

# **PUBLIC DISCLOSURE**

**August 11, 2008**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Barnes Banking Company  
RSSD #868376**

**33 South Main Street  
Kaysville, Utah 84037**

**Federal Reserve Bank of San Francisco  
101 Market Street  
San Francisco, California 94105**

*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.*

## TABLE OF CONTENTS

INSTITUTION RATING .....	1
<i>Institution's CRA Rating</i> .....	1
INSTITUTION.....	2
<i>Description of Institution</i> .....	2
<i>Scope of Examination</i> .....	3
LENDING TEST .....	3
COMMUNITY DEVELOPMENT TEST .....	4
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....	5
<i>Lending Test</i> .....	5
LOAN-TO-DEPOSIT RATIO.....	5
LENDING IN ASSESSMENT AREA .....	5
GEOGRAPHIC AND BORROWER DISTRIBUTION .....	5
RESPONSE TO COMPLAINTS.....	7
<i>Community Development Test</i> .....	7
<i>Fair Lending or Other Illegal Practices Review</i> .....	8
FULL-SCOPE ASSESSMENT AREA CONCLUSIONS .....	9
<i>Davis-Weber Assessment Area</i> .....	9
DESCRIPTION OF OPERATIONS IN DAVIS-WEBER .....	9
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN DAVIS-WEBER ASSESSMENT AREA .....	12
<i>Salt Lake Assessment Area</i> .....	16
DESCRIPTION OF OPERATIONS IN SALT LAKE.....	16
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SALT LAKE CITY .....	18
LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS.....	21
APPENDICES	
APPENDIX A: GLOSSARY OF TERMS	
APPENDIX B: LIMITED-SCOPE ASSESSMENT AREA MARKET PROFILES AND LENDING DATA	

## INSTITUTION RATING

### ***Institution's CRA Rating***

Barnes Banking Company is rated "SATISFACTORY"

*The following table shows the performance ratings for the lending and community development tests.*

PERFORMANCE LEVELS	PERFORMANCE TESTS	
	LENDING TEST	COMMUNITY DEVELOPMENT TEST
OUTSTANDING		
SATISFACTORY	<b>X</b>	<b>X</b>
NEEDS TO IMPROVE		
SUBSTANTIAL NONCOMPLIANCE		

The major factors supporting the institution's rating include:

- A substantial majority of loans originated within the assessment areas;
- A good level of small business and home mortgage lending;
- A reasonable geographic dispersion of small business and home mortgage loans, with no conspicuous gaps in lending patterns; and
- A reasonable level of community development activities supporting economic development and affordable housing as well as efforts to revitalize low- and moderate-income geographies.

## INSTITUTION

### *Description of Institution*

Barnes Banking Company (Barnes), headquartered in Kaysville, Utah, had total assets of \$874.8 million as of December 31, 2007. Barnes is a wholly-owned subsidiary of Barnes Bancorporation, a one-bank holding company also based in Kaysville, Utah. The bank was established in 1891 and presently operates ten branch offices located in the cities of Bountiful, Kaysville, Layton, Midvale, Orem, Roy, Salt Lake City, South Ogden, St. George, and Syracuse. No changes to the branch network have occurred since Barnes' prior July 10, 2006, CRA examination.

Barnes is a community bank with a primary focus on commercial lending and a secondary focus on home mortgage lending. The bank's full service product offerings consist of commercial and residential construction and land development loans and other small business loan products that include commercial long-term mortgages, SBA 504 loans for the acquisition of commercial properties, working capital lines of credit and equipment loans. In addition, Barnes provides home purchase and refinance loans that are sold on the secondary markets. The bank also offers other consumer purpose loans including home improvement, automobile and personal loans.

The loan portfolio is consistent with the bank's commercial strategy. As reflected in the December 31, 2007, Consolidated Reports of Condition and Income, Barnes' portfolio is concentrated in construction and land development loans. Consumer real estate loan product volumes are not fully reflected in the portfolio mix since these loans are sold in the secondary market.

EXHIBIT 1		
LOAN PORTFOLIO MIX AS OF DECEMBER 31, 2007		
LOAN TYPE	DOLLAR AMOUNT ('000s)	PERCENT OF VALUE
Construction & Land Development	\$479,855	61.3%
Commercial/Industrial & Non-Farm Non-Residential Real Estate	\$180,722	23.1%
Secured by 1-4 Family Residential Real Estate	\$63,155	8.1%
Agriculture and Farmland	\$32,687	4.2%
Multifamily	\$11,063	1.4%
Consumer Loans & Credit Cards	\$10,587	1.3%
All Other	\$4,373	0.6%
<b>Total (Gross)</b>	<b>\$782,442</b>	<b>100.0%</b>

While the number of Barnes' assessment areas remains unchanged since the previous CRA examination, the assessment areas have been revised and consist of the following:

- ***Davis-Weber*** – consists of the whole counties of Davis and Weber which represents a portion of the Ogden-Clearfield Metropolitan Statistical Area (MSA).
- ***Salt Lake*** – consists of the whole county of Salt Lake, which is a part of the Salt Lake City MSA.
- ***Provo-Orem*** – consists of the whole cities of Provo and Orem, both of which are part of the Provo-Orem MSA.
- ***St. George*** – consists of the whole county of Washington, which constitutes the St. George MSA.

