

# **PUBLIC DISCLOSURE**

November 9, 2020

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Central Bank  
RSSD # 31255

11201 Clay Road  
Houston, Texas 77041

Federal Reserve Bank of Dallas  
2200 North Pearl Street  
Dallas, Texas 75201

**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.**

**The Lending Test is rated: Satisfactory**

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

Central Bank's (the bank) performance demonstrates a reasonable responsiveness to both the credit needs and the community development needs of its assessment areas. The bank's performance under the Lending Test is Satisfactory based on the following criteria:

- A majority of Small Business loans and HMDA related loans, 73.9% of the number and 83.1% of the dollar volume, originated inside the bank's assessment area.
- A reasonable net loan-to-deposit ratio (LTD) of 88.4% as of September 30, 2020, with a quarterly average of 87.6 % since the previous CRA evaluation, given the institution's resources and competition in the assessment area.
- A reasonable penetration of loans among businesses of different sizes.
- A reasonable dispersion of loans throughout the institution's assessment area.

The bank's performance under the Community Development Test is Satisfactory based on the following criteria:

- The institution's Community Development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

## SCOPE OF EXAMINATION

The evaluation was conducted using the CRA intermediate small bank (ISB) performance standards. ISB CRA performance standards evaluate lending using the following criteria:

- The average loan-to-deposit ratio since the last CRA evaluation.
- The overall level of lending within the assessment area.
- The bank's lending to borrowers of different income levels and businesses and farms of different sizes.
- The bank's geographic distribution of loans within its assessment area.
- The bank's response to written complaints with respect to CRA performance in the assessment area.

Each standard is viewed as part of an overall picture of the bank's performance in meeting the credit needs of its delineated assessment area.

This CRA evaluation included the review of small business loans originated July 1, 2019 thru December 31, 2019, and a review of the bank's Home Mortgage Disclosure Act (HMDA) loans originated January 1, 2018 thru December 31, 2019. Small business loans were selected as the bank's primary product due to the majority of the bank's portfolio being made up of commercial loans. The evaluation of the bank's record of lending includes the use of and comparison to demographic characteristics. The primary sources for the demographic information are the U.S. Census and Dun & Bradstreet (D&B) data. Demographic characteristics of a particular assessment area are useful in analyzing the bank's record of lending as they provide a means of estimating loan demand and identifying lending opportunities. To understand small business and small farm loan demand, self-reported data of revenue size and geographical location from business and farm entities is collected and published by D&B. The demographic data should not be construed as defining an expected level of lending in a particular area or to a particular group of borrowers. The information is used to understand the bank's performance context and evaluate the bank.

Also under the ISB procedures, the bank's community development (CD) activities were reviewed to determine a community development test rating. The community development test allows flexibility, permitting a bank to apply its resources strategically to the types of community development activities (loans, investments, and/or services) that are most responsive in helping meet community needs. It is expected that a bank will appropriately assess the needs in its community, engage in different types of community development activities based on those needs and the bank's capacity, and that it will take reasonable steps to apply its community development resources strategically to meet those needs. The evaluation was based on qualified community development loans, investments, and services provided by the bank since the conclusion of the previous CRA evaluation as of March 13, 2017. The lending test rating and community development test rating were combined to determine the overall CRA rating. The bank had no affiliates to be considered for review during this evaluation.

## DESCRIPTION OF INSTITUTION

The bank is a commercial bank headquartered in Houston, Texas. The bank operates in Harris County with four full-service locations. All four locations include on-site automated teller machines (ATMs). The bank is 100% owned by Central Bancshares, Inc. Houston, Texas, a one-bank holding company. The bank continues to offer traditional consumer, and commercial products and services. All services and products are available at each branch location.

Tract Income	% of Geographies	% of Families	% of Businesses	Branches		ATMs	
				#	%	#	%
Low	16.4	11.7	10.7	0	0.0	0	0.0
Moderate	29.5	25.4	19.5	0	0.0	0	0.0
Middle	23.0	26.2	22.5	1	25.0	1	25.0
Upper	30.3	36.6	47.1	3	75.0	3	75.0
Unknown	0.8	0.1	0.2	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>

The bank faces significant competition in the assessment area, with many financial institutions competing for market share. As of the June 2019 FDIC Deposit Market Share report, the bank holds 0.3% of deposits in the assessment area. The bank maintains branches only in Harris County, in which the bank has 0.3% of deposits, with the closest competitors, by share, being Origin Bank and Regions Bank, 0.3% and 0.4%, respectively. The market leader for Harris County, out of 75 institutions, is J.P. Morgan Chase bank, which holds 49.7% of market deposit share. The same June 2019 FDIC Deposit Market Share reports for Fort Bend and Montgomery counties reflect that the bank holds no percentage of either market's deposits.

