

PUBLIC DISCLOSURE

SEPTEMBER 12, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pulaski Bank and Trust Company
RSSD #1146

5800 "R" Street
Little Rock, Arkansas 72207-4416

Federal Reserve Bank of St. Louis

P.O. Box 442
St. Louis, Missouri 63166-0442

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 the 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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INSTITUTION

INSTITUTION'S CRA RATING: Pulaski Bank and Trust Company is rated **SATISFACTORY**.

The Lending Test is rated: **SATISFACTORY**

The Community Development Test is rated: **SATISFACTORY**

Pulaski Bank and Trust Company (Pulaski Bank) is assigned a satisfactory institutional rating, which is supported by the factors detailed below:

- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The bank's loan-to-deposit ratio is more than reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending related activities are in the institution's assessment areas.
- The institution's community development performance demonstrates satisfactory responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment areas.

SCOPE OF EXAMINATION

The bank's performance was evaluated using the performance standards for the recently adopted Intermediate Small Bank (ISB) examination procedures. The revised procedures provide for a two-part test for ISBs, which evaluate the bank's lending and community development activities separately.¹ The period of review used to evaluate Pulaski Bank's CRA performance spanned from the date of the bank's previous examination on June 23, 2003 to September 12, 2005. The review utilized 2003 and 2004 home mortgage, small business, and community development loan data reported under the Home Mortgage Disclosure Act (HMDA)² and CRA data³ reporting requirements. Also included in the HMDA data used for performance evaluation purposes, was loan activity from the bank's two mortgage company affiliates, Pulaski Mortgage Company headquartered in Little Rock, Arkansas and PMC Mortgage Company, a subsidiary of Pulaski Mortgage Company, which is headquartered in Memphis, Tennessee. Although this evaluation included analysis of data for both years 2003 and 2004, 2004 data is the primary focus of the review, and conclusions regarding 2003 data are only noted where materially different from those based on 2004 loan analysis. Lastly, community development investments and services for the entire period of review were also included in this evaluation.

Since the bank's previous CRA evaluation, Pulaski Bank acquired a branch office in Memphis, Tennessee through a bank merger. Although the bank's mortgage company affiliates previously operated in the Memphis area, Pulaski Bank operations in Memphis did not begin until mid-year 2004. Therefore, Pulaski Bank was reviewed using full examination procedures for both the Little Rock, Arkansas and Memphis, Tennessee assessment areas. However, in light of the limited time its Memphis banking operations have been active, and the relatively small loan volume originated by the single office in Tennessee compared to the bank's total HMDA and small business loan volume, primary weight was given to the Little Rock assessment area performance conclusions when determining the bank's overall CRA rating.

¹ Effective September 1, 2005, the Board of Governors of the Federal Reserve System, the Office of Comptroller of the Currency and the Federal Deposit Insurance Corporation (the agencies) revised the Community Reinvestment Act regulations. Among the revisions to the regulation is a new test for "intermediate small banks." Intermediate small banks are small banks with assets of at least \$250 million as of December 31 for both the prior two calendar years and less than \$1 billion as of December 31 of either of the prior two calendar years.

² Home mortgage loan data reported under the HMDA include information from loans to purchase or improve a dwelling, or the refinancing of such loans.

³ The bank's business strategy does not target agricultural related lending activities. Consequently, the bank has very little farm loan activity, and the small farm loan category was not considered a primary line of business for CRA performance evaluation purposes.

DESCRIPTION OF INSTITUTION

Pulaski Bank is a full-service financial institution offering both consumer and commercial loan and deposit products. The bank has been in operation since the mid-1950's and is a wholly owned subsidiary of Pulaski Investment Corporation, a \$457.3 million (as of June 30, 2005) one-bank holding company headquartered in Little Rock, Arkansas. Pulaski Bank's branch network consists of 11 full-service branches in Arkansas (including the bank's main office): eight in Little Rock, two in North Little Rock, and one in Bryant. This current branch structure represents four⁴ new offices opened since the bank's previous CRA evaluation. In addition, one of the branches was recently acquired in Memphis, Tennessee, through a merger with another bank.

Prior to the Tennessee merger activity, the bank was evaluated for CRA purposes in one assessment area, which was located in Little Rock, Arkansas. However, in light of the bank's new Memphis, Tennessee branch, the bank's performance must now be evaluated in two assessment areas. Since the assessment areas are in different states, the bank's CRA performance in both states must be rated, in addition to the overall CRA rating for the bank. Despite the fact that the CRA mandates that both assessment areas be reviewed using the full-examination procedures when considering the bank's overall CRA rating, primary consideration was given to bank operations in the Little Rock, Arkansas assessment area, as Pulaski Bank is only in the initial stages of developing a banking presence in Memphis.

Pulaski Bank owns 80.0 percent of a mortgage company, Pulaski Mortgage Company, Inc. (Pulaski Mortgage), which is an originator of residential real estate loan products to be sold in the secondary mortgage market. Pulaski Mortgage has offices in Arkansas, Illinois, Mississippi, Missouri, Oklahoma, Tennessee, and Texas. Although Pulaski Bank does originate some residential real estate loans to consumers, the bank has a strong business lending focus; consequently, the vast majority of consumer related, residential lending activity is channeled through Pulaski Mortgage. In 2004, Pulaski Mortgage processed 5,103 loan applications reportable under HMDA in contrast to the 202 HMDA loan applications reported by Pulaski Bank.

