the credit needs of small businesses and small farms in the AA. For example, 90% of the bank’s business loan originations were in amounts of \$100 thousand or less. In addition, 79% of the bank’s farm loans were for amounts of \$100 thousand or less. Generally, smaller businesses and farms borrow in smaller amounts. The bank’s relatively large percentage of smaller loans indicates an adequate number of loans to small businesses and small farms.
- The level of qualified investments was reasonable at \$326 thousand.

- Cornerstone provided a high level of community development services during the evaluation period. Retail delivery systems and community development services were reasonably accessible to geographies and individuals of different income levels in its AA.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**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.

**Block Numbering Area (BNA):** A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts 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.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**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 household and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home Mortgage Loans:** such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**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.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**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.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

**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 percent and less than 120 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 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small Loan(s) to Farm(s):** 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, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**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.

## Description of Institution

Cornerstone is a full-service financial institution headquartered in York, Nebraska. Cornerstone is an intrastate bank with all branches located within Nebraska. First York Ban Corporation (FYBC) a \$534 million multi-bank holding company, also located in York, Nebraska, owns 100% of outstanding shares of the bank. FYBC also owns majority interests in two other Nebraska banks, one with a national charter and one with a state charter. The management of Cornerstone did not request our consideration of any activities of these affiliates for its own CRA performance during this evaluation. Cornerstone does not have any subsidiaries. Merger and acquisition activity conducted during the evaluation period included purchasing a small state chartered bank in February 2000, purchasing a small nationally chartered bank in February 2001, and purchasing another small state chartered bank in April 2002. All of the purchased banks were located within the AA and were opened as branches of Cornerstone. In addition, Cornerstone opened an additional branch in Rising City, Nebraska in November 2002. Due to the acquisition and branching activity, Cornerstone expanded the AA to include Butler and Nance Counties in Nebraska.

There were no known legal or financial impediments that hindered Cornerstone's ability to help meet the credit needs of its AA. Cornerstone offers a wide range of loan and deposit products, as well as other services. Cornerstone primarily emphasizes agricultural credit, but business and real estate loans are also important segments of its portfolio. As of December 31, 2002, Cornerstone had \$358 million in total assets, \$25 million in Tier 1 Capital, and \$5.2 million net income. The bank's loan-to-deposit ratio on that date was 74% and gross loans represented 66% of total assets. By dollar amount, the loan portfolio consisted of the following types of credit: 42% agricultural and agricultural real estate; 33% commercial and commercial real estate; 12% one- to four-family residential real estate; 6% consumer; and 7% other types. Cornerstone sells the majority of its home purchase and home mortgage refinance loans on the secondary market. The loan-to-deposit ratio and loan portfolio mix do not reflect these loans. From January 1, 2000 to December 31, 2002 the bank originated and sold 606 residential mortgage loans totaling \$46 million.

With \$309 million in deposits, Cornerstone had the largest share of deposits in the AA. Cornerstone's market share for AA deposits was 17%. The next largest bank had \$272 million in deposits in the AA, which represents a 15% market share.

Cornerstone's main office is located in York, in east central Nebraska. The bank has an additional 14 full-service branch offices located in 13 Nebraska communities within 50 miles of York. The bank also has three additional limited-service facilities in York. None of the offices are located in a Metropolitan Statistical Area (MSA). The bank has 24 automated teller machines (ATMs) disbursed throughout the AA. Fifteen of these ATMs are full-service machines and are open twenty-four hours.

Cornerstone received a "Satisfactory" rating during the January 24, 2000 CRA evaluation.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

We evaluated Cornerstone using Federal Financial Institutions Examination Council (FFIEC) Interagency Large Bank CRA Examination Procedures. These procedures covered the Lending, Investment, and Service tests pursuant to the revised CRA regulation. These tests assess the bank's record of helping to meet community credit needs, making community development investments, and providing services throughout the AA. For the Lending Test, we focused primarily on small farm, small business, and residential real estate loans, with emphasis in that order. These were the primary loan products extended within the AA during the evaluation period. In addition, community contacts identified small business and home mortgage lending as primary credit needs throughout the AA.