The bank faces no legal or financial impediments that would prevent it from helping to meet the credit needs of its assessment area consistent with its business strategy, size, financial capacity, and local economic conditions. The bank received a satisfactory rating at its previous CRA examination conducted as of July 10, 2006.

## ***Scope of Examination***

The examination was conducted using the Interagency Intermediate Small Institution Examination Procedures. Performance for intermediate small banks is evaluated under two tests that consider the bank's lending and community development activities. The examination also involved interviews with members of the bank's local communities, interviews with bank management and a review of other relevant information and data to provide context for the bank's performance.

The Davis-Weber and Salt Lake assessment areas received full-scope reviews. The Davis-Weber assessment area was weighted the most heavily due to the concentration of the bank's branches, loans, and deposits in this market area. Given the bank's limited presence and commensurate lower activity levels in the remaining two assessment areas, these areas received limited-scope reviews to determine whether or not performance in these areas was consistent with the bank's overall performance.

## **LENDING TEST**

The lending test portion of the evaluation was based on the following performance criteria:

- Loan volume compared to deposits (Loan-to-Deposit Ratio);
- Lending inside versus outside the assessment area (Lending in Assessment Area);
- Dispersion of lending throughout the assessment area (Lending Distribution by Geography); and
- Lending to businesses of different sizes and borrowers of different income levels (Lending Distribution by Business Revenue and Borrower Income).

Responsiveness to consumer complaints was not evaluated because the bank did not receive any CRA-related complaints during the review period.

The lending test evaluation was based on small business, home purchase and refinance loans originated between January 1, 2006 and December 31, 2007. A total of 381 small business loans, 192 home purchase loans, and 104 home refinance loans were used in the evaluation of *Lending in the Assessment Area*. The evaluations of *Lending Distribution by Geography* and *Lending Distribution by Business Revenue and Borrower Income* were based on 173 home purchase loans, 95 home refinance loans, and a sample of 67 small business loans extended within the bank's assessment areas. Given the limited volume of home improvement and small farm lending, these product types were excluded from the analysis.

The Davis-Weber assessment area included an evaluation of small business, home purchase, and home refinance loans. The Salt Lake assessment area was based solely on small business lending given the limited volume of home purchase and refinance lending precluded a meaningful analysis of these loans types for this assessment area. Similarly, there were too few loans for any product type within the Provo-Orem and St. George assessment areas to produce a meaningful analysis of *Lending Distribution by Geography* or *Lending Distribution by Business Revenue and Borrower Income*.

Products were weighted according to volume, credit needs, and available opportunities. Accordingly, the evaluation placed the greatest weight on small business lending, followed by home purchase and home refinance lending.

#### **COMMUNITY DEVELOPMENT TEST**

The community development test included an evaluation of the bank's level of community development activities in relation to local needs and opportunities as well as the bank's capacity to participate in such activities. The evaluation was based on qualified community development loans, investments and services provided by the bank. The review period for the community development test is the same as the lending test with the exception of investments. Qualified community investments were evaluated between January 1, 2006 and July 31, 2008.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### ***Lending Test***

Overall performance under the lending test is satisfactory. The loan-to-deposit ratio and level of lending within the assessment area indicate that the bank is effectively engaging in lending activities within its defined markets. The overall geographic distribution and borrower profile of small business and home mortgage lending is reasonable.

#### **LOAN-TO-DEPOSIT RATIO**

The loan-to-deposit ratio is reasonable. The bank's eight-quarter average loan-to-deposit ratio, at 100.2 percent as of December 31, 2007, is higher than the state average and national peer loan-to-deposit ratios of 90.8 and 87.4 percent, respectively.

#### **LENDING IN ASSESSMENT AREA**

As shown in the table below, a substantial majority of the bank's lending was extended within the bank's assessment areas.

<b>EXHIBIT 2</b>								
<b>LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS</b>								
<b>JANUARY 1, 2006 – DECEMBER 31, 2007</b>								
<b>LOAN TYPE</b>	<b>Inside</b>				<b>Outside</b>			
	<b>#</b>	<b>%</b>	<b>\$ (‘000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (‘000s)</b>	<b>%</b>
Small Business	363	95.3	53,563	95.7	18	4.7	2,467	4.4
Total Business-Related	399	89.1	58,119	86.8	49	10.9	8,835	13.2
HMDA Home Purchase	173	90.1	39,728	88.4	19	9.9	5,230	11.6
HMDA Refinance	95	91.4	15,139	90.7	9	8.8	1,555	9.3
Total HMDA-Related	281	90.7	55,514	88.5	29	9.4	7,182	11.5
<b>TOTAL LOANS</b>	<b>680</b>	<b>89.9</b>	<b>113,633</b>	<b>88.1</b>	<b>78</b>	<b>10.1</b>	<b>16,017</b>	<b>11.9</b>

#### **GEOGRAPHIC AND BORROWER DISTRIBUTION**

Overall, the geographic and borrower distribution of loans is reasonable. Considering contextual factors such as the concentration of businesses, families, and owner-occupied housing units discussed in each assessment area, the bank's lending demonstrated good dispersion among census tracts and borrowers of different income levels. The geographic distribution of small business loans was particularly strong in low- and moderate-income geographies in the Salt Lake

assessment area. Barnes also had a good record of extending loans to small businesses and made a significant portion of these loans in small dollar amounts, thereby addressing an articulated credit need.