⁴ 10900 Colonel Glenn Road, Little Rock, Arkansas
12719 Cantrell Road, Suite 100, Little Rock, Arkansas
4415 East McCain, North Little Rock, Arkansas
1605 North Germantown Parkway, Suite 101, Cordova, Tennessee

Pulaski Bank has the ability to meet the credit and community development needs of its defined assessment areas, based upon the bank’s asset size, financial condition, and other resources. As of June 30, 2005, the bank reported total assets of \$456.4 million. As of the same date, outstanding loans and leases were \$361.1 million (79.1 percent of total assets) and deposits totaled \$381.9 million. The bank’s loan portfolio composition by credit category is displayed in the following table.⁵

Distribution of Total Loans		
Credit Product Type	Amount in \$000s	Percentage of Total Loans
Construction and Development	\$ 69,623	19.3%
Commercial Real Estate	\$ 78,594	21.8%
Multifamily Residential	\$ 6,413	1.8%
1-4 Family Residential	\$ 112,655	31.2%
Farmland	\$ 925	0.3%
Farm Loans	\$ 9	0.0%
Commercial and Industrial	\$ 24,386	6.8%
Loans to Individuals	\$ 67,197	18.6%
Total Other Loans	\$ 1,292	0.4%
TOTAL	\$ 361,094	100%

As indicated in the table above, a significant portion of the bank’s lending resources is directed to loans secured by 1-4 family residential properties, commercial real estate, construction and development loans.

As part of this evaluation under the CRA, the bank’s performance was assessed in relation to the performance of local competitors. Four financial institutions were identified as regional competitors with asset sizes ranging from \$266.5 million to \$1.2 billion.⁶

The bank received a satisfactory rating at its previous CRA evaluation conducted on June 23, 2003, by this Reserve Bank.⁷

⁵ For purposes of this table, total loan information is derived from gross loans and leases data reported on the Consolidated Reports of Condition and Income as of September 30, 2004.

⁶ These regional competitor asset sizes are as of September 30, 2004.

⁷ The bank was evaluated using large bank examination procedures.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

The lending test performance standards for intermediate small banks evaluate the following five criteria as applicable:

- The geographic distribution of loans;
- The distribution of loans by borrower income and business revenue;
- The bank’s average loan-to-deposit ratio;
- The level of lending within the assessment areas; and
- A review of written complaints.

Overall, Pulaski Bank meets the criteria for a satisfactory rating, under the lending test for intermediate small banks. Loan activity analyses revealed a reasonable geographic distribution of loans throughout the bank’s assessment areas. Secondly, loan penetration among individuals of various income levels was satisfactory, including loans to low- and moderate-income (LMI) individuals and businesses of different sizes. Further, the bank’s loan-to-deposit ratio is considered more than reasonable, and a majority of the lending activity reviewed was found to be located within the bank's designated assessment areas. The sections that follow detail the bank’s combined lending performance in both assessment areas, under the five performance criteria.

Geographic Distribution

The bank’s combined assessment areas contain 7 low-income census tracts, 21 moderate-income census tracts, 24 middle-income census tracts, and 25 upper-income census tracts. The analysis in this section illustrates the distribution of the bank’s loan activity across these geographies. The following table displays the geographic distribution of Pulaski Bank’s HMDA data, in comparison to owner-occupied housing statistics for the combined assessment areas.

Distribution of Loans (Number and Dollar Volume in \$000s) Inside Assessment Areas by Income Level of Geography						
Loan Type	Geography Income Classification					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
2004 HMDA	13	73	236	546	0	868
	1.5%	8.4%	27.2%	62.9%	0.0%	100%
	\$ 811	\$ 4,134	\$ 23,367	\$ 82,256	-	\$ 110,568
	0.7%	3.7%	21.1%	74.4%	0.0%	100%
Owner-Occupied Housing	2.5%	18.2%	28.5%	50.7%	0.0%	100%

Although below that of key comparison figures, the analysis of Pulaski Bank’s HMDA loans made in LMI areas reflects reasonable lending performance under the CRA. The bank’s penetration of HMDA reportable loans to LMI geographies represents 9.9 percent of lending by number. In comparison, 20.7 percent of the owner-occupied housing units in the combined assessment areas are located in LMI census tracts. For further comparison, the bank’s lending performance is only slightly below that of 2004 HMDA aggregate data⁸ for the combined assessment areas, which indicate that 11.9 percent of all HMDA loans originated to applicants inside the bank’s assessment areas, were made to applicants residing in LMI geographies. Consequently, Pulaski Bank’s geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment areas.