- We reviewed small farm and small business loan data the bank collected from January 1, 2000 through December 31, 2002.
- Because the bank and its branches are outside an MSA, the bank is not required to collect and report home lending activity for Home Mortgage Disclosure Act (HMDA) purposes. In order to evaluate the bank's performance for this type of lending, we used a sample of 60 home purchase, 60 home mortgage refinance, and 60 home improvement loans originated between January 1, 2000 and December 31, 2002. For these loans, we analyzed data on the borrower's income as well as the geographic location of the loan. We were not able to use the bank's data base of all home mortgage loans in our analysis due to errors in the bank's data discovered during the data integrity phase of our examination.
- We used 2001 Peer Small Business Data to compare the bank's market share of small business and small farm loans to the market share of other lenders in the bank's AA.
- We used demographic data from the 1990 U.S. Census to compare the bank's lending performance to the potential opportunities in its AA. Refer to the Market Profile in Appendix B for details on demographic data.
- We analyzed Cornerstone's community development lending activities from January 25, 2000 through April 9, 2003.
- We reviewed the bank's investment and service activities from January 25, 2000 through April 9, 2003.
- We considered the number and types of qualified investments, branch locations and accessibility, alternative service delivery systems, and community development services.
- We used deposit information, reported annually to the Federal Deposit Insurance Corporation, to determine Cornerstone's deposit market share and market presence relative to other financial institutions in its AA. The most recent deposit information available was as of June 30, 2002.

## **Data Integrity**

Examiners verified the accuracy of data used in this evaluation of the bank's performance by comparing collected data to original credit file information. We applied this review to a sample of 60 small business and farm loans and 60 home mortgage loans originated by the bank.

Examiners noted errors in reporting loan purpose (i.e. purchase or refinance) for home mortgage loans. These errors occurred due to inadequate staff training. In addition, the bank did not report borrower income information for home improvement loans. The bank collects home mortgage information voluntarily since it is not a HMDA reporter; therefore, we did not require the bank to correct the data. Because we could not rely on the bank's collected information, we used samples of home purchase, home mortgage refinance, and home improvement loans to assess the bank's home mortgage lending performance.

## **Selection of Areas for Full-Scope Review**

The bank has only one AA. We assigned the bank's CRA rating based on its lending, investment, and service performance within this AA. Please refer to the table in Appendix A for more information regarding the scope of this evaluation.

## **Ratings**

Cornerstone's overall rating is based on the bank's lending, investment, and service activities in its AA.

## **Other**

Examiners made two community contacts during the evaluation and reviewed another six community contacts completed in the AA since January 2000 by financial institution regulators. These contacts included two economic development groups, two affordable housing organizations, two city government officials, one realtor, and one private business.

The two contacts made during this examination, both in the York area, stated that the development of affordable housing and housing loans were primary needs. Affordable housing was in short supply due primarily to the lack of developers and the high cost of new homes.

Several community contacts previously interviewed identified small business and home mortgage lending as the primary credit needs in the AA. These contacts were located in Columbus, Marquette, Polk, and Shelby, and all stated that local banks meet the needs for all types of credit.

## **Fair Lending Review**

We identified no violations of the substantive provisions of anti-discrimination laws and regulations. We tested compliance with anti-discrimination laws by performing a comparative analysis of denied and approved applications for automobile-secured loans from October 1, 2002 through April 30, 2003. The analysis consisted of comparing all denied loan applications received from single-applicant females and all approved loan applications from single-applicant males. We compared underwriting and discussed any apparent similarities in qualifications between these two groups with bank management to ensure males and females were treated similarly. Our analysis found underwriting standards applied to female and male applicants for automobile-secured loans were consistent, regardless of gender.

## Conclusions with Respect to Performance Tests

Cornerstone's lending levels reflect a good responsiveness to community credit needs. For small farm and small business loans, the bank had an adequate record of lending to borrowers of different revenue sizes. The bank's lending performance for home purchase and home improvement loans was strong when we considered borrowers' different income levels. Cornerstone originated a good volume of community development loans. An analysis of the geographic distribution of loans was not meaningful, as the AA contained predominately middle- and upper-income BNAs. The single low-income BNA was insignificant to the area. We note the bank made the vast majority of loans to borrowers within the AA. Cornerstone's record of extending home mortgage refinance loans to borrowers of different income levels was notably weaker; however, this did not detract from the bank's overall adequate performance due to compensating factors described below.

Cornerstone also provided an adequate level of investments which benefit the AA. Management was generally aware of investment opportunities within the AA and participated whenever possible.

Cornerstone's performance under the Service Test was good. In several instances bank personnel provided leadership roles which helped to address the AA's affordable housing and small business financing needs. There are no significant low-income and no moderate-income geographies in the AA to target for special services or banking facilities. Cornerstone's branches are located throughout the AA and provide reasonable access to its products and services.

### LENDING TEST

Cornerstone's performance under the Lending Test is rated "High Satisfactory".

