



PUBLIC DISCLOSURE

September 25, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Miners Exchange Bank

Coeburn, Virginia

**Federal Reserve Bank of Richmond
Richmond, Virginia**

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal financial supervisory agency concerning the safety and soundness of this financial institution.

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711520

483 Front Street West

Coeburn, VA 24230

**Federal Reserve Bank of Richmond
P. O. Box 27622
Richmond, Virginia 23261**

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

The major factors supporting this rating include:

- The institution's loan-to-deposit ratio is considered reasonable considering the bank's size, financial condition, and credit needs of its assessment area.
- A substantial majority of the institution's residential mortgage and consumer motor vehicle loans considered in the evaluation were originated to borrowers inside the bank's assessment area.
- Borrower distribution performance reflects an excellent penetration among individuals of low and moderate-income levels.
- The geographic distribution of loans reflects excellent dispersion throughout the bank's assessment area.
- The institution has not received any complaints regarding its Community Reinvestment Act (CRA) performance since the previous evaluation.

SCOPE OF EXAMINATION

Miners Exchange Bank (MEB) was evaluated using the interagency examination procedures for small institutions developed by the Federal Financial Institutions Examination Council (FFIEC). Consistent with these procedures and based upon recent loans originated by the institution, residential mortgage and consumer motor vehicle loans were identified as primary credit products for the bank. The analysis was based on the entire universe of 55 residential real estate loans totaling \$4.1 million and the entire universe of 163 consumer motor vehicle loans totaling \$1.6 million originated during 2022.

DESCRIPTION OF INSTITUTION

MEB is located in Coeburn, Virginia, and operates five full-service branches, all with automated teller machines, in southwest Virginia. The bank has no subsidiaries or affiliates. MEB received a Satisfactory rating at its prior CRA evaluation dated February 13, 2017. Given its size and branch locations, MEB is not required to collect or report residential mortgage or small business/farm (CRA) loan data. No known legal impediments exist that would constrain the bank in meeting the credit needs of its assessment area.

As of June 30th, 2023, MEB held \$92.8 million in assets, of which 53.8% were net loans. As of this same date, deposits totaled \$82.1 million. Various deposit and loan products are available through the institution, including loans for residential mortgage, commercial, and consumer purposes. The composition of the loan portfolio (reflecting gross loans) is represented in the following table.

Composition of Loan Portfolio

Loan Type	6/30/2023	
	\$ (000s)	%
Secured by 1-4 Family dwellings	29,220	57.9
Multifamily	0	0.0
Construction and Development	2,159	4.3
Commercial & Industrial/ NonFam NonResidential	12,928	25.6
Consumer Loans and Credit Cards	5,672	11.2
Agricultural Loans/ Farmland	0	0.0
All Other	529	1.0
Total	50,508	100.0

As indicated in the preceding table, MEB is an active residential mortgage, commercial, and consumer lender. Although commercial and industrial loans comprise the second largest portion of the loan portfolio by dollar volume, the actual number of commercial and industrial loans is relatively small in comparison to the number of recently originated consumer loans. Accordingly, consumer motor vehicle loans were considered in the evaluation in addition to loans secured by residential real estate.

MEB serves one assessment area located in Southwest Virginia outside of a Metropolitan Statistical Area (MSA). The composition of the assessment area is detailed in the following table.

Assessment Area Name	City/County	State	Census Tracts Included
Wise, VA NonMSA	Russell County	VA	All
	Norton City	VA	All
	Wise County	VA	All
	Dickenson County	VA	All

At its prior evaluation in February 2017, MEB served two assessment areas that included the Wise, VA NonMSA and Johnson City, TN assessment areas. However, on December 7, 2018, MEB closed its Johnson City branch office. This was MEB’s only office located in Tennessee, and when it was closed, the bank was no longer able to serve the Johnson City, TN assessment area, which included a portion of Washington County, TN. Since its prior evaluation, MEB has not opened any branch offices and not closed any branches other than its Johnson City, TN, branch noted above.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN WISE VA NON MSA

MEB’s assessment area includes Wise, Russell, and Dickenson counties, and the City of Norton, Virginia. MEB operates five full- service branch offices within the assessment area. As of June 30, 2022, the bank ranked seventh out of twelve institutions in local deposit market share according to data compiled by the Federal Deposit Insurance Corporation, holding 5.3% of the deposits within the assessment area (credit union deposits are not included).