The bank faces significant competition in the assessment area for HMDA related loans. While the bank makes attempts to originate residential real estate loans within the assessment area, they make significantly fewer loans than the leaders in the market. A further explanation is provided below in the Residential Real Estate (HMDA) Lending section.

The following table reflects the loan portfolio mix:

<b>Loan Portfolio Mix &amp; Asset Size</b>		
	<b>09/30/2020</b>	<b>% of Gross</b>
Assets	\$808,067	
Residential RE	\$241,690	37.73%
Commercial	\$336,799	52.57%
Ag	\$207	0.03%
Consumer	\$2,679	0.42%
Other	\$59,236	9.25%
<b>Gross Loans</b>	<b>\$640,611</b>	
<b>Net Loans</b>	<b>\$638,002</b>	
Note: Net Loans equals Gross Loans, net of unearned income and the Allowance for Loan and Lease Losses		

As of September 30, 2020, the bank reported total assets of approximately \$808.1 million, gross loans of \$640.6 million, total deposits of \$713.1 million, and a net loan-to-deposit ratio of 88.4%.

The bank's ability to meet various credit needs of the community has not been hampered by its capacity to lend, its financial condition and size, product offerings, prior performance, legal impediments or other factors. The bank received a rating of a Satisfactory under the community development test for an overall rating of a Satisfactory at its previous CRA performance evaluation dated March 13, 2017 performed by the Federal Reserve Bank of Dallas.

## **DESCRIPTION OF ASSESSMENT AREA**

The Houston assessment area includes Harris, Fort Bend, and Montgomery counties. These counties are three of the nine counties that make up the Houston-The Woodlands-Sugar Land Metropolitan Statistical Area (MSA). The assessment area takes the entirety of each of these counties and has not changed since the last CRA performance evaluation. These counties are centralized around the city of Houston, and this assessment area does not extend beyond the boundaries of any MSA or the state. The bank operates four full-service offices (one main office and three branch offices) all located in the Houston assessment area. As of July 1, 2019, the US Census Bureau estimates the population of the three counties making up the bank's assessment area to be 6,132,404. This estimate reflects a population increase of 19.5% since the 2010 Census. Houston is a national leader in the energy industry and has been able to increase employment mainly through the oil and gas industry. Unemployment in the assessment area has decreased over the five-year period of 2015 to 2019, from 4.5% unemployment in 2015, to 3.7% in 2019. Houston is a major port city and regional hub. The United Airlines Hub at George Bush Intercontinental Airport is the company's second largest and employs 14,200 people in Houston. The health sector also employs a significant number of people throughout Houston, with the two largest employers being Memorial Hermann Health System and the University of Texas MD Anderson Cancer Center employing more than 20,000 people, each.

County	2019 Population Estimate	% Change Since 2010	Major Municipalities
Harris	4,713,325	38.7%	Houston
Ft Bend	811,688	15.2%	Sugar Land, Richmond
Montgomery	607,391	33.3%	Conroe

### Demographic Characteristics

The bank's assessment area is diverse, including businesses of all sizes with 10.7% of businesses based in low-income tracts, 19.5% of businesses based in moderate-income tracts, 22.5% of businesses based in middle-income tracts, 47.1% of businesses based in upper-income tracts, and 0.2% of businesses based in unknown-income tracts.

### Income Characteristics

According to 2015 American Community Survey (ACS) data, the assessment area is comprised of 921 census tracts, and there are approximately 1,323,623 families in the assessment area. Of all families in the assessment area, 11.7% reside in low-income census tracts, 25.4% reside in moderate-income census tracts, 26.2% in middle-income census tracts, 36.6% in upper-income census tracts, and 0.2% in unknown-income census tracts. The percent of families living below poverty in the area is 13.3%, which is generally similar to the state's level of 13.6%.

The table below reflects the median family incomes for the Houston-The Woodlands-Sugar Land, TX MSA.

