



PUBLIC DISCLOSURE

OCTOBER 09, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**BANK OF BURLINGTON
RSSD# 809856**

**410 14th STREET
BURLINGTON, COLORADO 80807**

**Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, Missouri 64198**

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

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INSTITUTION'S CRA RATING

This institution is rated: **Satisfactory**.

Bank of Burlington (the bank) has a satisfactory record of meeting the credit needs of its assessment area (AA) in a manner consistent with its resources and operating philosophy. The bank also received a satisfactory rating at its previous Community Reinvestment Act (CRA) evaluation conducted by the Federal Deposit Insurance Corporation (FDIC) on September 8, 2014.

- The bank is meeting the credit needs of its community based on an analysis of its lending activity.
- The bank's net loan-to-deposit ratio (NLTD) is reasonable given the bank's size, financial condition, and AA credit needs.
- A majority of the bank's loans are originated in the AA.
- Lending reflects a reasonable penetration among businesses and farms of different revenue sizes.
- Neither the bank nor the Federal Reserve Bank of Kansas City (Reserve Bank) received any CRA-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Small Institutions*. The evaluation was performed in the context of information about the bank and its AA, such as asset size, financial condition, economic and demographic characteristics, and competition. Lending performance was assessed within the bank's single, non-metropolitan area AA in eastern Colorado. The following criteria were reviewed:

- **Net Loan-to-Deposit Ratio** – A 15-quarter average NLTD ratio was calculated for the bank and compared to similarly situated financial institutions.
- **Lending in the Assessment Area and Lending to Businesses and Farms of Different Sizes** – The universe of small business and small farm loans originated from September 8, 2014 through December 31, 2017, were reviewed to determine:
 - The percentage of loans originated in the AA; and,
 - The distribution among businesses and farms of different revenue sizes.
- **Geographic Distribution of Lending** – Given that the bank's AA consists solely of middle-income census tracts, a geographic distribution analysis was not considered meaningful and was not performed.
- **Response to Substantiated Complaints** – Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation. Thus, this criterion was not evaluated.

- **Community Contacts** – One community representative from an economic development agency was contacted to provide insight into the needs of small businesses and farms within the AA.

DESCRIPTION OF INSTITUTION

The bank is a community bank headquartered in Burlington, Colorado. The bank’s characteristics include:

- Total assets of \$58.5 million as of March 31, 2018.
- The bank operates a full-service location with a full-service automated teller machine in Burlington, Colorado.
- As of March 31, 2018, the bank’s loan portfolio is primarily comprised of commercial and agricultural loans, representing 98.4 percent of the bank’s total loans.

| TABLE 1 BANK OF BURLINGTON LOAN PORTFOLIO AS OF MARCH 31, 2018 | | |
|-------------------------------------------------------------------------------|-----------------------|-------------------------|
| Loan Type | Amount \$(000) | Percent of Total |
| Commercial | 16,631 | 56.2 |
| Agricultural | 12,506 | 42.2 |
| Consumer | 438 | 1.5 |
| Residential Real Estate | 33 | 0.1 |
| Other | 0 | 0.0 |
| Gross Loans | 29,608 | 100.0 |

There are no known legal, financial, or other factors impeding the bank’s ability to meet the credit needs of the communities it serves.

DESCRIPTION OF THE BANK’S ASSESSMENT AREA¹

The bank’s AA is comprised of two of three tracts in Kit Carson County as well as the entirety of Yuma County and Cheyenne County.

- Refer to Appendix A for an AA map.
- The AA is comprised of five middle-income tracts.
- The AA’s delineation has changed since the 2014 performance evaluation to include the counties of Cheyenne and Yuma.
- The main office is located in Kit Carson County.

¹ The following demographic data is based on 2010 U.S. Census, 2011-2015 ACS five-year estimate data, and 2017 D&B data. Additional demographic data was also utilized based on Local Area Unemployment Statistics from the Bureau of Labor Statistics.