#### Lending Activity

Refer to Table 1 Lending Volume in Appendix C for the facts and data used to evaluate the bank's lending activity. Cornerstone's lending levels reflected a good responsiveness to the assessment area's residential real estate, small business, and small farm credit needs. Table 1 details the number and dollar volume of loans reported by Cornerstone during the evaluation period.

Cornerstone's lending levels reflected good responsiveness to the AA's small business and small farm credit needs. We base this conclusion on loan data submitted by the bank to the Federal Financial Institutions Examination Council (FFIEC), which shows a good number of loan originations for farm and business purposes. We were able to compare Cornerstone's lending performance for these two products with other lenders within the AA who submitted aggregate loan data for 2001 to the FFIEC. This data showed Cornerstone originated the second largest number of both small business and small farm loans within the AA, while ranking first in deposits.

It is not possible to compare residential real estate lending performance, as market share data is not available in non-metropolitan statistical areas.

## **Distribution of Loans by Income Level of the Geography**

It is not meaningful to evaluate the distribution of loans by income level of the geography since all significant BNAs in the AA are middle- or upper-income. Appendix B explains why the single low-income BNA is not significant and bears no weight in our analysis.

## **Lending Gap Analysis**

Our lending gap analysis revealed that the bank is lending throughout the AA. Our review of business and farm loans showed the bank to be lending in all areas of the AA except the Butler County BNAs. This is reasonable as the bank only opened its Rising City branch and added Butler County to the AA in November 2002. Our review of home mortgage loans showed the bank to be lending in all areas of the AA except the Butler and Nance County BNAs. The lack of lending in Butler County is reasonable, as explained above. The lack of home mortgage lending in Nance County is also reasonable, as Cornerstone has no branches in Nance County and several other local financial institutions serve this area.

## ***Inside/Outside Ratio***

One aspect of geographic distribution is the percentage of loans made or purchased within the bank's AA as opposed to outside its AA. Cornerstone originated a significant percentage of reported loans within its AA. For all loans evaluated under CRA for this evaluation, the bank originated or purchased 88% by number within its AA. By loan product, the bank made or purchased 84% of small loans to businesses, 90% of small loans to farms, and 97% of home mortgage loans within its AA.

## **Distribution of Loans by Income Level of the Borrower**

### ***Home Mortgage Loans***

Refer to Tables 7, 8, and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Cornerstone had a strong distribution of home purchase and home improvement loans to borrowers of different income levels, including low- and moderate-income (LMI) borrowers. Tables 7, 8, and 9 in Appendix C portray the distribution of the bank's residential real estate loans made during the evaluation period to borrowers of different income levels. The tables also depict the distribution of families within the AA by income level. This provides some perspective on potential lending opportunities to borrowers of different income levels. The tables focus on the number of residential real estate loans rather than the dollar volume as this directly ties to the number of borrowers benefiting from these loans.

As shown in Table 7, Cornerstone had excellent penetration of home mortgage loans to LMI borrowers. The bank's percentage of home purchase loans to low-income borrowers was 1.5 times the percentage of low-income families in the AA. Similarly, the bank's percentage of

home purchase loans to moderate-income borrowers was 1.4 times the percentage of moderate-income families in the AA. Cornerstone frequently assists LMI home purchase applicants by encouraging their use of government sponsored low down payment programs.

Table 8 also reveals excellent lending penetration among LMI borrowers who are financing improvements to their homes. We note that 19% of home improvement loans were made to low-income borrowers and another 27% were made to moderate-income borrowers. This distribution exceeded demographic data for both low- and moderate-income borrowers. Thirteen percent and 18% of families in the AA were low- and moderate-income, respectively.

Table 9 reveals the bank's performance of making residential real estate refinance loans was weaker when lending to LMI borrowers. Five percent of refinance loans were made to low-income borrowers, with 11% made to moderate-income borrowers. However, we note that many LMI borrowers receiving home purchase loans from Cornerstone qualified for one of several first-time home buyer programs offered through the Nebraska Investment Finance Authority or the USDA Guaranteed Rural Housing Program. These programs include a variety of attractive features, such as no or low down payment requirements, fewer fees, and lower interest rates. These loan programs are not available to borrowers wishing to refinance their home loans. Therefore, LMI borrowers wanting to refinance their loans would generally be subject to higher down payment requirements, higher fees, and higher interest rates than they currently pay on their existing home loan.

### ***Small Loans to Businesses***

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses. The table shows the distribution of Cornerstone's small loans to businesses by both loan size and by gross revenues of \$1 million or less.