Income Level	2018	2019
Median Family Income	\$75,600	\$77,100
Low-income	< \$37,800	< \$38,550
Moderate-income	\$37,800 < \$60,480	\$38,550 < \$61,680
Middle-income	\$60,480 < \$90,720	\$61,680 < \$92,520
Upper-income	≥ \$90,720	≥ \$92,520

### Housing Characteristics

The assessment area contains 2.1 million housing units, of these, 53.7% are considered owner-occupied, 37.2% are considered rental units, and 9.1% of the units are considered vacant. According to 2015 ACS data, 5.8% of owner-occupied units were located in low-income census tracts, 22.1% were in moderate-income tracts, 27.4% in middle-income tracts, 44.6% in upper-income census tracts, and 0.1% are in the unknown-income tract. The assessment area's median age of housing stock in 2015 was 35 years, compared to the state of Texas median housing age of 31 years.

The median property value of the assessment area, according to 2015 ACS data, was \$149,519, while the state median housing value was \$136,000. The median housing value in the assessment area has increased by 7.5%, when compared to the 2010 ACS data. Along with the increase in housing values, housing affordability has also increased over the same 5-year period. The 2015 ACS data shows the housing affordability ratio of 39.5% is slightly higher than the 2010 ACS data affordability ratio of 39.3%. The housing affordability ratio is slightly higher than the state affordability ratio of 39.12%. Owner-occupied housing units have decreased since 2010 by 1.1%, as per 2015 ACS data.

### Employment and Economic Conditions

According to “At the Heart of Texas,” a report published by the Federal Reserve Bank of Dallas, Energy and related industries lead the area in employment, employing roughly 12% of the workforce in 2017. Some of the largest employers in the Houston area are Shell Oil and Exxon Mobile, along with other production companies.

As of 2018, Houston has 21 Fortune 500 companies, 17 of which relate to oil and gas extraction. Oilfield manufacturing and services companies that support the energy extraction firms include National Oilwell Varco, Schlumberger and Halliburton. This concentration has spawned significant clusters of machinery and fabricated metal manufacturers.

In August 2017, Hurricane Harvey wreaked havoc on the middle and upper Texas Gulf Coast, bringing the region to a standstill for a week. The region sustained at least \$70 billion in damage, and nearly 100,000 residential structures were flooded. The region also lost an estimated \$8.5 billion in economic output—about 1.7 percent of the metro area’s gross domestic product (GDP).

The annual average unemployment rates for the assessment area are consistently similar to the state average, and slightly lower than the overall MSA average.

<b>Annual Average Unemployment Rate</b>		
<b>AREA</b>	<b>2019</b>	<b>2015</b>
Assessment Area	3.7%	4.5%
Fort Bend County	3.5%	4.3%
Harris County	3.8%	4.6%
Montgomery County	3.4%	4.2%
MSA	3.8%	4.6%
State of Texas	3.5%	4.4%

### Community Contacts and Community Development Opportunities

Contact was made with three community organizations serving throughout the bank’s assessment area. One contact was with a Community Development Financial Institution (CDFI) that focusses on providing financial education and funding to small businesses. The contact stated that due to the COVID-19 pandemic affecting many businesses ability to open, they are actively seeking additional funding from banks to help support small businesses. Additionally, the contact stated that they provide an opportunity for banks to assist in affordable housing through a contractor funding program in order to repair and replace housing as a result of 2017’s Hurricane Harvey. The contact also stated that community banks in the area see CDFIs as competition rather than an asset in their community.



Additional community contacts focused on affordable housing and economic development and spoke to the need for affordable housing in the area. While some older housing in the area can be considered “naturally occurring” affordable housing, the need for more housing is growing faster than the supply.

#### Key Assessment area Demographics

The following table details selected characteristics of the assessment area.