- As of June 30, 2017, the bank's deposit market share was 5.2 percent in the counties of Cheyenne, Kit Carson, and Yuma, ranking 7th out of 14 FDIC-insured institutions.
- The Eastern Colorado Bank, with 21.3 percent market share, had the largest level of AA FDIC-insured deposits.

PERMORMANCE CONTEXT

- Refer to Appendix B for demographic information.
- Roughly 39.6 percent of the AA's population resides in Kit Carson County, while almost half (50.5 percent) reside in Yuma County, and the remaining 9.9 percent are in Cheyenne County.
- Population rates in the AA from 2010 to 2015 remained stable, with slight changes in Kit Carson County and Yuma County, but more significant growth in Cheyenne County.

| TABLE 2 EASTERN COLORADO POPULATION CHANGE | | | |
|-------------------------------------------------------|------------------------|-----------------------------|------------------------------|
| Area | 2010 Population | 2011-2015 Population | Percentage Change (%) |
| Kit Carson County, Colorado | 8,270 | 7,980 | (3.5) |
| Yuma County, Colorado | 10,043 | 10,185 | 1.4 |
| Cheyenne County, Colorado | 1,836 | 2,002 | 9.0 |
| State of Colorado | 5,029,196 | 5,278,906 | 5.0 |

Based on U.S. Census Bureau Decennial Census.

- Median family income (MFI) declined 5.7 percent and 7.3 percent for Kit Carson County and Cheyenne County, respectively; while the MFI for Yuma County and the State of Colorado increased.

| TABLE 3 EASTERN COLORADO MEDIAN FAMILY INCOME CHANGE 2005 TO 2015 | | | |
|----------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|------------------------------|
| Area | 2006-2010 Median Family Income (\$) | 2011-2015 Median Family Income (\$) | Percentage Change (%) |
| Kit Carson County, Colorado | 55,742 | 52,575 | (5.7) |
| Yuma County, Colorado | 48,602 | 55,410 | 14.0 |
| Cheyenne County, Colorado | 68,125 | 63,125 | (7.3) |
| State of Colorado | 70,046 | 74,826 | 6.8 |

Based on U.S. Census Bureau Decennial Census and American Community Survey.

- Median housing values in the AA increased at varying levels.
- Kit Carson County and Yuma County experienced the greatest increase at 19.6 percent and 17.4 percent, respectively. These figures outpaced the growth rate for Cheyenne

County at 2.0 percent and the statewide growth rate at 4.7 percent over a ten-year period from 2006 to 2015.

- Median gross rents increased 40.4 percent in Cheyenne County, followed by Kit Carson County, at 21.7 percent, and Yuma County, at 16.8 percent. The statewide growth rate was also high at 17.6 percent.

**TABLE 4
EASTERN COLORADO HOUSING COSTS CHANGE**

| Area | Median Housing Value | | Percentage Change (%) | Median Gross Rent | | Percentage Change (%) |
|-----------------------------|----------------------|-----------|-----------------------|-------------------|-----------|-----------------------|
| | 2006-2010 | 2011-2015 | | 2006-2010 | 2011-2015 | |
| Kit Carson County, Colorado | 102,300 | 122,300 | 19.6 | 552 | 672 | 21.7 |
| Yuma County, Colorado | 116,200 | 136,400 | 17.4 | 547 | 639 | 16.8 |
| Cheyenne County, Colorado | 80,700 | 82,300 | 2.0 | 453 | 636 | 40.4 |
| State of Colorado | 236,600 | 247,800 | 4.7 | 852 | 1,002 | 17.6 |

Based on U.S. Census Bureau Decennial Census and American Community Survey.

- The unemployment rate in the AA is low and has trended downward since 2013. The overall state unemployment percentage has also decreased since 2013 but has remained slightly above the AA's rate.
- The community contact stated that unemployment rates were low in the AA but that the area lacks higher paying jobs with agricultural and tourism-related jobs as the most prevalent in the area.
- The AA's major employers are largely comprised of farming and service fields. Major employers in the AA include Service Guard, a division of Black Hills Energy; Midwest Farms; Burlington School District; Cargill Inc.; and local government agencies.