As with the HMDA loan category, the bank’s geographic distribution of small business loans was also reviewed. The following table displays the results of this review for the combined assessment areas, along with estimated percentages of business institutions located in each geography income category, which is used for comparison purposes.⁹

Distribution of Loans (Number and Dollar Volume in \$000s) Inside Assessment Areas by Income Level of Geography						
Loan Type	Geography Income Classification					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
2004 Small Business	30	75	114	154	0	373
	8.0%	20.1%	30.6%	41.3%	0.0%	100%
	\$ 3,867	\$ 11,593	\$ 18,452	\$14,922	\$ 0	\$48,834
	7.9%	23.7%	37.8%	30.6%	0.0%	100%
Business Institutions	9.2%	24.0%	28.1%	38.7%	0.0%	100%

Analysis of the small business lending activity revealed LMI lending performance commensurate with data used for comparison purposes. As displayed in the previous table, the bank’s LMI lending level of 28.1 percent is similar to business geodemographic data, which estimate that 33.2 of businesses operating in the bank’s combined assessment areas, are located in LMI geographies. Further, the bank’s lending performance appears favorable in light of market performance for the assessment areas. According to 2004 CRA aggregate data¹⁰, 25.9 percent of all small business loans made within the assessment area were located in LMI geographies. Based on this analysis, the bank’s geographic distribution of small business loans appears reasonable.

⁸ HMDA aggregate data represent all lending activity collected and reported under the HMDA for the combined assessment areas, based upon all financial institutions required to report such data.

⁹ These statistics are derived from Business Geodemographic Data for the assessment area, as reported by Dun and Bradstreet (for the year 2004).

¹⁰ CRA aggregate data represent all lending activity collected and reported under the CRA for this assessment area, based upon all financial institutions required to report such data.

Lastly, based on reviews from both categories of loan data, Pulaski Bank had loan activity in 74 of 77 (96.1 percent) of all assessment areas census tracts, including 29 of 31 (93.5 percent) LMI census tracts. Consequently, Pulaski Bank’s performance, based on activity from the combined assessment areas, reflects reasonable geographic distribution.

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

Borrowers are classified into low-, moderate-, middle- and upper-income categories by comparing their reported income to the most recent median family income figure as estimated by The Department of Housing and Urban Development (HUD). In 2004, the median family income figure for the Little Rock-North Little Rock Arkansas metropolitan statistical area (Little Rock MSA# 30780) was \$55,100, and for the Memphis Tennessee - Arkansas - Mississippi multi-state MSA (Memphis MSA# 32820) the figure was \$54,100. The following table shows the distribution of HMDA loans by income level of the borrower for the combined assessment areas.

Distribution of Loans (Number and Dollar Volume in \$000s) Inside Assessment Areas by Income Level of Borrower						
Loan Type	Borrower Income Classification					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
2004 HMDA	82	151	197	349	89	868
	9.4%	17.4%	22.7%	40.2%	10.3%	100%
	\$5,633	\$ 14,537	\$ 22,982	\$58,768	\$ 8,648	\$ 110,568
	5.1%	13.1%	20.8%	53.2%	7.8%	100%
Family Population	18.8%	15.5%	19.8%	45.9%	0.0%	100%

The bank’s distribution of HMDA loans to LMI borrowers appears commensurate to that of comparison figures. As indicated in the previous table, the bank’s lending to LMI borrowers equals 26.8 percent of all HMDA loans by number, which is somewhat lower than the percentage of LMI families living in the combined assessment areas of 34.3 percent. However, in light of the assessment area population percentage living below the poverty level, it appears the bank is adequately providing credit service to LMI families. According to 2000 census data, 9.1 percent of the LMI family population is living below the poverty level. Therefore, it is likely that this portion of the population living below the poverty level will materially reduce the number of qualified LMI borrowers. Consequently, after accounting for families below the poverty level, the revised LMI family population figure approximates 25.2 percent, which makes the banks performance appear reasonable. In addition, the bank’s performance compares favorably to 2004 HMDA aggregate data, which indicate other lenders made 21.2 percent of HMDA loans to LMI applicants from the combined assessment areas. Therefore, the bank’s distribution of HMDA loans to LMI borrowers is considered satisfactory.

Similar to the borrower distribution analysis conducted for the HMDA loan category, the bank's distribution of small business loans to businesses of various sizes was also reviewed. The following table reflects the bank's distribution of small business loans by gross annual revenue of businesses and by loan amount.

Lending Distribution by Business Revenue Level				
Gross Revenue	Loan Origination Amount (in \$000s)			TOTAL
	≤ \$100	< 100 ≥ 250	> 250 ≤ 1,000	
\$1 Million or Less	189 52.6%	31 8.6%	22 6.1%	242 67.4%
Greater Than \$1 Million	58 16.2%	32 8.9%	27 7.5%	117 32.6%
TOTAL	247 68.8%	63 17.5%	49 13.6%	359 100%

Based on this analysis of small business loans from the bank's combined assessment areas, Pulaski Bank is adequately meeting the credit needs of small businesses.¹¹ The above table demonstrates that 242 of 359 loans reviewed (67.4 percent) were made to businesses with gross annual revenues of \$1 million or less. In comparison, 2005 business geodemographic data from Dun and Bradstreet indicate that 83.9 percent of businesses inside the combined assessment areas are small businesses, and 2004 CRA aggregate data for the assessment areas reflect that 41.4 percent of business lending was to small businesses. In light of these comparisons, Pulaski Bank's lending performance to small businesses is considered reasonable.

¹¹ Under the CRA, a small business is considered to be one in which gross annual revenues for the preceding calendar year are \$1 million or less.