HOUSTON ASSESSMENT AREA 2019 AA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	151	16.4	154,311	11.7	55,455	35.9	331,681	25.1
Moderate	272	29.5	336,089	25.4	65,982	19.6	213,952	16.2
Middle	212	23.0	347,122	26.2	35,195	10.1	223,704	16.9
Upper	279	30.3	483,796	36.6	18,415	3.8	554,286	41.9
Unknown	7	0.8	2,305	0.2	999	43.3	0	0.0
<b>Total AA</b>	<b>921</b>	<b>100.0</b>	<b>1,323,623</b>	<b>100.0</b>	<b>176,046</b>	<b>13.3</b>	<b>1,323,623</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-Occupied			Rental		Vacant	
		#	% By Tract	% by Unit	#	% by Unit	#	% by Unit
Low	281,064	64,094	5.8	22.8	173,777	61.8	43,193	15.4
Moderate	536,581	244,945	22.1	45.6	236,507	44.1	55,129	10.3
Middle	519,856	304,778	27.4	58.6	176,850	34.0	38,228	7.4
Upper	723,738	495,711	44.6	68.5	176,733	24.4	51,294	7.1
Unknown	6,183	789	0.1	12.8	4,770	77.1	624	10.1
<b>Total AA</b>	<b>2,067,422</b>	<b>1,110,317</b>	<b>100.0</b>	<b>53.7</b>	<b>768,637</b>	<b>37.2</b>	<b>188,468</b>	<b>9.1</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	32,317	10.7	28,391	10.3	3,742	15.6	184	5.7
Moderate	58,993	19.5	53,169	19.3	5,450	22.7	374	11.7
Middle	68,087	22.5	62,731	22.8	4,812	20.0	544	17.0
Upper	142,679	47.1	130,594	47.4	9,990	41.5	2,095	65.4
Unknown	607	0.2	547	0.2	54	0.2	6	0.2
<b>Total AA</b>	<b>302,683</b>	<b>100.0</b>	<b>275,432</b>	<b>100.0</b>	<b>24,048</b>	<b>100.0</b>	<b>3,203</b>	<b>100.0</b>
<b>Percent of Total Businesses:</b>				<b>91.0</b>		<b>7.9</b>		<b>1.1</b>
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	84	4.1	79	3.9	5	13.9	0	0.0
Moderate	232	11.3	222	11.1	8	22.2	2	33.3
Middle	518	25.3	507	25.3	8	22.2	3	50.0
Upper	1,208	59.1	1,192	59.5	15	41.7	1	16.7
Unknown	3	0.1	3	0.1	0	0.0	0	0.0
<b>Total AA</b>	<b>2,045</b>	<b>100.0</b>	<b>2,003</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>
<b>Percent of Total Farms:</b>				<b>97.9</b>		<b>1.8</b>		<b>.3</b>

Based on 2015 American Community Survey 5-year estimate data, 2019 FFIEC census tract designations, and 2019 D&B data.  
(NOTE: Total percentages may not total 100.0% due to automated rounding differences.)

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### Loan-to-Deposit Ratio

The general purpose of the CRA is to encourage banks to meet the credit needs in their assessment area while operating in a safe and sound manner. To gain an understanding of the bank's lending activity, the net loan-to-deposit (LTD) ratio is used to determine the reasonableness of lending in light of performance context, such as the bank's capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the assessment area, and in comparison to similarly situated FDIC-insured institutions.

The bank's net LTD ratio is reasonable, given the bank's size and financial condition, the credit needs of the assessment area, and the competitive local banking environment. As of September 30, 2020, the net LTD ratio was 88.4%, and the quarterly average since the previous evaluation was 87.6%.

To understand the bank's performance in relation to its assessment area, a comparison of eight similarly situated local banks was performed. These banks were chosen for analysis based on their proximity and similar size and structure. The similarly situated banks' net LTD ratios ranged from 68.8% to 107.9 % as of September 30, 2020. Their quarterly average net LTD ratios ranged from 60.7% to 102.9%. As noted, the bank's LTD ratios are similar to the majority of its peers.

### Lending in Assessment Area

A majority of the bank's loans originated inside its assessment area. As shown in the table below, the bank extended 473 loans or 73.9% by number inside its assessment areas.

Bank Loans	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	209	62.6	\$14,657	63	125	37.4	\$8,596	37
Home Purchase - Conventional	122	84.7	\$61,757	91.6	22	15.3	\$5,631	8.4
Loan Purpose Not Applicable	50	92.6	\$3,287	91.7	4	7.4	\$298	8.3
Multi-Family Housing	9	81.8	\$9,401	77.4	2	18.2	\$2,739	22.6
Other Purpose Closed-End	4	100	\$2,328	100	0	0	\$0	0
Other Purpose LOC	1	100	\$400	100	0	0	\$0	0
Refinancing	27	77.1	\$16,531	70.3	8	22.9	\$6,994	29.7
<b>Total HMDA related</b>	<b>422</b>	<b>72.4</b>	<b>\$108,361</b>	<b>81.7</b>	<b>161</b>	<b>27.6</b>	<b>\$24,258</b>	<b>18.3</b>
<b>Total Small Bus. related</b>	<b>51</b>	<b>89.5</b>	<b>\$15,556</b>	<b>94.8</b>	<b>6</b>	<b>10.5</b>	<b>\$860</b>	<b>5.2</b>
<b>TOTAL LOANS</b>	<b>473</b>	<b>73.9</b>	<b>\$123,917</b>	<b>83.1</b>	<b>167</b>	<b>26.1</b>	<b>\$25,118</b>	<b>16.9</b>

The remaining analyses is based on loans made inside the bank's assessment area.

### LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES AND FARMS OF DIFFERENT SIZES

The bank's distribution of lending to borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different revenue sizes. The distribution of the remainder of bank lending to middle- and upper-income borrowers did not affect conclusions about the bank's performance considering its lending to low- and moderate-income borrowers.

Residential Real Estate (HMDA) Lending:

HMDA lending by borrower income in the assessment area is poor. As stated previously, the bank faces significant competition within the assessment area, ranking 129 of 880 reporters in the assessment area according to the 2019 HMDA total market share. The bank competes against much larger entities such as Wells Fargo and J.P. Morgan Chase Bank, ranked first and second, respectively, which can make it difficult for the bank to obtain mortgage applications. However, the bank lends to low-income borrowers at a higher rate than the aggregate, for moderate-income borrowers the bank significantly underperforms in comparison to the aggregate.

In 2018, the bank originated 5.7% and 4.0%, respectively by number, and 0.7% and 0.8%, respectively by dollar, of its total HMDA loans to low- and moderate-income borrowers. The bank is above aggregate at 3.9% by number, and 1.7% by dollar for low-income borrowers but below aggregate at 14.6% by number, and 8.5% by dollar for moderate-income borrowers, respectively.

In 2019, the bank increased the total home mortgage loans to borrowers of low- and moderate-income to 10.8% by number, and 1.5% by dollar in low-income census tracts, and 4.1% by number, and 1.0% by dollar in moderate-income borrowers. The bank is above aggregate lenders at 3.4% by number, and 1.5% by dollar for low-income borrowers but below aggregate at 14.7% for moderate-income borrowers by number and 8.3% by dollar.

<b>DISTRIBUTION OF 2018 HMDA LOANS BY BORROWER INCOME LEVELS HOUSTON ASSESSMENT AREA</b>							
<b>Borrower Income Level</b>	<b>Bank Loans</b>				<b>Aggregate HMDA Data<sup>1</sup></b>		<b>% of Families<sup>2</sup></b>
	<b>#</b>	<b>\$(000)</b>	<b># %</b>	<b>\$ %</b>	<b># %</b>	<b>\$ %</b>	
<b>Total Home Mortgage Loans<sup>3</sup></b>							
Low	13	410	5.7	0.7	3.9	1.7	25.1
Moderate	9	437	4.0	0.8	14.6	8.5	16.2
Middle	2	105	0.9	0.2	19.4	14.0	16.9
Upper	165	36,098	72.7	62.8	43.0	49.6	41.9
Unknown	38	20,467	16.7	35.6	19.0	26.3	0.0
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	3.1	1.5	25.1
Moderate	0	0	0.0	0.0	15.6	9.9	16.2
Middle	0	0	0.0	0.0	20.7	16.5	16.9
Upper	37	22,221	56.9	64.3	44.3	56.6	41.9
Unknown	28	12,342	43.1	35.7	16.4	15.4	0.0
<b>Refinanced Loans</b>							
Low	0	0	0.0	0.0	7.3	3.7	25.1
Moderate	0	0	0.0	0.0	15.0	9.5	16.2
Middle	0	0	0.0	0.0	20.1	15.0	16.9
Upper	6	3,775	66.7	52.9	44.9	58.8	41.9
Unknown	3	3,362	33.3	47.1	12.7	13.0	0.0
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	5.4	3.7	25.1
Moderate	0	0	0.0	0.0	12.3	9.1	16.2
Middle	2	105	1.7	1.4	16.7	12.7	16.9
Upper	117	7,462	98.3	98.6	60.1	65.3	41.9
Unknown	0	0	0.0	0.0	5.4	9.2	0.0
<b>Multifamily</b>							
Low	0	0	0.0	0.0	0.0	0.0	25.1
Moderate	0	0	0.0	0.0	0.0	0.0	16.2
Middle	0	0	0.0	0.0	0.0	0.0	16.9
Upper	1	90	14.3	1.9	1.9	0.1	41.9
Unknown	6	4,661	85.7	98.1	98.1	99.9	0.0