Based on 2020 ACS data, the assessment area served by the bank has a population of 79,722 and a median housing value of \$86,752. The owner-occupancy rate for the assessment area equals 57.7%, which is similar to the owner-occupancy rate in nonmetropolitan areas of Virginia (56.7%) and slightly less than the commonwealth of Virginia rate (60%). The percentage of families living below the poverty level in the assessment area (16.1%) exceeds the percentage of families in the nonmetropolitan areas of Virginia (11.5%) and substantially exceeds Virginia’s overall poverty level (6.8%). The

percentage of households living below the poverty level in the assessment area (23.1%) is greater than the percentage of households below poverty in the nonmetropolitan areas of Virginia (16.5%), as well as the overall household poverty level (9.9%) in the Commonwealth of Virginia. The high assessment area poverty rate likely limits the demand for credit by some lower income people within the assessment area, as people below the poverty rate have very low incomes limiting their ability to buy homes and to a lesser degree motor vehicles.

The FFIEC estimated median family income for nonmetropolitan areas of Virginia equaled \$67,800 during 2022. The following table includes pertinent demographic data for the assessment area.

Assessment Area Demographics

Wise, VA NonMSA <i>(Based on 2020 ACS Data and 2022 D&B Information)</i>								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	5,777	27.3
Moderate	13	52.0	10,832	51.2	2,047	18.9	4,341	20.5
Middle	12	48.0	10,333	48.8	1,357	13.1	4,562	21.6
Upper	0	0.0	0	0.0	0	0.0	6,485	30.6
NA	0	0.0	0	0.0	0	0.0		
Total	25	100.0	21,165	100.0	3,404	16.1	21,165	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	11,687	34.9
Moderate	12,519	52.7	17,188	51.3	4,637	27.0	5,302	15.8
Middle	11,220	47.3	16,307	48.7	3,092	19.0	5,604	16.7
Upper	0	0.0	0	0.0	0	0.0	10,902	32.6
NA	0	0.0	0	0.0	0	0.0		
Total	23,739	100.0	33,495	100.0	7,729	23.1	33,495	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	871	43.4	776	43.3	73	42.0	22	55.0
Middle	1,134	56.6	1,015	56.7	101	58.0	18	45.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	2,005	100.0	1,791	100.0	174	100.0	40	100.0
Percentage of Total Businesses:				89.3		8.7		2.0

*NA-Tracts without household or family income as applicable

According to data published by the FFIEC, seven of the assessment area’s twelve middle-income census tracts are classified as distressed because of comparatively high poverty rates. The seven distressed middle-income census tracts include census tracts 9308.00, 9312.00 - 9314.00, and 9316.00 - 9317.00 in Wise County and 9601.00 in the City of Norton.

Unemployment Rate Trend							
Geographic Area	June 2017	June 2018	June 2019	June 2020	June 2021	June 2022	June 2023
Wise County	6.3%	5.4%	4.5%	10.8%	6.7%	4.5%	4.3%
Russell County	5%	4.2%	3.8%	9.7%	5.1%	3.6%	3.7%
Dickenson County	6.7%	5.4%	4.8%	10.8%	6.7%	4.8%	4.4%
Norton City	5.2%	4.3%	3.7%	11%	5.8%	4.4%	4.2%
Commonwealth of VA	3.7%	3.1%	2.8%	10.1%	4.7%	2.9%	2.8%

As indicated in the preceding table, prior to the COVID-19 pandemic, the assessment area’s unemployment rates were trending downward. During 2020, the assessment area experienced a substantial increase in unemployment rates because of the pandemic. Since 2020, assessment area and statewide unemployment rates have declined. Despite the overall decline, unemployment rates within the assessment area are high in relation to the Commonwealth's overall rates. Elevated unemployment rates suggest that the local economies are weaker in comparison to the statewide economy.

Within MEB’s assessment area, administration, healthcare, retail trade, mining, professional/business services, and leisure/hospitality provide a large portion of the employment opportunities. Major employers in the area include Cingular Wireless, Mountain States Health Alliance, Sykes Enterprises (business consultant), University of Virginia/Blue Ridge Hospital, Paramount Coal Company, Norton Community Hospital, Walmart, and local government, including area school boards.