Cornerstone had a reasonable record of lending to businesses of different revenue sizes. We based this conclusion on the volume of smaller sized business loans. Table 10 reveals that 90% of business loans were in amounts of \$100 thousand or less. In this analysis, we used loan size as an indicator or proxy for business revenue size. Generally, smaller businesses borrow in smaller amounts. We note, as an imprecise comparison, that 92% of AA reporting banks' business loan originations were for amounts of \$100 thousand or less in 2001. It was difficult to meaningfully compare the bank's small business lending data with area demographics for businesses since Cornerstone did not document revenues for 21% of businesses that borrowed from the bank during the evaluation period. This resulted in the percentage of loans to businesses with revenues under \$1 million at 72%, compared to AA demographics of 76% of businesses with revenues under \$1 million.

### ***Small Loans to Farms***

Refer to Table 11 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses. This table shows the distribution of Cornerstone's small loans to farms both by loan size and by gross revenues of \$1 million or less.

Cornerstone had an adequate record of lending to farms of different revenue sizes. We based this conclusion on the volume of smaller sized loans. Table 11 reveals that 79% of the bank's farm loan originations were in amounts of \$100 thousand or less. In this analysis, we used loan size as an indicator or proxy for farm revenue size. Generally, smaller farms borrow in smaller amounts. We placed the most weight on this measure because Cornerstone did not collect gross annual revenue information for 39% of farm borrowers during the evaluation period. This leaves the number of farms with known revenues under \$1 million artificially small in relation to all farm loans. Therefore, we cannot meaningfully compare this lending performance with farm revenue demographics from the area. We note, as a less precise comparison, that 81% of AA reporting banks' farm loan originations were for amounts of \$100 thousand or less in 2001.

## **Community Development Lending**

Refer to Table 1 Lending Volume in Appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans.

Cornerstone originated an excellent dollar volume of community development loans in its AA considering the limited opportunities in the rural communities it serves. The bank's community development lending had a positive impact on our overall CRA conclusions. Although the bank only originated one community development loan during the evaluation period, the dollar volume in relation to the overall size of the bank was very good.

The bank originated a \$2.374 million loan to the Housing Authority of the City of Columbus to provide construction and permanent financing for a new 60-unit housing facility located in Columbus. The facility will provide housing for low- and moderate-income elderly individuals. Cornerstone is providing half of the financing for this project, with the other half provided by another area bank.

## **Product Innovation and Flexibility**

Cornerstone used loan products with flexible lending terms to assist in meeting various credit needs in its AA. The bank originated loans under programs targeted to first-time homebuyers and LMI individuals. This activity showed the bank's commitment to help meet a primary credit need for affordable housing identified by community contacts in the York area. Following are examples of flexible lending programs used by the bank. Loans originated under these programs were included in the tables and analyses of residential real estate lending.

Cornerstone actively originates loans using the United States Department of Agriculture (USDA) Guaranteed Rural Housing (GRH) loan program. This program is targeted to LMI borrowers, and allows them to purchase homes without downpayments. From the program's fiscal year 2000, which began October 1, 1999, through April 1, 2003, Cornerstone originated 152 loans totaling \$8.2 million. Additionally, among all participating Nebraska lenders, Cornerstone made the most GRH loans in fiscal year 2001 and year to date in fiscal year 2003.

Cornerstone also utilizes the Nebraska Investment Finance Authority (NIFA) loan program for first-time homebuyers. This program assists borrowers by offering reduced interest rates and

lower down payment requirements. In addition, NIFA's homebuyer assistance program provides grant money to cover closing costs and partial down payments. The majority of applicants receiving NIFA loans are LMI. Cornerstone originated 109 NIFA loans totaling \$5 million during 2000, 2001, and 2002. Many NIFA loans are originated in conjunction with the GRH program described above to provide the maximum benefit to the applicant.

Cornerstone has also participated in the Federal Home Loan Bank's (FHLB) Rural First-time Homebuyer Program (RFHP). This program provides a grant of up to \$4 thousand to a LMI applicant to use towards closing costs for a home loan. The bank must apply to the FHLB for the grant on behalf of the customer. Cornerstone has provided this closing cost assistance to two customers.

## INVESTMENT TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Investment Test is rated "Low Satisfactory".

Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Cornerstone made a reasonable level of qualified community development investments in the AA. Qualifying community development investments can be in either the form of donations or investment securities. During the evaluation period, the bank made 15 community development investments and donations totaling \$326 thousand. In addition, the bank had three prior period investments still outstanding totaling \$52 thousand.