Loan-to-Deposit Ratio

One indication of the bank’s overall level of lending activity is its loan-to-deposit (LTD) ratio. The table below displays the bank’s average LTD ratio¹² in comparison to that of regional competitors.

Loan-to-Deposit Ratio Analysis			
Name	Asset Size¹³	Headquarters	Average LTD Ratio
Pulaski Bank and Trust Co.	\$ 456,371	Little Rock, Arkansas	92.4%
Regional Bank Competitors	\$ 266,519	Jacksonville, Arkansas	84.8%
	\$ 312,583	Little Rock, Arkansas	109.5%
	\$ 644,163	North Little Rock, Arkansas	60.9%
	\$ 1,188,852	Little Rock, Arkansas	79.0%

Based on data from the previous table, the bank’s level of lending indicates strong responsiveness to its assessment areas credit needs. For the last nine quarters, the bank’s LTD ratio has ranged from a low of 82.7 percent to a high of 101.5 percent, and represented an increasing trend. In comparison, the average LTD ratios for the bank’s regional competitors ranged from 60.9 percent to 109.5 percent. Therefore, in light of data from local competitors as displayed in the table above, the bank’s average LTD ratio exceeds the standards for satisfactory performance for this performance criterion.

¹² The average LTD ratio represents a 9-quarter average, dating back to the bank’s last CRA evaluation.

¹³ Asset size figures in this table represent total assets as of June 30, 2005 (in \$000s).

Lending in the Assessment Areas

For the loan activity reviewed as part of this evaluation, the following table displays the number and dollar volume of loans inside the bank’s assessment areas.

Lending Inside and Outside of Assessment Areas			
Loan Type	Inside Assessment Area	Outside Assessment Area	TOTAL
2004 HMDA ¹⁴	102 72.9%	38 27.1%	140 100%
	\$ 7,700 73.2%	\$ 2,821 26.8%	\$ 10,521 100%
2004 Small Business	373 86.7%	57 13.3%	430 100%
	\$ 48,834 87.0%	\$ 7,313 13.0%	\$ 56,147 100%
TOTAL	475	95	570
	83.3%	16.7%	100%
	56,534	10,134	66,668
	84.8%	15.2%	100%

The previous table demonstrates that a majority of loans were extended to consumers and businesses residing inside the bank’s assessment areas, for both loan types reviewed. Of the 570 loans reviewed, 83.3 percent by number (84.8 percent by dollar volume) were originated within the assessment area. Therefore, Pulaski Bank meets the satisfactory performance standard for this criterion.

Review of Complaints

No CRA related complaints were received for this institution during the time frame used for this evaluation (June 23, 2003 through September 12, 2005).

Community Development Test

Pulaski Bank is rated satisfactory for its overall performance with respect to the community development test. The bank has a high level of community development loans, investments, and services, particularly in the Little Rock assessment area. Although the majority of the bank’s community development activities target the Little Rock area, the bank did originate a number of construction loans for the purpose of building affordable housing in the Tennessee assessment area. However, in the relatively short time the bank has been operating in this assessment area, the bank has not initiated any investments or services meeting the CRA definition of community

¹⁴ These figures only reflect the bank’s HMDA data because affiliate data are not considered in this performance criteria.

development. For purposes of this review, the bank's overall community development rating was primarily based upon community development activities from the bank's Little Rock, Arkansas assessment area.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Based upon past supervisory history and the Consumer Affairs review (including a fair lending analysis performed under Regulation B - Equal Credit Opportunity and the Fair Housing Act requirements) conducted concurrently with this CRA evaluation, Pulaski Bank has demonstrated compliance with the substantive provisions of consumer protection laws and regulations.

ARKANSAS

CRA RATING FOR ARKANSAS: **SATISFACTORY**
The Lending Test is rated: **SATISFACTORY**
The Community Development Test is rated: **OUTSTANDING**

Overall, Pulaski Bank's Arkansas operations reflect satisfactory CRA performance. Loan activity analyses revealed a reasonable geographic distribution throughout the bank's assessment area, and satisfactory penetration among individuals of various income levels, including LMI levels, and businesses of different sizes. Further, the bank's community development performance is excellent, based upon a review of loans, investments, and services meeting the CRA definition of community development.

SCOPE OF EXAMINATION

Bank activities in the state of Arkansas were reviewed using full examination procedures. The review utilized 2003 and 2004 home mortgage, small business, and community development loan data reported under HMDA and CRA data reporting requirements. Also, a significant portion of the HMDA loan data included in this analysis, originated from the bank's mortgage company affiliate, Pulaski Mortgage Company. Although this evaluation included analysis of data for both years 2003 and 2004, year 2004 data is the primary focus of the review and conclusions regarding 2003 data are only noted where materially different from those based on 2004 loan analysis. Lastly, community development investments and services since the previous review were also included in this evaluation.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN ARKANSAS

Pulaski Bank’s Arkansas branch network consists of 11 full-service branches (including the bank’s main office): eight in Little Rock, two in North Little Rock, and one in Bryant. This current branch structure represents four new offices opened since the bank’s previous CRA evaluation.