**TABLE 5
EASTERN COLORADO UNEMPLOYMENT RATES (%)**

| Area | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------------------|------|------|------|------|------|
| Kit Carson County, Colorado | 4.2 | 3.1 | 2.4 | 2.1 | 1.8 |
| Yuma County, Colorado | 3.7 | 3.3 | 2.6 | 2.2 | 1.6 |
| Cheyenne County, Colorado | 3.5 | 2.9 | 2.7 | 2.3 | 1.7 |
| State of Colorado | 6.8 | 5.0 | 3.9 | 3.3 | 2.8 |

Based on Bureau of Labor Statistics: Local Area Unemployment Statistics.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Net Loan-to-Deposit Ratio

The bank’s NLTD ratio is reasonable given its size, financial condition, AA credit needs, and comparison to several of its local competitor FDIC-insured institutions.

While the bank’s ratio is lower than its peers, a significant portion of the bank’s deposit portfolio is comprised of public deposits which require an equal amount of securities pledged to ensure liquidity and minimize loss exposure. As a result, the bank is unable to use these deposits for lending purposes. When taking public deposits into account, the bank’s NLTD ratio is 55.7 percent. The bank has also improved its NLTD ratio since the prior exam, which was 13.0 percent.

| TABLE 6 COMPARATIVE NET LOAN-TO-DEPOSIT RATIOS | |
|-----------------------------------------------------------|---------------------------|
| Institution | NLTD Ratio (%) |
| | 15-Quarter Average |
| Bank of Burlington | 48.7 |
| Competitors | |
| Bankwest of Kansas | 77.1 |
| First National Bank | 65.6 |
| First National Bank of Hugo | 61.3 |
| First Pioneer National Bank | 70.4 |
| Wray State Bank | 84.0 |

Assessment Area Concentration

A majority of the bank’s small business and small farm loans, by number and dollar volume, are originated inside the delineated AA.

| TABLE 7 LENDING INSIDE AND OUTSIDE THE BANK’S AA | | | | | | | | |
|-------------------------------------------------------------|---------------|----------------|-----------|------------|----------------|----------------|-----------|------------|
| Bank Loans | Inside | | | | Outside | | | |
| | # | \$(000) | #% | \$% | # | \$(000) | #% | \$% |
| Small Business Loans | 39 | 5,906 | 88.6 | 78.6 | 5 | 1,605 | 11.4 | 21.4 |
| Small Farm Loans | 15 | 1,951 | 93.8 | 98.9 | 1 | 22 | 6.3 | 1.1 |

The remaining conclusions of the bank’s lending performance are based only on the loans originated inside the bank’s AA.

Distribution by Revenue Size of Businesses and Farms

Overall, the bank’s lending demonstrates reasonable penetration to business and farms of different revenue sizes.

Small Business Loans

The borrower distribution of small business lending is reasonable.

- All small business loans were originated to businesses with gross annual revenues of \$1 million or less which is above the demographic figure.
- Approximately 84.6 percent of small business loans were originated in loan amounts of \$250,000 or less, indicating the bank’s willingness to meet the credit needs of small businesses. Typically, smaller businesses do not have the need or the capacity to borrow large amounts; as such, smaller loan amounts are used as a proxy to estimate the support of small entities.

| TABLE 8 DISTRIBUTION OF 2014-2017 SMALL BUSINESS LOANS BY REVENUE SIZE OF BUSINESSES EASTERN COLORADO AA | | | | | |
|-----------------------------------------------------------------------------------------------------------------------------|-----------------------------|----------------|-----------|------------|-------------------------------------------------------|
| Business Revenue | Small Business Loans | | | | % of Businesses by Revenue¹ |
| | # | \$(000) | #% | \$% | |
| \$1MM or less | 39 | 5,906 | 100.0 | 100.0 | 88.4 |
| Over \$1MM | 0 | 0 | 0.0 | 0.0 | 8.4 |
| Unknown | 0 | 0 | 0.0 | 0.0 | 3.2 |

¹ The percentage of businesses by revenue size is based on 2017 D&B data.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Small Farm Loans

The borrower distribution of small farm lending is reasonable.