In addition to its direct lending efforts, the bank participates in three first-time home-buyer programs that help address the needs of low- and moderate-income borrowers. These programs benefit a broader regional area including the bank's assessment areas and include the following:

- ***The Federal Home Loan Bank's (FHLB) Home\$tart Savings Program***  
The Home\$tart program promotes homeownership by helping first-time homebuyers, earning up to 80 percent of their area's median income, build the savings needed to purchase a home. Through this program, the FHLB provides grants of up to \$5,000 by providing \$3 of matching savings for every dollar of savings by the first-time homebuyer. Barnes plays an active role in the program by qualifying borrowers for the program, setting up the savings accounts, ensuring that borrowers attend the required homebuyer education classes, and by obtaining and disbursing the matching grants on behalf of the FHLB. During the review period, Barnes obtained and disbursed \$213,000 in matching grant funds to 41 borrowers.
- ***Davis Community Housing Authority (DCHA) – First Time Homebuyers Down Payment Assistance Program***  
DCHA operates a wide variety of programs to help address the need for affordable housing. DCHA provides a \$2,000 interest free loan to assist with the down payment and closing costs for first time homebuyers. Qualified applicants who meet the program income guidelines must complete an approved homebuyer education class and provide at least \$500 towards the purchase of a single-family dwelling that is located in Davis County. During the review period, Barnes provided a total of \$22,000 dollars to the DCHA to assist 11 borrowers with down payment and closing costs.
- ***Fannie Mae My Community Mortgage Program***  
Fannie Mae My Community mortgages are affordable mortgages for low-and moderate-income households. The program includes low or no down payment mortgages, and mortgages for public employees and disabled borrowers. Barnes plays an active role in the program by educating borrowers on the various programs available for first-time buyers and qualifying them for the program. During the review period, Barnes provided six loans to low- and moderate-income borrowers for a total of \$877,000 to help them purchase their first home.



**RESPONSE TO COMPLAINTS**

There were no complaints related to CRA during the review period. Consequently, the bank’s performance in responding to complaints was not considered in evaluating its overall CRA performance.

***Community Development Test***

Barnes’ overall community development test performance is satisfactory. Community development loans, investments and services addressed a variety of crucial community development needs. These investments helped address the need for affordable housing, economic development, and job creation and retention for low- and moderate-income individuals. Barnes’ community development loans and investments helped to create or retain approximately 80 jobs and approximately 673 affordable housing units during this review period.

As illustrated in Exhibit 3 below, most of Barnes’ lending and service activities occurred within the Davis-Weber assessment area where the bank has its greatest presence; six of its ten branches are located in this assessment area. While there were a limited number of investments within specific assessment areas, this was attributed primarily to competition for available opportunities as well as the bank’s limited presence and tenure in within the Provo-Orem and St. George assessment areas. Barnes did, however, provide a significant level of community development loans and investments benefiting a broader regional area including its assessment areas.

EXHIBIT 3				
COMMUNITY DEVELOPMENT ACTIVITIES				
Assessment Area	Loans (000’s)	Investments (000’s)		Service Hours
		Prior Period	Current Period	
Davis-Weber	\$10,541	\$948	\$0	832
Salt Lake City	\$3,163	\$630	\$0	41
Provo-Orem	\$0	\$0	\$0	56
St. George	\$881	\$0	\$5	3
Statewide/Regional	\$0	\$2,696	\$7,154	28
<b>Total</b>	<b>\$14,585</b>	<b>\$4,274</b>	<b>\$7,159</b>	<b>961</b>

Also shown in Exhibit 3, the bank maintains over \$9.8 million in community development investments that benefit a broader statewide or regional area including the bank’s assessment areas. Highlights of these investments include:

- Over \$1.7 million invested in bonds supporting the Utah Housing Corporation (UHC), UHC’s primary mission is to assist in the creation of affordable housing opportunities for lower-income households across the State of Utah. UHC provides mortgage funds to qualifying first-time homebuyers and resources to developers building or renovating affordable apartment projects.
- Barnes invested over \$7.7 million in mortgage-backed securities collateralized by mortgage loans extended to low- and moderate-income borrowers throughout the State of

Utah. Many of these securities were collateralized by loans within the bank's assessment areas, including 23 in the Salt Lake City assessment area, 20 in the Davis-Weber assessment area, and 4 in the St. George assessment area.

- A \$17,000 investment in a micro loan fund. This fund provides loans ranging from \$1,000 to \$25,000 to businesses with five or fewer employees that are too small to qualify for commercial banking services. Loans are designed to help people who cannot qualify for traditional small business loans and can be used for inventory, equipment, payroll, or other costs.

### ***Fair Lending or Other Illegal Practices Review***

The bank is in compliance with the substantive provision of the anti-discrimination laws and regulations. The fair lending review conducted concurrently with this examination did not reveal evidence of discriminatory or other illegal credit practices that would impact the CRA performance.

## FULL-SCOPE ASSESSMENT AREA CONCLUSIONS

*For each assessment area where a full-scope review was performed using the examination procedures.*

### ***Davis-Weber Assessment Area***

#### **DESCRIPTION OF OPERATIONS IN DAVIS-WEBER**

The Davis-Weber assessment area consists of the counties of Davis and Weber in their entirety and encompasses approximately 880 square miles<sup>1</sup> along the western front of the Wasatch Mountains. The area, which is located directly north of Salt Lake City, had an estimated population of 489,506 as of 2006.<sup>2</sup> Some of the larger cities and towns in the assessment area, listed in descending order by population, include; Ogden, Layton, Bountiful, Roy, Clearfield, Kaysville, Syracuse, Clinton, North Ogden, and South Ogden.