Based on this branch structure, bank management delineated an assessment area encompassing most of Central Little Rock, North Little Rock, and the surrounding communities. The bank’s assessment area is located in central Arkansas and is comprised of 66 census tracts within Pulaski County and 3 census tracts in Saline County, which is part of the Little Rock MSA. According to 2000 census data, the total family population of the assessment area was 81,586 (or 49.0 percent of the total MSA family population of 166,392). The following table reflects the distribution of the Little Rock assessment area geographies and the population of families within these geographies.

Assessment Area Geographical Information by Income Category						
Loan Type	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Assessment Area Geographies	7 10.1%	24 34.8%	21 30.4%	17 24.6%	0 0.0%	69 100%
Family Population	3,789 4.6%	20,179 24.7%	26,882 32.9%	30,736 37.7%	0 0.0%	81,586 100%

The previous table reveals that the bank’s assessment area contains 7 low-income census tracts and 24 moderate-income census tracts, and although the vast majority of families live in either a middle- or upper-income designated census tract, the families in LMI geographies comprise almost a third (29.3 percent) of the entire assessment area family population.

Based upon 2000 census data, the median family income for the assessment area was \$47,415, which is slightly higher than that of the Little Rock MSA median family income of \$46,412. Since 2000, HUD estimates the 2005 Little Rock MSA median family income increased 16.2 percent to \$55,100. The following table displays population percentages of assessment area families by income level, compared to the Little Rock MSA and state of Arkansas family population as a whole.

Assessment Area Geographical Information by Income Category						
Loan Type	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Assessment Area Geographies	17,123 21.0%	13,679 16.8%	16,605 20.4%	34,179 41.9%	0 0.0%	81,586 100%
Little Rock AR MSA 30780	32,824 19.7%	30,091 18.1%	37,372 22.5%	66,105 39.7%	0 0.0%	166,392 100%
State of Arkansas	148,233 20.1%	131,570 17.9%	163,567 22.2%	292,693 39.8%	0 0.0%	736,063 100%

The previous table indicates that the assessment area income demographics are very similar to that of the entire Little Rock MSA and the state of Arkansas. The assessment area and the MSA have the same LMI population percentage of 37.8 percent; the assessment area has a greater low-income population and a higher upper-income population as compared to the entire MSA. Further, these data are also very similar to the state of Arkansas data, which indicate that 20.1 percent of families in the state are low-income, and 17.9 percent of all Arkansas families are considered moderate-income.

Despite having income characteristics similar to that of the MSA and the state of Arkansas, assessment area housing costs are somewhat more expensive than both that of the state and MSA, as indicated by a higher median gross rent value and also by a lower affordability ratio.¹⁵ The 2000 median gross rent for the assessment area was \$546 per month compared to \$527 for the MSA and \$453 for the state. Further, the assessment area affordability ratio as of 2000 was 44.0 percent compared to the MSA figure of 48.0 percent. Therefore, even though assessment area income characteristics appear very similar to the state and MSA, assessment area housing is not as affordable due to property values and rents that appear to have outpaced income increases.

Two community contact interviews were completed as part this CRA evaluation process.¹⁶ One interview was completed with a community organization focusing on neighborhood housing and stabilization, and the other was completed with a community organization that focuses on providing financial/budgeting education for consumers. Unemployment is considered to be low, but one contact qualified this statement by noting that many jobs in this area are low wage jobs. Both community contacts characterized the Little Rock economy as strong and stable, with a very competitive banking environment. Despite this very competitive banking environment, the contacts did not feel that most banks actively reach out to LMI areas in Little Rock. Further, the Little Rock area has a significant population of unbanked individuals, creating a great need for financial education in Little Rock. Consequently, the contacts felt that mortgage companies and payday lenders play a larger role in the provision of financial services to the LMI population in Central Little Rock than do actual depository institutions.

¹⁵ This figure is calculated by dividing the median household income by the median housing value; it represents the amount of single family owner-occupied housing that a dollar of income can purchase for the median household in the geography. Values closer to 100 percent indicate greater affordability.

¹⁶ The information gleaned through these interviews, regarding the credit needs of residents and businesses in the bank's assessment area, is used in determining the context in which to evaluate the bank's CRA performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ARKANSAS

Lending Test

Pulaski Bank operations in the state of Arkansas, meet the criteria for a satisfactory rating, under the lending test for intermediate small banks. Loan activity analyses revealed a reasonable geographic distribution throughout the bank’s assessment areas, and satisfactory penetration among individuals of various income levels, including LMI individuals and businesses of different sizes.

Geographic Distribution

As previously noted, the bank’s assessment area contains 7 low-income census tracts, 21 moderate-income census tracts, 24 middle-income census tracts, and 17 upper-income census tracts. The analysis in this section illustrates the distribution of the bank’s loan activity across these geographies. The following table displays the geographic distribution of the bank’s HMDA data, in comparison to owner occupied housing statistics for the Little Rock assessment area.