- All small farm loans were originated to farms with gross annual revenues of \$1 million or less, which is slightly above the demographic figure.

**TABLE 9
DISTRIBUTION OF 2014-2017 SMALL FARM LOANS
BY REVENUE SIZE OF FARMS
EASTERN COLORADO AA**

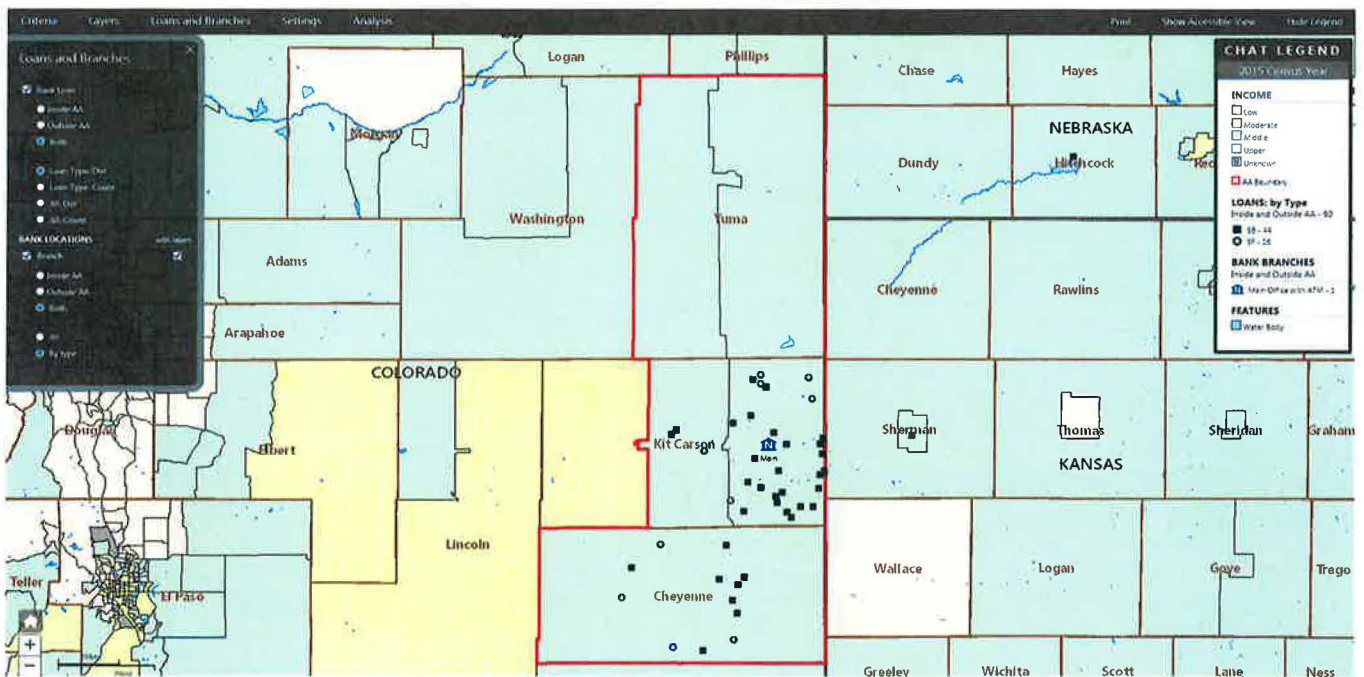
| Farm Revenue | Small Farm Loans | | | | % of Farms by Revenue ¹ |
|----------------------|------------------|---------|-------|-------|------------------------------------|
| | # | \$(000) | #% | \$% | |
| \$1MM or less | 15 | 1,951 | 100.0 | 100.0 | 97.0 |
| Over \$1MM | 0 | 0 | 0.0 | 0.0 | 3.0 |
| Unknown | 0 | 0 | 0.0 | 0.0 | 0.0 |