Barnes maintains its largest presence in this market with six of its ten branch offices located in this assessment area. As of June 30, 2007, its branch offices held \$585.5 million in deposits, representing 3.7 percent of the market share and ranking the bank third out of eighteen FDIC-insured financial institutions operating 93 offices within this assessment area.<sup>3</sup> In 2007, Barnes ranked 49th out of 335 home mortgage lenders that reported data under the Home Mortgage Disclosure Act (HMDA) with a 0.33 percent market share. Similarly, 55 lenders originated 23,558 CRA reportable small business loans during the same time period. Given the large number of institutions that operate in this market, competition for lending and deposit products was well as community development opportunities is significant.

Exhibit 4 presents key demographic and business information, based upon the 2000 U.S. Census and Dun & Bradstreet data, used to help develop a performance context for the assessment area.

---

<sup>1</sup> Davis County and Weber County Quickfacts, U.S. Census Bureau, (accessed July 24, 2008); available from: <http://quickfacts.census.gov/qfd/states/49/49011.html> and <http://quickfacts.census.gov/qfd/states/49/49057.html>.

<sup>2</sup> Ibid.

<sup>3</sup> FDIC, Market Share Selection, *Summary of Deposits*, June 30, 2007, (accessed June 25, 2008); available from: <http://www4fdic.gov/SOC/sodMarketRpt.asp?barItem=2&Print=Y>.

EXHIBIT 4								
ASSESSMENT AREA DEMOGRAPHICS								
DAVIS-WEBER								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	4	4.4	1,913	1.7	601	31.4	17,169	15.7
Moderate-income	17	18.7	18,096	16.5	2,106	11.6	21,922	20.0
Middle-income	48	52.7	62,003	56.7	2,513	4.1	28,007	25.6
Upper-income	22	24.2	27,406	25.0	583	2.1	42,320	38.7
Total AA	91	100.0	109,418	100.0	5,803	5.3	109,418	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	3,841	888	0.9	23.1	2,389	62.2	564	14.7
Moderate-income	28,527	14,359	13.7	50.3	12,042	42.2	2,126	7.5
Middle-income	79,472	61,363	58.8	77.2	14,924	18.8	3,185	4.0
Upper-income	32,728	27,829	26.6	85.0	3,105	9.5	1,794	5.5
Total AA	144,568	104,439	100.0	72.2	32,460	22.5	7,669	5.3
Income Categories	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	932	6.0	760	5.5	153	12.5	19	5.8
Moderate-income	2,556	16.5	2,211	15.9	278	22.6	67	20.5
Middle-income	8,039	51.9	7,280	52.3	578	47.1	181	55.4
Upper-income	3,955	25.5	3,676	26.4	219	17.8	60	18.3
Total AA	15,482	100.0	13,927	100.0	1,228	100.0	327	100.0
<b>Percentage of Total Businesses:</b>		<b>90.0</b>		<b>7.9</b>		<b>2.1</b>		
2000 U.S. Census Median Family Income				2007 Median Housing Value <sup>4</sup>				
Davis County		\$58,329		Davis County		\$253,294		
Weber County		\$49,724		Weber County		\$184,876		
2007 HUD Adjusted Median Family Income <sup>5</sup>				2007 Unemployment Rate <sup>6</sup>				
Davis County		\$62,600		Davis County		2.6%		
Weber County		\$62,600		Weber County		3.2%		

Davis and Weber Counties, which compose the assessment area and are part of the Ogden Clearfield metro area, have relatively diverse economies. The counties have a number of different industries led by government; trade, transportation and utilities; manufacturing;

<sup>4</sup> Utah Association of Realtors, 2007 Year-end Housing Statistics, (accessed July 10, 2008); available from: <http://www.utahrealtors.com/quarterly/yearend07.pdf>.

<sup>5</sup> Department of Housing and Urban Development 2007 data.

<sup>6</sup> Utah Government Department of Workforce Services, Davis and Weber Counties, Civilian Labor Force and Components, 1990-2007 (revised), available from:

<http://jobs.utah.gov/opencms/wi/regions/northern/davis/davisyearly.pdf> and

<http://jobs.utah.gov/opencms/wi/regions/northern/weber/weberyearly.pdf>.

professional and businesses services; education, and health and social services followed by manufacturing and construction. The top employers within the counties include Hill Airforce Base, the Department of Treasury, the McKay-Dee Hospital Center, the Davis and Weber County School Districts and Weber State University.<sup>7</sup>

In addition to the major employers, small businesses play a critical role in providing employment and in maintaining the overall health of the local economy. Recognizing the importance of small businesses, local government agencies, such as the Ogden City Redevelopment Agency (OCRA), work to support local business investment, job creation, and economic development. For example, the OCRA designated 15 districts as in need of economic development to encourage private investment in small businesses in these areas.<sup>8</sup> Local community contacts indicated that small businesses with gross revenues of \$1 million or less are a significant component of the agency's efforts. As shown Exhibit 4, approximately 90 percent of businesses operating within the assessment area have gross annual revenues of less than or equal to \$1 million.