Distribution of Loans (Number and Dollar Volume in \$000s) Inside Assessment Area by Income Level of Geography						
Loan Type	Geography Income Classification					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
2004 HMDA	13	73	236	431	0	753
	1.7%	9.7%	31.3%	57.2%	0.0%	100%
	\$ 811	\$ 4,134	\$ 23,367	\$ 66,289	-	\$ 94,601
	0.9%	4.4%	24.7%	70.1%	0.0%	100%
Owner-Occupied Housing	3.0%	21.5%	33.7%	41.8	0.0%	100%

Although below that of key comparison figures, the analysis of Pulaski Bank’s HMDA loans in the Little Rock assessment area reflects reasonable lending performance under the CRA. The bank’s penetration of HMDA reportable loans to LMI geographies represents 11.4 percent of lending by number. In comparison, 24.5 percent of the assessment area owner-occupied housing units are located in LMI tracts. For further comparison, the bank’s lending performance is slightly below that of 2004 HMDA aggregate data¹⁷ for the assessment area, which indicate that 15.4 percent of all HMDA loans originated to applicants inside the bank’s assessment area, were made to applicants residing in LMI geographies.

¹⁷ HMDA aggregate data represent all lending activity collected and reported under the HMDA for this assessment area, based upon all financial institutions required to report such data (less the subject bank if applicable).

In light of the bank’s performance compared to aggregate lending figures, the geographic distribution of loans based upon this review of HMDA loan data reflects adequate penetration throughout the assessment area.

As with the HMDA loan category, the bank’s geographic distribution of small business loans was also reviewed. The following table displays the results of this review, along with estimated percentages of business institutions located in each geography income category.¹⁸

Distribution of Loans (Number and Dollar Volume in \$000s) Inside Assessment Area by Income Level of Geography						
Loan Type	Geography Income Classification					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
2004 Small Business	30	75	114	153	0	372
	8.1%	20.2%	30.6%	41.1%	0.0%	100%
	\$ 3,867	\$ 11,593	\$ 18,452	\$ 14,868	-	\$ 48,780
	7.9%	23.8%	37.8%	30.5%	0.0%	100%
Business Institutions	10.3%	27.0%	31.6%	31.1%	0.0%	100%

Analysis of the small business lending activity revealed lending performance commensurate with data used for comparison purposes. As displayed in the previous table, the bank’s LMI lending level of 28.3 percent is similar to business geodemographic data, which estimate that 37.3 of businesses operating in the bank’s assessment area, are located in LMI geographies. Further, the bank’s lending performance is similar to market performance for the assessment area. According to 2004 CRA aggregate data,¹⁹ 29.5 percent of all small business loans made within the assessment area were located in LMI geographies. Based on this analysis, the bank’s geographic distribution of small business loans appears reasonable.

Lastly, based on reviews from both categories of loan data, Pulaski Bank had loan activity in 66 of 69 (95.7 percent) of all assessment area census tracts, including 29 of 31 (93.5 percent) LMI census tracts. Consequently, the geographic distribution of loans in Pulaski Bank’s Little Rock assessment area is reasonable.

¹⁸ These statistics are derived from Business Geodemographic Data for the assessment area, as reported by Dun and Bradstreet (for the year 2004).

¹⁹ CRA aggregate data represent all lending activity collected and reported under the CRA for this assessment area, based upon all financial institutions required to report such data (less the subject bank if applicable).

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

Borrowers are classified into low-, moderate-, middle- and upper-income categories by comparing their reported income to the most recent median family income figure as estimated by HUD (\$55,100 for the 2004 Little Rock MSA). The following table shows the distribution of HMDA loans by income level of the borrower for the Little Rock assessment area.

Distribution of Loans (Number and Dollar Volume in \$000s) Inside Assessment Area by Income Level of Borrower						
Loan Type	Borrower Income Classification					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
2004 HMDA	76	132	170	298	77	753
	10.1%	17.5%	22.6%	39.6%	10.2%	100%
	\$ 5,118	\$ 12,371	\$ 19,333	\$ 50,840	\$ 6,939	\$ 94,601
	5.4%	13.1%	20.4%	53.7%	7.3%	100%
Family Population	21.0%	16.8%	20.4%	41.9%	0.0%	100%

The bank's distribution of HMDA loans to LMI borrowers is commensurate with those figures used for comparison purposes. As indicated in the previous table, the bank's lending to LMI borrowers equals 27.6 percent of HMDA loans by number, which is somewhat lower than the initial figure used for comparison purposes, the percentage of LMI families which is 37.8 percent. However, in light of the assessment area population percentage living below the poverty level, it appears the bank is adequately reaching the qualified LMI population. According to 2000 census data, 10.3 percent of the LMI family population is living below the poverty level. Therefore, it is likely that this portion of the population living below the poverty level will materially reduce the number of qualified LMI consumers. In addition, the bank's performance compares well to 2004 HMDA aggregate data, which indicate other lenders made 23.2 percent of HMDA loans were made to LMI applicants. Therefore, the bank's distribution of HMDA loans to LMI borrowers is considered satisfactory.

Similar to the borrower distribution analysis conducted for the HMDA loan category, the bank's distribution of small business loans to businesses of various sizes was reviewed. The following table reflects the bank's distribution of small business loans by gross annual revenue of businesses and by loan amount.