¹ The percentage of farms by revenue size is based on 2017 D&B data.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

An evaluation of the bank’s fair lending activities was conducted during the examination to determine compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No evidence of discriminatory or illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – MAP OF THE AA



APPENDIX B – DEMOGRAPHIC INFORMATION

| TABLE B-1 EASTERN COLORADO AA DEMOGRAPHICS | | | | | | | | |
|-------------------------------------------------------|----------------------------------|-----------------------------------------------|---------------------------------|-------------------------|--------------------------------------------------------------|-----------------------------|----------------------------------|------------------|
| Income Categories | Tract Distribution | | Families by Tract Income | | Families < Poverty Level as % of Families by Tract | | Families by Family Income | |
| | # | % | # | % | # | % | # | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 1,012 | 22.7 |
| Moderate | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 858 | 19.2 |
| Middle | 5 | 100.0 | 4,466 | 100.0 | 415 | 9.3 | 997 | 22.3 |
| Upper | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 1,599 | 35.8 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 5 | 100.0 | 4,466 | 100.0 | 415 | 9.3 | 4,466 | 100.0 |
| | Housing Units by Tract | Housing Type by Tract | | | | | | |
| | | Owner-occupied | | Rental | | Vacant | | |
| | | # | % by tract | % by unit | # | % by unit | # | % by unit |
| Low | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Middle | 8,165 | 4,677 | 100.0 | 57.3 | 2,421 | 29.7 | 1,067 | 13.1 |
| Upper | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Unknown | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 8,165 | 4,677 | 100.0 | 57.3 | 2,421 | 29.7 | 1,067 | 13.1 |
| | Total Businesses by Tract | Businesses by Tract & 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 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Middle | 1,043 | 100.0 | 922 | 100.0 | 88 | 100.0 | 33 | 100.0 |
| Upper | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 1,043 | 100.0 | 922 | 100.0 | 88 | 100.0 | 33 | 100.0 |
| Percentage of Total Businesses: | | | 88.4 | | 8.4 | | 3.2 | |
| | Total Farms by Tract | Farms by Tract & 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 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Middle | 428 | 100.0 | 415 | 100.0 | 13 | 100.0 | 0 | 0.0 |
| Upper | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Unknown | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total AA | 428 | 100.0 | 415 | 100.0 | 13 | 100.0 | 0 | 0.0 |
| Percentage of Total Farms: | | | 97.0 | | 3.0 | | 0.0 | |

Based on 2017 FFIEC Census tract definitions, 2015 ACS five-year estimate data, and 2017 D&B data.
(NOTE: Total percentages may vary by 0.1 percent due to automated rounding differences.)

APPENDIX C – SCOPE OF EXAMINATION

| SCOPE OF EXAMINATION BANK OF BURLINGTON | | | |
|----------------------------------------------------|--------------------------------------------------------------|--------------------------|--------------------------|
| Products Reviewed | Small business loans, universe Small farm loans, universe | | |
| Time Period Reviewed | September 8, 2014 through December 31, 2017 | | |
| Affiliate(s) | | | |
| | Affiliate Relationship | Products Reviewed | |
| None | N/A | N/A | |
| List of AAs and Type of Examination | | | |
| Assessment Area | Type of Examination | Branches Visited | Other Information |
| Eastern Colorado | Full Scope | None | N/A |

APPENDIX D – GLOSSARY

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.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Census tract: Small subdivisions 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. They 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.

Consumer loan: A loan 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 of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

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).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and Internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar

amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

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

Home mortgage loans: Include 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.

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 lenders in the MSA/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 (HUD) 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: 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. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area (**MMSA**). Performance within each MMSA is analyzed separately as a full-scope review and receives its own ratings under the Lending, Investment and Service Tests provided the financial institution has its main

office, branch, or deposit-taking ATM located in each applicable state making up the MMSA.

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.

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.

Small loans to business: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small loans to farms: 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 thousand or less and are either secured by farmland, including farm residential and other improvements, 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.