The economy performed particularly well during the beginning of the review period; however, the economy for the broader Ogden-Clearfield metro area began to slow with small job losses in the second half of 2007. By the end of 2007, construction payrolls were falling due to a downturn in homebuilding, while growth in manufacturing employment had stalled and service industry employment was flat. Furthermore, the unemployment rate had also moved higher although it remained far below the national rate. While the housing market performed well during the review period, by the end of 2007 homebuilding experienced a dramatic slow down with housing starts falling by about one-half of the peak reached in early 2006.<sup>9</sup>

Despite the slowdown in housing starts, the area experienced a significant increase in housing values that began in 2004 and resulted in a steep decline in housing affordability. While home sales decreased significantly from 2006 to 2007, the average sales price increased 10 to 11 percent for both counties during the same period.<sup>10</sup> Similarly, Utah as a whole had one of the highest rates of home-price appreciation in the nation during the review period.<sup>11</sup> The ongoing home price appreciation has placed home ownership out of reach for a large number of Utahans.<sup>12</sup> These affordability trends suggest an ongoing need for programs that facilitate the development and purchase of affordable housing units, particularly for low- and moderate-income individuals.

---

<sup>7</sup> Economic Development Corporation of Utah, Davis County Profile, Weber County Profile, (accessed September 2, 2008); available from: <http://www.EDCUtah.org>.

<sup>8</sup> Welcome to Ogden City Redevelopment Agency, (accessed August 27, 2008); available from: <http://www.ogdencity.com>.

<sup>9</sup> Moody's Economy.com *Précis Metro*, Ogden-Clearfield, December 2007.

<sup>10</sup> Utah Association of Realtors, 2007 Year-end Housing Statistics, (accessed July 10, 2008); available from: <http://www.utahrealtors.com>.

<sup>11</sup> The Salt Lake Tribune, Beehive State drops from second to 16<sup>th</sup> for home-value growth, (accessed August 27, 2008); available from: <http://www.sltrib.com>.

<sup>12</sup> The Salt Lake Tribune, Beehive State drops from second to 16<sup>th</sup> for home-value growth, (accessed August 27, 2008); available from: <http://www.sltrib.com>.

Credit and community development needs vary within the assessment area. Affordable housing, housing payment assistance, as well as down payment assistance and special home buyer financing programs were identified as credit and community development needs. Discussions with community contacts also noted that many of the areas small businesses typically need startup or on-going working capital loans, often in small dollar amounts. Discussions also revealed organizations providing services to low- and moderate-income individuals and households are in need of financial support. In addition, contacts confirmed the need for financial education for first-time home buyers, low-income individuals, and start-up or small businesses.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN DAVIS-WEBER ASSESSMENT AREA**

***Lending Test***

Lending test performance in the Davis-Weber assessment area is reasonable. Loans are reasonably distributed among different geographies, businesses of different sizes, and borrowers of different income levels.

Lending Distribution by Geography

Overall lending distributions in the Davis-Weber assessment area are reasonable. Loans were reasonably distributed throughout the assessment area with no conspicuous gaps or unusual lending patterns. In general, lending tended to be concentrated around the bank's branches.

*Small Business Lending*

The geographic distribution of small business loans is reasonable. Small business loans were extended in census tracts of all income levels and, in general, lending tended to be concentrated around the bank's branch offices with no gaps in lending patterns. As seen in Exhibit 5 below, however, lending levels in low- and moderate income tracts, while not insignificant, were lower than both the business concentrations and the level of aggregate lending. However, this level of lending appears reasonable given that the vast majority of low- and moderate-income areas are within proximity of only two of the bank's six branches in this assessment area. Competition for opportunities may also explain the lower lending volumes as there are a number of competitor branches located within these low- and moderate-income areas.

EXHIBIT 5			
Census Tract Category	Bank Lending	Business Concentration	Aggregate Lending
Low-income	2.3%	6.0%	3.5%
Moderate-income	11.6%	16.5%	17.9%
Middle-income	67.4%	51.9%	50.8%
Upper-income	18.6%	25.5%	27.8%

*Home Mortgage Loans*

The geographic distribution of home purchase and refinance loans is reasonable. Exhibit 6 below shows that lending patterns were generally consistent with the distribution of owner-occupied housing units and the aggregate market. The absence of lending in low-income geographies is explained primarily by the high cost of housing previously discussed and the limited lending opportunities evidenced by the nominal percentage of owner-occupied housing units within low-income census tracts.

EXHIBIT 6					
Census Tract Category	Home Purchase Loans		Home Refinance Loans		Owner Occupied Units
	Bank Lending	Aggregate Lending	Bank Lending	Aggregate Lending	
Low-Income	0.0%	2.1%	0.0%	0.7%	0.9%
Moderate-Income	11.9%	17.8%	9.5%	10.5%	13.8%
Middle-Income	62.2%	60.5%	53.6%	64.2%	58.8%
Upper-Income	25.9%	19.7%	36.9%	24.5%	26.7%

Lending Distribution by Borrower Income and Business Revenue

Lending to borrowers of different income levels and businesses of different revenue sizes is reasonable.

*Small Business Lending*

The level of lending to small businesses is reasonable. As shown in the table below, the percentage of loans made to small businesses fell below the percentage of small businesses; however, performance exceeded the aggregate. In addition, a good portion of loans were extended in amounts of under \$100,000 thereby addressing an articulated credit for smaller dollar loans.