A local affordable housing official was contacted during the evaluation to discuss area affordable housing conditions and community credit needs. The contact stated that the affordable housing needs of the community are currently being met, but that the needs are cyclical. The contact also indicated that local institutions can contribute to affordable housing needs by participating in the low-income housing tax credit program that serves as an alternate method of funding housing for low- and moderate-income households. The individual contacted also stated that the community’s credit needs were being met by local institutions and was not aware of any discriminatory practices.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

When evaluating a bank’s residential mortgage lending performance, relevant area demographic data from the 2020 ACS is used as a proxy for demand for residential mortgage and consumer motor vehicle lending. While ACS data is collected and published by the U.S. Census Bureau on an annual basis, the demographic data relied upon in this performance evaluation is based on ACS data that is updated once every five years.

Despite being an active residential mortgage lender, MEB is not subject to reporting its residential mortgage loan data under the Home Mortgage Disclosure Act (HMDA) because none of its bank branches are located in a MSA. However, aggregate HMDA loan data is insightful from a performance context perspective because the lending activity took place in the specific geographic area under the same basic economic conditions. Consequently, aggregate HMDA loan data is also as an element of performance context when evaluating the bank’s residential mortgage lending performance and includes all activity reported by lenders subject to reporting HMDA data within the bank’s assessment area. Because MEB is not subject to HMDA data reporting, MEB’s residential mortgage loans are not included in the aggregate data. Additionally, aggregate consumer loan data is not collected or reported by any financial institutions and cannot be considered in the analysis.

During 2022, MEB originated 51 residential mortgage loans totaling \$3.5 million and 141 consumer motor vehicle loans totaling \$1.3 million within its assessment area. The residential mortgage loan category includes loans primarily for home purchase, refinance, and home improvement purposes. MEB's residential mortgage lending performance is afforded more weight when considering overall combined product performance because of its overall larger dollar volume of lending.

Overall, the bank's lending test performance is rated Outstanding. This rating considers the bank's loan-to-deposit ratio, level of lending in its assessment area, borrower and geographic distribution performances, and lack of complaints received regarding its CRA performance. Each component is discussed in the following sections.

Loan-To-Deposit Ratio

The bank's loan to deposit ratio as of June 30, 2023, equaled 60.8% and averaged 63.4% for the 26-quarter period ending June 30, 2023. In comparison, the average quarterly loan-to-deposit ratio for two similarly situated banks that operate in MEB's assessment area ranged from 52.8% to 71% during the same 26-quarter period ending June 30, 2023. Since March 31, 2017, assets, loans, and deposits decreased by 7.1%, 5.1%, and 6.5% respectively. When considering the bank's size, financial condition, market condition, and local credit needs, the bank's loan-to-deposit ratio is considered reasonable.

Lending In Assessment Area

To determine the institution's volume of lending within its assessment area, the geographic location of MEB's residential mortgage and consumer motor vehicle loans originated in 2022 were considered. The lending distribution inside and outside of the bank's assessment area is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area(s)

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Motor Vehicle	141	86.5	1,331	85.4	22	13.5	228	14.6
Mortgage Loans	51	92.7	3,507	84.9	4	7.3	624	15.1
TOTAL LOANS	192	88.1	4,838	85.0	26	11.9	852	15.0

As indicated in the preceding table, a substantial majority of the number of residential mortgage (86.5%) and motor vehicle loans (92.7%) were extended to residents inside of MEB's assessment area. Overall, the institution's level of lending within its assessment area is considered highly responsive to community credit needs.

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

Overall, MEB's borrower distribution during 2022 is considered excellent for both residential mortgage and consumer motor vehicle lending.