In March 2003, the bank invested \$300 thousand with CRAFund Advisors. This company invests in securities that are considered qualified CRA investments in an institution's AA. As of the start date of the CRA evaluation, the funds had not been allocated; therefore, examiners were unable to determine the impact of the investment on the AA. The remaining investments and donations were provided to organizations located in the AA whose primary purposes are to provide affordable housing and community services to LMI individuals. Affordable housing was one of the primary needs identified during community interviews conducted by federal financial institution regulators. Some of the bank's community development investments were considered innovative and complex since they were equity investments that required additional work by investors to establish legal entities.

The following is a list of the most significant community development investments and donations provided by the bank. Affordable housing investments and donations discussed below had the greatest impact on the community development needs of the AA.

- \$10 thousand current period and \$37 thousand prior period investment in an entity that developed and operates an 8-unit apartment complex for LMI elderly individuals in the AA.
- \$5 thousand donation to a housing development corporation that built five lease-to-own homes for LMI individuals.
- \$4 thousand donation to two entities that provide shelter and counseling to children who primarily come from LMI families.
- \$2 thousand donation to an organization that is helping to refurbish a designated blighted area in the downtown section of a community in the AA. Please refer to Appendix B for more information regarding blighted areas in the AA.
- \$1.5 thousand donation to a home for medically challenged LMI individuals.
- \$1 thousand donation to an organization that educates and finances prospective small business owners in rural communities.
- \$15 thousand in prior period investments in two affordable housing development corporations. No information was available on specific projects completed during the evaluation period.

Community development investment opportunities in the AA were somewhat limited during the evaluation period primarily due to the lack of low- to moderate-income tracts in the AA and the

bank's Subchapter S tax status. However, opportunities existed in the form municipal bond issuances. For example, according to the Nebraska Investment Finance Authority, during 2000, 2001, and 2002, \$100 million in statewide affordable housing bonds were sold through brokers and Nebraska-based investment bankers.

## **SERVICE TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the Service Test is rated "High Satisfactory".

#### **Retail Banking Services**

Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

Cornerstone's branches and ATMs are reasonably accessible to individuals throughout the AA. An analysis of the distribution of the bank's branches and ATMs by geographic income is not meaningful since the AA includes only one low-income tract with very limited population and no moderate-income tracts. Cornerstone opened four full-service branches, four ATMs, and one cash-dispensing machine since the last CRA evaluation. The bank closed five ATMs due to poor usage and has not closed any branches.

The bank offers reasonable services and overall convenient business hours throughout the AA. Fifteen of the bank's 18 offices provide full banking services, while the other three locations offer all services except loans. All offices except the main bank and the Rising City branch offer Saturday morning hours. Thus, loan services are available to most sections of the AA on Saturdays. None of the offices in the city of York offer loan services on Saturday since only the main bank provides loans in York. The York and Rising City portions of the AA may be somewhat inconvenienced due to the lack of loan services on Saturdays. However, the bank offers after-hours appointments to customers who cannot conduct loan-related business during regular business hours.

Cornerstone Bank also offers other delivery systems, which should help the bank reach individuals throughout the AA. The bank offers online banking, telephone banking, banking services by mail, 16 ATMs, and eight cash dispensing machines throughout the AA. The bank also offers a direct deposit service. Most of these delivery systems are available 24-hours a day, 7 days a week without customer usage fees. However, we did not place significant weight on alternative delivery systems since no data was available on the impact these services have had on the bank's record of reaching LMI individuals in the AA.

#### **Community Development Services**

Cornerstone Bank provided a high level of community development services during the evaluation period. In total, ten employees used their financial expertise to provide services to 11 community development organizations serving the AA. Bank personnel acted in leadership

capacities for economic development organizations, affordable housing entities and other groups that provide community development services to LMI individuals in the AA.

The following is a list of the most significant community development services provided by the bank:

- Bank employees served in leadership capacities for five affordable housing organizations. In these capacities, employees provided financial assistance by reviewing and preparing budgets and providing financial advice to obtain grants and help develop affordable housing for LMI individuals. As a result of these efforts, these organizations provided 20 new houses, remodeled two homes, and rehabilitated housing for elderly and handicapped LMI individuals. Additionally, a program that provides low interest loans to landlords for housing rehabilitation of rental units that are occupied by LMI tenants has been established. Furthermore, two additional employees provided education to LMI individuals regarding home financing opportunities throughout the evaluation period.
- Bank employees sat on loan review committees for two entities that promote economic development by providing or facilitating financing of small businesses and educating prospective small business owners. As a result of these efforts, seven new small businesses were financed.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered.