Lending Distribution by Business Revenue Level				
Gross Revenue	Loan Origination Amount (in \$000s)			TOTAL
	≤ \$100	< 100 ≥ 250	> 250 ≤ 1,000	
\$1 Million or Less	188 52.5%	31 8.7%	22 6.1%	241 67.3%
Greater Than \$1 Million	58 16.2%	32 8.9%	27 7.5%	117 32.7%
TOTAL	246	63	49	358
	68.7%	17.6%	13.7%	100%

Based on this analysis of small business loans from the bank's Little Rock assessment area, Pulaski Bank is adequately meeting the credit needs of small businesses.²⁰ The above table demonstrates that 241 of 358 loans reviewed (67.3 percent) were made to businesses with gross annual revenues of \$1 million or less. In comparison, 2005 business geodemographic data from Dun and Bradstreet indicate that 83.6 percent of businesses inside the combined assessment areas are small businesses, and 2004 CRA aggregate data for the assessment areas reflect that 41.8 percent of business lending was to small businesses. Consequently, the lending performance to small businesses is considered reasonable.

Review of Complaints

No CRA related complaints were received for this institution during the time frame used for this evaluation (June 23, 2003 through September 12, 2005).

²⁰ Under the CRA, a small business is considered to be one in which gross annual revenues for the preceding calendar year are \$1 million or less.

Community Development Test

Overall, Pulaski Bank has a high level of community development loans, investments, and services in the Little Rock assessment area, and the bank employs a dedicated, Community Development Division that is staffed with committed, well-qualified professionals. These individuals have successfully represented the bank in all phases of community development, especially in the LMI portions of the community, making extensive use of innovative and/or flexible lending practices that serve the credit needs of the bank's assessment area, especially LMI neighborhoods.

The bank continues to be a leader in originating community development loans that benefit its assessment area. For the CRA review period, Pulaski Bank made a total of 15 community development loans, totaling over \$2.0 million. Most of these loans were either for the construction or purchase of multi-family housing in LMI areas, or for the construction of single family housing in LMI areas. This significant level of community development loan activity is the direct result of the relationships between Pulaski Bank's Community Development Division and various developers in the Little Rock area, working to revitalize LMI areas and maintain affordable housing options for LMI individuals.

In addition to Arkansas Development Finance Authority bonds outstanding prior to this CRA review period, which are targeted to assisting first-time, LMI homebuyers, Pulaski Bank also made qualifying grants to 19 separate community development entities, totaling over \$149 thousand. Combined, these organizations benefited from qualified investments totaling over \$384.3 thousand, which they used to provide a wide variety of services that include providing affordable housing options, homebuyer counseling services, health services, youth services, small business/minority-owned business development, as well as, other community oriented programs.

Pulaski Bank provides a relatively high level of community development services in its assessment area. These services include providing technical assistance on financial matters to non-profit organizations that serve the LMI population, and to other groups that promote community revitalization and development or affordable housing. Senior management and other bank employees provide technical and financial services to community development organizations, potential homebuyers, and small business owners. Eighteen organizations within the community benefited from the services and assistance provided by the bank.

Lastly, Pulaski Bank's branch structure is such that the bank's delivery systems are accessible to essentially all portions of the assessment area. Further, the bank's record of opening and closing of branch offices has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals. In fact, during the review period, Pulaski Bank opened four new offices in this assessment area, including one office located in a moderate-income census tract. The addition of a moderate-income branch helped to improve the bank's ability to provide retail services to LMI residents. In addition, two of the offices located in middle-income census tracts were also adjacent to a moderate-income designated area. Therefore, Pulaski Bank makes a good level of community development and financial services available through these offices serving LMI areas.

TENNESSEE

CRA RATING FOR TENNESSEE: **SATISFACTORY**
The Lending Test is rated: **SATISFACTORY**
The Community Development Test is rated: **SATISFACTORY**

Overall, Pulaski Bank's lending activity in the Tennessee warrants a satisfactory rating. Analysis of HMDA data in the Tennessee assessment area revealed excellent penetration among individuals of various income levels, and the bank made a number of construction loans having a community development purpose.

SCOPE OF EXAMINATION

Pulaski Bank activities in the state of Tennessee were reviewed using full examination procedures. However, since the bank has only one branch office in this state, and it was not opened until mid-year 2004, the only year of HMDA data reviewed for this analysis was 2004. Lastly, the vast majority of 2004 HMDA loan activity in this state is attributable to the mortgage company affiliate, and only one small business loan was originated through the Memphis branch in 2004.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN TENNESSEE

Pulaski Bank has one branch office located in Tennessee, an office acquired through a merger with a Memphis bank. Pulaski Bank began operations from this branch office in June of 2004. However, prior to the bank obtaining a branch presence in Memphis, the bank's mortgage affiliate had operations in the Memphis area. Consequently, the lending activity analysis in this section is largely based upon the mortgage company lending activity.

The bank's only Tennessee office is located in the city of Cordova. Cordova, which is in Shelby County, is an affluent, suburban area, located in the far eastern section of the Memphis multi-state MSA. The bank's assessment area consists of eight census tracts surrounding the bank's branch office, all of which are designated as being upper-income. Consequently, all of the 14,094 families in this assessment area live in upper-income census tracts.

Based upon 2000 census data, the median family income for the Tennessee assessment area was \$74,639, which is significantly higher than that of the Memphis MSA, \$46,771. HUD estimates the 2005 Memphis MSA median family income to be \$54,500, representing a 16.5 percent increase from 2000. The following table displays population percentages of assessment area families by income level, compared to the MSA family population as a whole.