Distribution of Mortgage Loans by Income Level of Borrower

Wise, VA NonMSA (2022)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Motgage Loan Totals								
Low	14	28.0	543	15.6	108	13.0	8,601	8.0
Moderate	14	28.0	1,080	31.1	241	29.0	24,870	23.2
Middle	12	24.0	915	26.4	224	27.0	28,624	26.8
Upper	10	20.0	934	26.9	257	31.0	44,878	42.0
Total	50	100.0	3,472	100.0	830	100.0	106,973	100.0
<i>Unknown</i>	<i>1</i>		<i>35</i>		<i>118</i>		<i>20,033</i>	

Percentages (%) are calculated on all loans where incomes are known

During 2022, MEB’s residential mortgage lending to low-income borrowers (28%) approximated the percentage of low-income families (27.3%) in the assessment area and substantially exceeded the aggregate level of lending to such borrowers (13%). MEB’s residential mortgage lending to moderate-income borrowers (28%) exceeded the percentage of moderate-income families (20.5%) in the assessment area and approximated the aggregate level of lending (29%). Overall, MEB’s residential mortgage borrower distribution during 2022 is considered excellent, in part, because of the strength of its lending performance to area low-income borrowers.

Distribution of Consumer Loans by Income Level of Borrower

Wise, VA NonMSA (2022)				
Income Categories	Consumer Loans			
	#	%	\$(000s)	% \$
Low	64	46.4	363	27.8
Moderate	40	29.0	405	31.0
Middle	20	14.5	218	16.7
Upper	14	10.1	320	24.5
Total	138	100.0	1,306	100.0
<i>Unknown</i>	<i>3</i>		<i>25</i>	

Percentage's (%) are calculated on all loans where incomes are known

MEB’s consumer motor vehicle lending during 2022 to low-income borrowers (46.4%) substantially exceeded the percentage of area low-income households (34.9%). Likewise, the bank’s lending to moderate-income borrowers (29%) also substantially exceeded the percentage of moderate-income households (15.8%). Overall, MEB’s consumer motor vehicle borrower distribution during 2022 is considered excellent.

Geographic Distribution of Loans

As indicated in the assessment area demographic table, there are no low-income and 13 moderate-income tracts in the assessment area. Overall, MEB’s geographic distribution of loans is excellent for both residential mortgage and motor vehicle lending during 2022.

Distribution of Mortgage Loans by Income Level of Census Tract

Wise, VA NonMSA (2022)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Mortgage Loan Totals								
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	62	60.8	3,884	55.4	421	44.4	50,568	39.8
Middle	40	39.2	3,130	44.6	527	55.6	76,438	60.2
Upper	0	0.0	0	0.0	0	0.0	0	0.0
NA*	0	0.0	0	0.0	0	0.0	0	0.0
Total	102	100.0	7,014	100.0	948	100.0	127,006	100.0

NA-Tracts without household or family income as applicable*

MEB’s residential mortgage lending within moderate-income tracts (60.8%) substantially exceeded the percentage of owner-occupied housing units located in such tracts (52.7%) and the aggregate level of lending (44.4%). Overall, the bank’s geographic distribution performance is considered excellent.

Distribution of Consumer Loans by Income Level of Census Tract

Wise, VA NonMSA (2022)				
Income Categories	Consumer Loans			
	#	%	\$(000s)	% \$
Low	NA	NA	NA	NA
Moderate	77	54.6	642	48.3
Middle	64	45.4	688	51.7
Upper	NA	NA	NA	NA
NA*	NA	NA	NA	NA
Total	141	100.0	1,330	100.0

**NA-Tracts without household or family income as applicable*

Loans where the geographic location is unknown are excluded from this table.

MEB’s consumer motor vehicle lending in moderate-income census tracts (54.6%) approximated the percentage of area households in moderate-income census tracts (51.3%). As an element of performance context, poverty rates by census tract income level were also considered. Within the assessment area, 27% of households located in moderate-income census tracts are considered below poverty level. This concentration of impoverished households likely reduces the viable demand for motor vehicle loans by potential borrowers within moderate-income census tracts. When considering the bank’s level of lending in moderate-income census tracts in conjunction with the percentage of households located in such census tracts along with the applicable poverty rate in moderate-income census tracts, the bank’s motor vehicle loan geographic distribution performance is considered excellent.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

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
- (iii) Distressed or underserved nonmetropolitan 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 Test (and if applicable, consideration of investments and services) 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 refinancings 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 Test (and if applicable, consideration of investments and services) 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 multistate 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 multistate metropolitan area, the institution will receive a rating for the multistate 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.

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.