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): 01/01/00 to 12/31/02 Investment and Service Tests and CD Loans: 01/25/00 to 04/09/03	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Cornerstone Bank, N. A. (Cornerstone) York, Nebraska	Small Farm Loans, Small Business Loans, Home Mortgage Loans, Community Development Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None.		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
The contiguous counties of Butler, Fillmore, Hamilton, Merrick, Nance, Platte*, Polk, and York  *excludes BNA # 9851 in northern Platte County (middle-income)	Full-Scope	

## Appendix B: Market Profiles for Full-Scope Areas

### Nebraska Counties of Butler, Fillmore, Hamilton, Merrick, Nance, Platte\*, Polk, and York

Demographic Information for Full-Scope Area: Cornerstone AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	25	4%	NA	88%	8%	NA
Population by Geography	82,362	0%	NA	88%	12%	NA
Owner-Occupied Housing by Geography	22,572	0%	NA	89%	11%	NA
Businesses by Geography	5,452	0%	NA	89%	11%	NA
Farms by Geography	1,785	0%	NA	96%	4%	NA
Family Distribution by Income Level	22,473	13%	18%	27%	42%	NA
Distribution of Low- and Moderate-Income Families throughout AA Geographies	7,098	0%	NA	92%	8%	NA
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below the Poverty Level	= \$27,623 = \$45,800 = 9.88%	Median Housing Value Unemployment Rate				= \$39,823 = 1.28%

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 U.S. Census, and 2002 HUD updated MFI.

\* BNA 9851 excluded.

Cornerstone defines the AA for its operations as all of Butler, Fillmore, Hamilton, Merrick, Nance, Polk, and York Counties and six of seven BNAs in Platte County. The bank determined BNA 9851, located in northern Platte County, to be outside its AA due to a lack of both deposit and lending activity. The AA consists of 25 BNAs, with one low-income, 22 middle-income, and two upper-income. We consider the low-income BNA to be insignificant to our analysis as only 31 individuals resided within its boundaries in the 1990 U.S. Census. The census counted 97 housing units, but 84 were unoccupied. Because it was an isolated island located in the Platte River near Columbus, it did not report any farms or businesses.

While there are no significant LMI BNAs in the AA, Central City has designated several areas within its jurisdiction as blighted. They adopted a redevelopment plan for these areas, which allows the use of tax incremental financing to spur development. More specifically, Central City designated the bordering areas of two highways entering the city plus approximately a 40 square block area in the southeastern section as needing redevelopment assistance.

All of Cornerstone's offices and ATMs are located in the AA. Banking and financial service competition within the AA market is strong. The AA is served by 32 other financial institutions operating 56 banking offices as of June 30, 2002. Cornerstone has the largest deposit market share in the AA, holding deposits totaling \$309 million or 17% of the total market. The 32 other

financial institutions (local and nonlocal) had deposits in the AA ranging from \$3 million to \$272 million. Primary competitors include the First National Bank and Trust Company of Columbus, Pinnacle Bank, York State Bank and Trust Company, Geneva State Bank, and Heritage Bank. Additional competition comes from banks, brokerage houses, and lenders headquartered outside the AA.

According to 1990 census data, the AA population was 82,362. There are 58 towns within the AA. Columbus, with a population of 19,480 is the largest, followed by York, 7,940, and Aurora, 3,810. All remaining towns are smaller with 49 having fewer than 1,000 residents.

Although dependent on agriculture due to its rural location, the AA also enjoys a good level of economic diversity with Columbus having the strongest industrial concentration. Columbus is home to Becton Dickinson & Company (medical syringes), Behlen Manufacturing Company (steel buildings), and Vishay (semiconductors and electronic components). These businesses employ 1,118 people, 969 people, and 667 people, respectively. York's major employers include Hamilton-Sundstrand (aerospace components), Champion Homes (manufactured housing), and the medical industry (hospital, clinic, and nursing home). Hamilton-Sundstrand and Champion Homes each employ approximately 300 people, while the medical industry employs approximately 350 people. This employment diversification helped provide economic stability during the evaluation period. Even so, prospects for the agricultural sector are currently not favorable due to large swings in commodity prices and an ongoing drought. Despite the downturn in agricultural markets, the unemployment rate for the State of Nebraska in February 2003 was 3.5%. This figure compares favorably to the national average, which approximates 6%.

Examiners completed two community contacts during the examination and reviewed six previous contacts conducted recently by financial institution regulators in Cornerstone's AA. Contacts stated a need for affordable housing and small business loans.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank’s assessment area.