EXHIBIT 7						
Small Business		Originations Regardless of Business Revenue Size by Loan Amount			Aggregate Lending	
Bank Loans	Small Businesses	\$100,000 or less	\$100,000 to \$250,000	\$250,000 to \$1,000,000	Number of All Loans	% to Small Businesses
39.5%	90.0%	65.1%	21.0%	14.0%	23,031	33.5%

*Home Mortgage Loans*

The borrower distribution of home purchase and home refinance loans is excellent. In light of the housing affordability issues previously discussed, Barnes was particularly successful in extending home purchase loans to moderate-income borrowers as this lending significantly exceeded both the aggregate and the percentage of families. The bank's participation in first-time affordable home-buyer programs previously mentioned contributed to this performance.

Lending levels to middle- and upper-income borrowers were reasonable relative to the percentage of families and the aggregate market.

EXHIBIT 8					
Census Tract Category	Home Purchase Loans		Home Refinance Loans		Families
	Bank Lending	Aggregate Lending	Bank Lending	Aggregate Lending	
Low-Income	9.2%	6.7%	6.2%	4.9%	15.7%
Moderate-Income	33.3%	25.0%	16.1%	20.7%	20.0%
Middle-Income	24.8%	30.1%	25.9%	32.6%	25.6%
Upper-Income	32.6%	38.2%	51.9%	41.9%	38.7%

### *Community Development Test*

Barnes' performance demonstrates adequate responsiveness to the community development needs within the assessment area. Lending and investment activities primarily addressed the needs for affordable housing and economic development and revitalization within the bank's communities. Barnes' employees also provided significant level of services for organizations providing essential social services to low- and moderate-income communities.

### Community Development Lending

During the review period, the bank extended a total of 16 community development loans totaling \$14.6 million within the assessment area. A majority of the funds were directed toward promoting economic development and supporting the development of approximately 280 affordable housing units targeting low- and moderate-income families, disabled individuals, and senior citizens. In addition, several loans were extended to non-profit organizations that provide vital services to low- and moderate-income families. Barnes also provided loans that helped address the revitalization and stabilization plans of the Ogden City Redevelopment Agency.

### Community Development Investments

In addition to the investments that benefited organizations serving a broader regional area including this assessment area, Barnes continues to carry prior period investments that specifically benefit this assessment area. These investments include a \$462,000 state housing agency bond issued to finance the acquisition of a 192-unit multifamily apartment of which 168 units are targeted to low- and moderate-income families. Another Low Income Housing Tax Credit investment of \$128,000 helped provide an additional 72 units of affordable housing within this assessment area. Barnes also provided approximately \$29,000 in grants and donations that benefited organizations within this assessment area. These organizations provide services to nonprofit organizations that support to battered women's shelters and provide financial literacy assistance for low- and moderate-income individuals.



### Community Development Services

Barnes' employees provided a significant level of community development services that benefited a variety of variety of non-profit organizations. During the review period, the bank provided over 800 hours of community development service to over 50 organizations in the Davis-Weber assessment area.

- Bank employees provided over 200 hours raising funds for organizations that provide financial literacy training, technical assistance for small businesses and other services targeted to low- and moderate-income people.
- Another employee, provided approximately 117 service hours as a board member for a non-profit organization that provides income tax preparation services for low- and moderate-income individuals.
- Bank employees provided 96 hours of service to develop, deploy, and maintain a non-profit housing organization's website. An employee also provided 50 hours of service to assist this organization in its efforts to address the need for affordable housing within the bank's communities.

## **Salt Lake Assessment Area**

### **DESCRIPTION OF OPERATIONS IN SALT LAKE**

The Salt Lake assessment area includes the whole county of Salt Lake, which occupies approximately 737 square miles situated in the heart of the Wasatch Mountains.<sup>13</sup> The assessment area includes Salt Lake City, the state's largest city, representing Utah's economic activity center and the home to many of state's largest corporations.<sup>14</sup> The Salt Lake assessment area's 2007 population was estimated at 970,848.<sup>15</sup> The area also includes the principal cities and towns of Alta, Bluffdale, Cottonwood Heights, Draper, Herriman, Holladay, Kearns, Magna, Midvale, Murray, Riverton, Sandy, South Salt Lake City, South Jordan, Taylorsville, West Jordan, and West Valley City.<sup>16</sup>

Barnes maintains two of its ten branches in this assessment area, which capture a nominal percentage of overall market activity. As of June 30, 2007, its Salt Lake office held \$90.8 million in deposits, representing 0.06 percent of the market share and ranking the bank thirty-seventh out of sixty FDIC-insured financial institutions operating 261 offices within this assessment area.<sup>17</sup> In 2007, Barnes ranked 135th out of 413 home mortgage lenders that reported data under the Home Mortgage Disclosure Act with a 0.33 percent market share. Competition for small business loans was also significant given that there were 80 lenders that originated 57,120 CRA reportable small business loans and these lenders represent only a small portion of the overall market. Given the large number of institutions that operate in this market, competition for lending and deposit products was well as community development opportunities is significant.

Exhibit 9 presents key demographic and business information, based upon the 2000 U.S. Census and Dun & Bradstreet data, used to help develop a performance context for the assessment area.