Assessment Area Family Population by Income Level						
Loan Type	Low-	Moderate-	Middle-	Upper-	Unknown	TOTAL
Assessment Area	873	1,143	2,294	9,784	0	14,094
	6.2%	8.1%	16.3%	69.4%	0.0%	100%
Memphis MSA	71,723	52,175	62,062	128,629	0	314,589
	22.8%	16.6%	19.7%	40.9%	0.0%	100%

As indicated earlier, this assessment area is significantly more affluent than the Memphis MSA as a whole. The assessment area has a lower percentage of LMI families and a higher percentage of upper-income families, as compared to the entire MSA. The table also indicates that 14.3 percent of families are considered LMI, regardless of the fact that they live in an area designated as upper-income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TENNESSEE

Lending Test

Pulaski Bank meets the criteria for a satisfactory rating under the lending test for intermediate small banks. Because all the census tracts within the bank’s Memphis assessment area are classified as upper-income, a geographic distribution analysis of lending activity was not performed. Further, the bank only originated one small business loan in this area for the period reviewed. The lending test analysis for this area focused only on the borrower distribution of HMDA reportable loans, which indicated excellent penetration among individuals of various income levels, including LMI individuals.

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

Borrowers are classified into low-, moderate-, middle- and upper-income categories by comparing their reported income to the most recent median family income figure as estimated by HUD (the 2004 Memphis MSA HUD estimated figure was \$54,100). The following table shows the distribution of HMDA loans by income level of the borrower.

Distribution of Loans (Number and Dollar Volume in \$000s) Inside Assessment Area by Income Level of Borrower						
Loan Type	Borrower Income Classification					TOTAL
	Low-	Moderate-	Middle-	Upper-	Unknown	
2004 HMDA	6	19	27	51	12	115
	5.2%	16.5%	23.5%	44.3%	10.4%	100%
	\$ 515	\$ 2,166	\$ 3,649	\$ 7,928	\$ 1,709	\$ 15,967
	3.2%	13.6%	22.9%	49.7%	10.7%	100%
Family Population	6.2%	8.1%	16.3%	69.4%	0.0%	100%

As displayed in the previous table, the bank’s distribution of HMDA loans by borrower income indicates excellent penetration to LMI borrowers. By number of HMDA loans reviewed, 21.7 percent were made to LMI borrowers, which is significantly higher than both the LMI family percentage (14.3 percent) and the 2004 HMDA aggregate lending figure for the assessment area (14.6 percent), used for comparison purposes. Consequently, the bank’s lending performance to LMI individuals and families is excellent.

Review of Complaints

No CRA related complaints were received for this institution during the time frame used for this evaluation (June 23, 2003 through September 12, 2005).

Community Development Test

Pulaski Bank’s community development activities in the Tennessee area are satisfactory in light of performance context. As previously mentioned, the bank has only one branch in this assessment area, which has been operating for a relatively short time and has a small loan and deposit market share within the Memphis MSA. In addition, this assessment area is comprised of eight upper-income census tracts representing an affluent area of the Memphis MSA. Bank management performed an informal needs assessment and was unable to identify many community development needs that were unmet. In light of the limited opportunities that exist within this assessment area, the bank focused its community development resources to the need for affordable housing. Since pre-existing affordable housing is hard to find, the bank worked with local builders to build housing that targeted LMI families. In total, the bank made four construction loans for a total of \$547,270.

CRA APPENDIX A

SCOPE OF EXAMINATION TABLE

SCOPE OF EXAMINATION		
<p>Two loan categories are considered the bank's primary lines of business, based upon lending volume by number and dollar amounts and in light of the bank's stated business strategy. Therefore, loan activity represented by these credit products is deemed indicative of the overall lending performance of the bank. The loan data was used to evaluate the bank's performance under the lending test, which included an analysis of the geographic distribution among areas with different income and business characteristics, lending volume, and lending within its assessment area. For the community development test, qualified community development loans, investments, and services originated since the previous examination were reviewed. The bank's assessment area is multi-state and is comprised of portions of the Little Rock, Arkansas MSA and the Memphis, Tennessee MSA</p>		
TIME PERIOD REVIEWED	June 23, 2003 – September 12, 2005	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED
Pulaski Bank and Trust Company Little Rock, Arkansas		HMDA Data CRA Data
AFFILIATES	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
Pulaski Mortgage Company	Bank Subsidiary	Mortgage Loans (HMDA Data)
PMC Mortgage Company	Subsidiary of Pulaski Mortgage Company	Mortgage Loans (HMDA Data)

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED ²¹	OTHER INFORMATION
Arkansas Little Rock-North Little Rock	Full Procedures	2	The bank's only Arkansas assessment area is located inside the Little Rock-North Little Rock Arkansas MSA# 30780
Tennessee Cordova	Full Procedures	0	The bank's only Tennessee assessment area is located inside the Memphis Tennessee-Arkansas-Mississippi multi-state MSA# 32820

²¹ There is a statutory requirement that the written evaluation of a multi-state institution's performance must list the individual branches examined in each state.

GLOSSARY

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 metropolitan area/assessment area.

Census tract: 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 statistical 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: All Agencies have adopted the following language. 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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (ii) Distressed or underserved non-metropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract 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 statistical 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 (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, 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-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, 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 metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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 non-mortgage, 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.

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