- Table 6. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** - See Table 7.
- Table 9. Borrower Distribution of Refinance Loans** - See Table 7.
- Table 10. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

**Table 13. Distribution of Branch Delivery System and Branch Openings/Closings -** Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

**Table 1. Lending Volume**

LENDING VOLUME		Geography: Nebraska				Evaluation Period: January 1, 2000 to December 31, 2002						
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>												
Cornerstone AA	100%	1,192	\$65,417	1,419	\$75,006	2,424	\$155,245	1	\$2,374	5,036	\$298,042	100%

\* Loan Data as of 12/31/02. Rated area refers to either the state or multi-state MA rating area.

\*\* The evaluation period for Community Development Loans is January 25, 2000 to April 9, 2003.

\*\*\* Deposit Data as of 6/30/02. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE		Geography: Nebraska					Evaluation Period: January 1, 2000 to December 31, 2002					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Over all	Low	Mod	Mid	Upp	
	#	% of Total	% Owner Occ Units***	% Corner-stone Loans	% Owner Occ Units***	% Corner-stone Loans	% Owner Occ Units***	% Corner-stone Loans	% Owner Occ Units***	% Corner-stone Loans						
<b>Full Review:</b>																
Cornerstone AA	NA**	100%	0%	0%	NA	NA	89%	98%	11%	2%	MARKET SHARE INFORMATION IS NOT AVAILABLE					

\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\* Due to errors in the bank's home mortgage data collection, we were unable to determine the total number of home purchase loans originated during the evaluation period. We used a sample of 60 loans to arrive at our conclusions.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT															Geography: Nebraska				Evaluation Period: January 1, 2000 to December 31, 2002			
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography											
	#	% of Total**	% Owner Occ Units***	% Corner-stone Loans	% Owner Occ Units***	% Corner-stone Loans	% Owner Occ Units***	% Corner-stone Loans	% Owner Occ Units***	% Corner-stone Loans	Over all	Low	Mod	Mid	Upp							
<b>Full Review:</b>																						
Cornerstone AA	288*	100%	0%	0%	NA	NA	89%	100%	11%	0%	MARKET SHARE INFORMATION IS NOT AVAILABLE											

\* Because the bank did not report income information for home improvement loans, we used a sample of 60 loans to arrive at our conclusions.

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE												Geography: Nebraska					Evaluation Period: January 1, 2000 to December 31, 2002				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography										
	#	% of Total**	% Owner Occ Units***	% Corner-stone Loans	% Owner Occ Units***	% Corner-stone Loans	% Owner Occ Units***	% Corner-stone Loans	% Owner Occ Units***	% Corner-stone Loans	Over all	Low	Mod	Mid	Upp						
<b>Full Review:</b>																					
Cornerstone AA	NA*	100%	0%	0%	NA	NA	89%	96%	11%	4%	MARKET SHARE INFORMATION IS NOT AVAILABLE										

\* Due to errors in the bank's home mortgage data collection, we were unable to determine the total number of home refinance loans originated during the evaluation period. We used a sample of 60 loans to arrive at our conclusions.

\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

**Table 5. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES															Geography: Nebraska		Evaluation Period: January 1, 2000 to December 31, 2002				
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*										
	#	% of Total**	% of Businesses***	% Cornerstone Loans	% of Businesses***	% Cornerstone Loans	% of Businesses***	% Cornerstone Loans	% of Businesses***	% Cornerstone Loans	Overall	Low	Mod	Mid	Upp						
<b>Full Review:</b>																					
Cornerstone AA	1,419	100%	0%	0%	NA	NA	89%	99%	11%	1%	20%	0%	NA	23%	1%						

\* Based on 2001 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet 2002.

**Table 6. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS															Geography: NEBRASKA					Evaluation Period: January 1, 2000 to December 31, 2002				
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography													
	#	% of Total**	% of Farms***	% Corner-stone Loans	% of Farms***	% Corner-stone Loans	% of Farms***	% Corner-stone Loans	% of Farms***	% Corner-stone Loans	Overall	Low	Mod	Mid	Upp									
<b>Full Review:</b>																								
Cornerstone AA	2,424	100%	0%	0%	NA	NA	96%	98%	4%	2%	28%	0%	NA	30%	7%									

\* Based on 2001 Peer Small Business Data: US.

\*\* Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

\*\*\* Source Data - Dun and Bradstreet 2002.

**Table 7. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE		Geography: Nebraska						Evaluation Period: January 1, 2000 to December 31, 2002							
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% Corner-stone Loans****	% Families**	% Corner-stone Loans****	% Families*	% Corner-stone Loans****	% Families**	% Corner-stone Loans****	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Cornerstone AA	NA*	100%	13%	19%	18%	25%	27%	28%	42%	28%	MARKET SHARE INFORMATION IS NOT AVAILABLE				

\* Due to errors in the bank's home mortgage data collection, we were unable to determine the total number of home purchase loans originated during the evaluation period. We used a sample of 60 loans to arrive at our conclusions.