<sup>1</sup> Aggregate loan data reflects all loan originations and/or purchases in the bank's assessment area reported by all HMDA filers.  
<sup>2</sup> Based on 2015 ACS 5-year estimate data.  
<sup>3</sup> Multifamily loans are not considered in the Borrower Analysis. Total home mortgage loans may include open-end lines of credit, closed-end loans, and purchased loans that originated prior to January 1, 2018. These loans are not detailed in the table.  
(NOTE: Total percentages may not total 100.0% due to automated rounding differences.)

<b>DISTRIBUTION OF 2019 HMDA LOANS BY BORROWER INCOME LEVELS HOUSTON ASSESSMENT AREA</b>							
<b>Borrower Income Level</b>	<b>Bank Loans</b>				<b>Aggregate HMDA Data<sup>1</sup></b>		<b>% of Families<sup>2</sup></b>
	<b>#</b>	<b>\$(000)</b>	<b># %</b>	<b>\$ %</b>	<b># %</b>	<b>\$ %</b>	
<b>Total Home Mortgage Loans<sup>3</sup></b>							
Low	21	785	10.8	1.5	3.4	1.5	25.1
Moderate	8	519	4.1	1.0	14.7	8.3	16.2
Middle	5	599	2.6	1.2	20.8	14.6	16.9
Upper	136	35,641	69.7	70.1	44.9	51.8	41.9
Unknown	25	13,300	12.8	26.2	16.3	23.8	0.0
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	3.0	1.5	25.1
Moderate	0	0	0.0	0.0	16.8	10.7	16.2
Middle	1	287	1.8	1.1	23.2	18.4	16.9
Upper	38	20,372	66.7	74.9	44.2	57.3	41.9
Unknown	18	6,535	31.6	24.0	12.7	12.1	0.0
<b>Refinanced Loans</b>							
Low	0	0	0.0	0.0	4.5	2.1	25.1
Moderate	0	0	0.0	0.0	10.4	5.7	16.2
Middle	1	165	5.6	1.8	16.5	11.1	16.9
Upper	14	8,572	77.8	91.2	49.3	61.4	41.9
Unknown	3	657	16.7	7.0	19.3	19.7	0.0
<b>Home Improvement Loans</b>							
Low	1	60	1.1	0.8	5.3	3.1	25.1
Moderate	1	36	1.1	0.5	12.7	8.6	16.2
Middle	3	147	3.3	2.1	17.9	13.0	16.9
Upper	84	6,697	93.3	94.5	60.4	69.8	41.9
Unknown	1	150	1.1	2.1	3.7	5.5	0.0
<b>Multifamily</b>							
Low	0	0	0.0	0.0	0.0	0.0	25.1
Moderate	1	150	50.0	3.2	0.0	0.0	16.2
Middle	0	0	0.0	0.0	0.2	0.0	16.9
Upper	0	0	0.0	0.0	1.2	0.1	41.9
Unknown	1	4,500	50.0	96.8	98.5	99.9	0.0

<sup>1</sup> Aggregate loan data reflects all loan originations and/or purchases in the bank's assessment area reported by all HMDA filers.  
<sup>2</sup> Based on 2015 ACS 5-year estimate data.  
<sup>3</sup> Multifamily loans are not considered in the Borrower Analysis. Total home mortgage loans may include open-end lines of credit, closed-end loans, and purchased loans that originated prior to January 1, 2018. These loans are not detailed in the table.  
(NOTE: Total percentages may not total 100.0% due to automated rounding differences.)

### Small Business Lending

Considering the bank's performance, the borrower distribution of small business loans by revenue size of businesses is reasonable. The bank's lending is reasonable considering the high level of competition from large national and regional banking institutions located within the assessment area. During the review period, the bank made twenty-four loans to businesses with revenues less than \$1 million. The loans to businesses less than \$1 million make up 47.1% by number and 45.9% by dollar amount of small business loans. The following table reflects the distribution of small business loans.