---

<sup>13</sup> Salt Lake County Quickfacts, U.S. Census Bureau (accessed July 24, 2008); available from: <http://quickfacts.census.gov>.

<sup>14</sup> Salt Lake County Profile (accessed August 28, 2008); available from: <http://www.EDCUtah.org>.

<sup>15</sup> Salt Lake County Quickfacts, U.S. Census Bureau (accessed July 24, 2008); available from: <http://quickfacts.census.gov>.

<sup>16</sup> Salt Lake County Profile (accessed August 28, 2008); available from: <http://www.EDCUtah.org>.

<sup>17</sup> Federal Deposit Insurance Corporation, Summary of Deposits, June 30, 2007 (accessed June 25, 2008), available from: <http://www4fdic.gov>.

EXHIBIT 9								
ASSESSMENT AREA DEMOGRAPHICS								
SALT LAKE								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	5	2.6	1,486	0.7	320	21.5	36,086	16.7
Moderate-income	43	22.3	46,752	21.7	5,973	12.8	42,400	19.6
Middle-income	90	46.6	107,901	50.0	4,820	4.5	53,572	24.8
Upper-income	55	28.5	59,725	27.7	1,263	2.1	83,806	38.8
Total AA	193	100.0	215,864	100.0	12,376	5.7	215,864	100.0
Income Categories	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	2,686	432	0.2	16.1	1,899	70.7	355	13.2
Moderate-income	85,792	35,447	17.4	41.3	44,236	51.6	6,109	7.1
Middle-income	148,513	105,628	51.9	71.1	36,858	24.8	6,027	4.1
Upper-income	73,997	62,183	30.5	84.0	8,458	11.4	3,356	4.5
Total AA	310,988	203,690	100.0	65.5	91,451	29.4	15,847	5.1
Income Categories	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or Equal to \$1 Million		Greater than \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	3,071	8.0	2,211	6.6	770	18.5	90	12.0
Moderate-income	9,170	23.7	7,525	22.3	1,410	33.9	235	31.4
Middle-income	15,734	40.7	14,233	42.2	1,241	29.8	260	34.8
Upper-income	10,642	27.6	9,737	28.9	742	17.8	163	21.8
Total AA	38,617	100.0	33,706	100.0	4,163	100.0	748	100.0
<b>Percentage of Total Businesses:</b>		<b>92.7</b>		<b>6.2</b>		<b>1.0</b>		
2000 U.S. Census Median Family Income			\$54,470	2007 Median Housing Value <sup>18</sup>			\$295,299	
2007 HUD Adjusted Median Family Income <sup>19</sup>			\$60,100	2007 Unemployment Rate <sup>20</sup>			2.6%	

The Salt Lake assessment area is home to the state's capital and is the center of the state's government, commercial and industrial, banking and financial activities. The area has a diverse set of industries supporting the overall area economy. The major industries include trade, transportation and utilities; professional and business services; government, manufacturing, education, and health and social services. The major employers within these industries include Intermountain Health Care, the University of Utah, the State of Utah, Granite School District, Jordan School District, Salt Lake County, Novus Services Inc., and Delta Airlines.

<sup>18</sup> Utah Association of Realtors, 2007 Year-end Housing Statistics (accessed July 10, 2008), available from: <http://www.utahrealtors.com>.

<sup>19</sup> Department of Housing and Urban Development 2007 data.

<sup>20</sup> Utah Government Department of Workforce Services, Salt Lake County, Civilian Labor Force and Components, 1990-2007 (revised), available from: <http://jobs.utah.gov>.

In addition to the major employers, small businesses provide a significant percentage of total assessment area employment. In fact, the vast majority of businesses operating in this market are small businesses. According to Dun and Bradstreet data, over 97 percent of businesses in Salt Lake have gross annual revenues less than or equal to \$1 million. As such, the ongoing viability of these smaller businesses is critical to the overall health of the local economy.

The local economy experienced rapid expansion through 2006 and most of 2007 with payrolls advancing at a pace three times that of the U.S. Virtually all industries across the services and goods producing sectors were driving growth through the beginning of 2007. Growth began to slow near the end of 2007 largely because of a downturn in homebuilding; however, other sectors of the economy remained strong with continued job gains in manufacturing and service industries. The unemployment rate had moved higher by the end of 2007, although it remained well below the national average. House price appreciation remained positive throughout the review period; however, a slowing trend began in the latter part of 2007 with home starts falling significantly from their peak in the beginning of 2006.<sup>21</sup>

Similar to Davis and Weber counties, despite the decline in home starts, the median sales price continued its upward trend with a 9.0 percent increase from \$269,714 in 2006 to \$295,299 in 2007.<sup>22</sup> As a result of the ongoing and significant appreciation, access to home ownership has become increasingly difficult for assessment areas families. For example, a family must make approximately \$80,000 annually to purchase an average priced Utah home, currently over \$245,000. Conversely, the annual median family income for Utah is only \$58,000.<sup>23</sup> Similarly, Exhibit 9 indicates that in 2007, a median priced home in this assessment area was \$295,299 while the HUD adjusted median family income was only \$60,100.

Discussions with community contacts confirmed the pressing need for affordable housing. Contacts indicated that while the public sector is providing many needed programs, the development and construction of new affordable housing continues to be an important need. Discussions with community contacts also noted that many of the areas small businesses typically need startup or on-going working capital loans, often in small dollar amounts.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SALT LAKE CITY**

### ***Lending Test***

Lending test performance in Salt Lake is reasonable. Loans are well-distributed among different geographies and businesses of different sizes. The low lending volume of home mortgages in this assessment area precluded an analysis of *Lending Distribution by Geography and Borrower Income* for this type of lending.