\*\* Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. Income information was available for all loans sampled.

**Table 8. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT												Geography: Nebraska				Evaluation Period: January 1, 2000 to December 31, 2002				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share									
	#	% of Total**	% Families**	% Cornerstone Loans****	% Families*	% Cornerstone Loans****	% Families*	% Cornerstone Loans****	% Families*	% Cornerstone Loans****	Over all	Low	Mod	Mid	Upp					
<b>Full Review:</b>																				
Cornerstone AA	288*	100%	13%	19%	18%	27%	27%	32%	42%	22%	MARKET SHARE INFORMATION IS NOT AVAILABLE									

\* Because the bank did not report income information for home improvement loans, we used a sample of 60 loans to arrive at our conclusions.

\*\* Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 41% of loans sampled.

**Table 9. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE															Geography: Nebraska					Evaluation Period: January 1, 2000 to December 31, 2002				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share													
	#	% of Total**	% Families**	% Corner-stone Loans****	% Families* **	% Corner-stone Loans****	% Families* **	% Corner-stone Loans****	% Families* **	% Corner-stone Loans****	Over all	Low	Mod	Mid	Upp									
<b>Full Review:</b>																								
Cornerstone AA	NA*	100%	13%	5%	18%	11%	27%	40%	42%	44%	MARKET SHARE INFORMATION IS NOT AVAILABLE													

\* Due to errors in the bank's home mortgage data collection, we were unable to determine the total number of home refinance loans originated during the evaluation period. We used a sample of 60 loans to arrive at our conclusions.

\*\* Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

\*\*\* Percentage of Families is based on the 1990 Census information.

\*\*\*\* As a percentage of loans with borrower income information available. Income information was available for all loans sampled.

**Table 10. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES					Geography: Nebraska		Evaluation Period: January 1, 2000 to December 31, 2002		
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share*	
	#	% of Total**	% of Businesses***	% Cornerstone****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Cornerstone AA	1,419	100%	76%	72%	90%	6%	4%	20%	24%

\* Based on 2001 Peer Small Business Data: US.

\*\* Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

\*\*\* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2002).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 21% of small loans to businesses originated and purchased by the Bank.

**Table 11. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS		Geography: Nebraska		Evaluation Period: January 1, 2000 to December 31, 2002					
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share <sup>*</sup>	
	#	% of Total <sup>**</sup>	% of Farms <sup>***</sup>	% Cornerstone <sup>****</sup> Loans	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev \$1 Million or Less
<b>Full Review:</b>									
Cornerstone AA	2,424	100%	97%	62%	79%	17%	4%	28%	20%

<sup>\*</sup> Based on 2001 Peer Small Business Data: US.

<sup>\*\*</sup> Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

<sup>\*\*\*</sup> Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2002).

<sup>\*\*\*\*</sup> Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 39% of small loans to farms originated and purchased by Bank.

**Table 12. Qualified Investments**

QUALIFIED INVESTMENTS		Geography: Nebraska				Evaluation Period: January 25, 2000 to April 9, 2003			
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Cornerstone AA	3	52	14	26	17	78	21	0	0
Statewide/Regional Investment with potential to benefit AA	0	0	1	300	1	300	79	0	0

\* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

**Table 13. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS Geography: Nebraska Evaluation Period: January 25, 2000 to April 9, 2003																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in AA	# of Cornerstone Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full Review:</b>																	
Cornerstone AA	100%	17	100%	0%	NA	100%	0%	4	0	0	NA	4	0	0%	NA	88%	12%

**Nebraska Counties of Butler, Fillmore, Hamilton, Merrick, Nance, Platte\*\*, Polk, and York**

Demographic Information for Full Scope Area: Nebraska						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	25	4%	NA	88%	8%	NA
Population by Geography	82,362	0%	NA	88%	12%	NA
Owner-Occupied Housing by Geography	22,572	0%	NA	89%	11%	NA
Business by Geography	5,452	0%	NA	89%	11%	NA
Farms by Geography	1,785	0%	NA	96%	4%	NA
Family Distribution by Income Level	22,473	13%	18%	27%	42%	NA
Distribution of Low and Moderate Income Families throughout AA Geographies	7,098	0%	NA	92%	8%	NA
Median Family Income		\$27,623	Median Housing Value			\$39,823
HUD Adjusted Median Family Income for 2002		\$45,800	Unemployment Rate (1990 US Census)			1.28%
Households Below Poverty Level		9.88%				

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 1990 US Census and 2000 HUD updated MFI

\*\*BNA 9851 excluded