<b>DISTRIBUTION OF 2019 SMALL BUSINESS LOANS BY REVENUE SIZE HOUSTON ASSESSMENT AREA</b>					
<b>Business Revenue by Size</b>	<b>Small Business Loans<sup>1</sup></b>				<b>% of Businesses<sup>2</sup></b>
	<b>#</b>	<b>\$(000)</b>	<b># %</b>	<b>\$ %</b>	
\$1MM or less	24	7,135	47.1	45.9	91.0
Over \$1MM	24	8,178	47.1	52.6	7.9
Not Known	3	243	5.9	1.6	1.1

<sup>1</sup> CRA defines small businesses loans as loans in the amount of \$1 million or less .  
<sup>2</sup> The percentage of businesses in the assessment area is based on 2019 D&B Data.  
(NOTE: Total percentages may not total 100.0% due to automated rounding differences.)

### Geographic Distribution of Loans

For this analysis, the geographic distribution of small business and HMDA lending, including both originations and purchases, was compared with available demographic information. Performance context issues and aggregate lending data were taken into consideration. Considering all of these factors, the bank’s geographic distribution of loans reflects good penetration throughout the assessment area. Loans were generally focused in the south west portion of Harris County. As previously stated, greater weight was given to small business lending compared to HMDA lending as it represents the largest volume of the bank’s lending efforts.

#### Residential Real Estate (HMDA) Lending:

The geographic distribution of HMDA loans reflects a poor penetration throughout the assessment area. This was based on the fact that the bank made a nominal number of HMDA loans, regardless of type in LMI tracts. An analysis separated into the types of loans, in relation to aggregate lending in the assessment area is provided below.

#### Home Purchase Loans

During the 2018 review period, the bank did not originate any Home Purchase Loans in low-income census tracts. During that same time, the bank originated eight (12.3% by number, and 5.2% by dollar) home purchase loans in moderate-income census tracts. The aggregate lending data during that same time period reflects low- and moderate-income census tracts originating 2.9% by number, or 2.3% by dollar, and 13.4% by number, or 9.4% by dollar of home purchase loans, respectively.

During the 2019 review period, the bank originated one (1.8% by number or 0.7% by dollar) home purchase loan in a low-income census tract, and five (8.8% by number or 5.3% by dollar) in moderate-income census tracts. Meanwhile, aggregate HMDA data shows that 3.0% by number and 2.3% by dollar in low-income census tracts, and 13.5% by number or 9.4% by dollar in moderate-income census tracts in the assessment area were originated.

## Refinance Loans

During the 2018 review period, the bank did not refinance any loans in low- or moderate-income census tracts. The aggregate during that same time period reflects low- and moderate-income census tracts received 3.1% by number, or 2.0% by dollar, and 16.3% by number, or 10.6% by dollar of all home refinance loans, respectively.

During the 2019 review period, the bank did not refinance any HMDA loans in low-income census tracts in the assessment area, and one (5.6% by number or 2.3% by dollar) refinance loan to moderate income census tracts. Meanwhile, aggregate HMDA data shows that 2.9% by number, or 1.9% by dollar in low-income census tracts, and 12.7% by number, or 7.9% by dollar in moderate-income census tracts in the assessment area were originated.

## Home Improvement

During the 2018 review period, the bank did not originate any home improvement loans in low-income census tracts. In that same period the bank originated four (3.4% by number or 5.4% by dollar) home improvement loans in moderate-income census tracts. The aggregate during that same time period reflects that low- and moderate-income census tracts accounted for 3.5% by number, or 2.6% by dollar and 13.4% by number, or 10.6% by dollar of home improvement loans, respectively.

During the 2019 review period, the bank originated two (2.2%, by number or 1.5% by dollar) home improvement loans in low-income census tracts in the assessment area, and four (4.4% by number or 4.4% by dollar) home-improvement loans to moderate-income census tracts. Meanwhile, aggregate HMDA data shows that 3.4% by number and 2.6% by dollar of loans were originated in low-income census tracts, and 13.9% by number and 10.5% by dollar in moderate-income census tracts in the assessment area were originated.

## Multifamily

During the 2018 review period, the bank originated one (14.3% by number or 52.6% by dollar) multifamily home loan in a low-income census tract. During that same period, the bank originated three (42.9% by number or 21.8% by dollar) multi-family home loans in moderate-income census tracts. The aggregate data for the same time period reflects that low- and moderate-income census tracts account for 22.5% by number or 14.4% by dollar, and 32.1% by number or 28.4% by dollar of multi-family home loans, respectively.