---

<sup>21</sup> Moody's Economy.com *Précis Metro*, Salt Lake, December 2007.

<sup>22</sup> Utah Association of Realtors, 2007 Year-end Housing Statistics (accessed July 10, 2008), available from: <http://www.utahrealtors.com>.

<sup>23</sup> McCormick, Sara and Jack, Tricia (November 28, 2007). Affordable Housing in Utah. Center for Public Policy and Administration, The University of Utah (accessed November 18, 2008) available from <http://www.imakenews.com>

Lending Distribution by Geography

*Small Business Lending*

The geographic distribution of small business loans is excellent. As seen below, the percentage of small business lending was very strong in reaching businesses located in moderate-income census tracts. The bank’s performance was also favorable in reaching businesses in low-income census tracts relative to the aggregate lending. Lending in middle- and upper-income areas was reasonable and in general lending tended to be concentrated around the bank's branches.

EXHIBIT 10			
Census Tract Category	Bank Lending	Business Concentration	Aggregate Lending
Low-Income	8.3%	8.0%	5.6%
Moderate-income	45.8%	23.8%	19.1%
Middle-income	16.7%	40.7%	41.9%
Upper-income	29.2%	27.6%	33.5%
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Lending Distribution by Business Revenue

Lending to businesses of different revenue sizes is reasonable.

*Small Business Lending*

The level of lending to small businesses in Salt Lake is reasonable. Lending to small businesses exceeded the aggregate and was reasonable in relation to the percentage of small businesses. In addition, the bank extended over 46 percent of its loans in amounts of \$100,000 or less, thus addressing an articulated credit need for smaller dollar loans.

EXHIBIT 11						
Small Business		Originations Regardless of Business Revenue Size by Loan Amount			Aggregate Lending	
Bank Loans	Small Businesses	\$100,000 or less	\$100,000 to \$250,000	\$250,000 to \$1,000,000	Number of All Loans	% to Small Businesses
37.5%	87.3%	45.8%	25.0%	29.0%	55,916	35.3%

*Community Development Test*

The bank’s performance under the community development test in the Salt Lake assessment area is adequate. Barnes engaged in community development loans, investments, and services that met important needs within the assessment area. The level of these community development activities was consistent with the bank’s presence in this market and available opportunities.

### Community Development Lending

During the review period, Barnes extended a total of three community development loans totaling \$3.2 million within this assessment area. The funds were primarily directed to promoting economic development in low-income census tracts. One loan for \$1.7 million helped develop a retail shopping center which created space for four new retail businesses that provided new employment opportunities in low-income census tracts. The remaining two loans supported local economic development by assisting business expansion that helped retain and create employment opportunities.

### Community Development Investments

In addition to the significant volume of investments that benefited organizations serving a broader regional area previously discussed, Barnes maintains a prior-period Low Income Housing Tax Credit investment benefiting this assessment area. This investment, totaling \$630,426, helped create 52 units of affordable housing. In addition, the bank provided approximately \$3,550 in community development donations that benefited organizations providing needed services, such as financial literacy assistance and scholarships to low- and moderate-income individuals throughout this assessment area.

### Community Development Services

Barnes personnel provide a reasonable level of community development services within this assessment area. Bank personnel provide approximately 41 hours of community development services to a variety of organizations. These organizations assisted in the provision of financial literacy training for high school student and the provision of health care services for children from low-and moderate-income families.

## LIMITED-SCOPE ASSESSMENT AREA CONCLUSIONS

*For each assessment area where a limited-scope review was performed using the examination procedures.*

Barnes' performance in the limited scope assessment areas is generally consistent with its performance in the assessment areas receiving full-scope reviews as noted in the table below. Due to the bank's limited presence and corresponding lower levels of lending and community development activities, these limited-scope assessment areas received less weight than the full-scope areas. Consequently performance in these areas did not materially affect the bank's overall lending and community development test ratings.

ASSESSMENT AREA	LENDING TEST	COMMUNITY DEVELOPMENT TEST
Provo-Orem	Consistent	Below
St. George	Consistent	Consistent

Lending test performance in the Provo-Orem and St. George was consistent with the bank's performance in the full scope assessment areas. Barnes has operated one branch in each assessment area since mid 2005. While the level of lending is consistent with the bank's limited presence and tenure in this market, there were too few loans to complete a meaningful *Lending Distribution by Geography* analysis or a *Lending Distribution by Business Revenue or Borrower Income* analysis,

Community development performance in the St. George assessment area was consistent with performance in the full scope assessment areas as Barnes generated a reasonable level of community development loans, investments, and services in this market. Performance in the Provo-Orem assessment area was below that of the performance in the full scope assessment areas. Barnes did not generate any community development loans or investments in this assessment area and its service hours were nominal. The less favorable performance is attributed primarily to the bank's limited tenure in this market as well as the competition for available opportunities.

Facts and data reviewed, including performance and demographic information, can be found in Appendix B accompanying this report.

## APPENDIX A

### GLOSSARY OF TERMS

**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 and community development 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, 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 and community development 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 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 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 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 geography.