During the 2019 review period, the bank originated one multifamily loan in its assessment area. The one, (50.0% by number or 96.8% by dollar) loan originated was in a low-income census tract in the assessment area. Meanwhile, aggregate HMDA data shows that 22.2% by number, or 13.4% by dollar, of loans originated were in low-income census tracts. Meanwhile, 28.1% by number, or 20.6% by dollar, of loans were originated in moderate-income census tracts.



DISTRIBUTION OF 2018 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY HOUSTON ASSESSMENT AREA							
Census Tract Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Owner Occupied Units <sup>2</sup>
	#	\$(000)	# %	\$ %	# %	\$ %	
<b>Total Home Mortgage Loans<sup>4</sup></b>							
Low	6	2,748	2.6	4.8	3.0	3.6	5.8
Moderate	33	3,930	14.5	6.8	14.4	11.8	22.1
Middle	34	5,887	15.0	10.2	27.9	21.6	27.4
Upper	154	44,952	67.8	78.2	54.6	62.8	44.6
Unknown <sup>3</sup>	0	0	0.0	0.0	0.1	0.1	0.1
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
<b>Home Purchase Loans</b>							
Low	0	0	0.0	0.0	2.9	2.3	5.8
Moderate	8	1,785	12.3	5.2	13.4	9.4	22.1
Middle	12	3,232	18.5	9.4	27.1	21.3	27.4
Upper	45	29,546	69.2	85.5	56.6	67.0	44.6
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.1
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
<b>Refinanced Loans</b>							
Low	0	0	0.0	0.0	3.1	2.0	5.8
Moderate	0	0	0.0	0.0	16.3	10.6	22.1
Middle	1	820	11.1	11.5	29.7	22.1	27.4
Upper	8	6,317	88.9	88.5	50.8	65.3	44.6
Unknown <sup>3</sup>	0	0	0.0	0.0	0.1	0.1	0.1
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
<b>Home Improvement Loans</b>							
Low	0	0	0.0	0.0	3.5	2.6	5.8
Moderate	4	408	3.4	5.4	13.4	10.6	22.1
Middle	20	1,210	16.8	16.0	23.1	19.2	27.4
Upper	95	5,949	79.8	78.6	60.0	67.5	44.6
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.1	0.1
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
<b>Multifamily Loans</b>							<b>% of Multifamily Units<sup>2</sup></b>
Low	1	2,500	14.3	52.6	22.5	14.4	26.8
Moderate	3	1,036	42.9	21.8	32.1	28.4	27.7
Middle	1	625	14.3	13.2	18.7	21.5	20.2
Upper	2	590	28.6	12.4	26.1	35.1	24.5
Unknown <sup>3</sup>	0	0	0.0	0.0	0.5	0.6	0.8
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0

<sup>1</sup> Aggregate loan data reflects all loan originations and/or purchases in the bank's assessment area reported by all HMDA filers.  
<sup>2</sup> Based on 2015 ACS 5-year estimate data and 2018 FFIEC census tract designations.  
<sup>3</sup> Includes only loans originated in census tracts where the income level is unknown. It does not include loans for which census tract locations were not reported, which is 0.1% by number and 0.1% by dollar for aggregate lenders.  
<sup>4</sup> Total home mortgage loans may include open-end lines of credit, closed-end loans, and purchased loans that originated prior to January 1, 2018. These loans are not detailed in the table.  
(NOTE: Total percentages may not total 100.0% due to automated rounding differences.)

DISTRIBUTION OF 2019 HMDA LOANS BY INCOME LEVEL OF GEOGRAPHY HOUSTON ASSESSMENT AREA							
Census Tract Income Level	Bank Loans				Aggregate HMDA Data <sup>1</sup>		% of Owner Occupied Units <sup>2</sup>
	#	\$(000)	# %	\$ %	# %	\$ %	
<b>Total Home Mortgage Loans<sup>4</sup></b>							
Low	14	5,404	7.2	10.6	3.0	3.3	5.8
Moderate	27	2,599	13.8	5.1	13.5	10.3	22.1
Middle	21	5,298	10.8	10.4	26.6	20.8	27.4
Upper	132	37,236	67.7	73.2	56.8	65.5	44.6
Unknown <sup>3</sup>	1	307	0.5	0.6	0.0	0.0	0.1
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
<b>Home Purchase Loans</b>							
Low	1	202	1.8	0.7	3.0	2.3	5.8
Moderate	5	1,430	8.8	5.3	13.5	9.4	22.1
Middle	9	3,140	15.8	11.5	26.8	20.9	27.4
Upper	41	22,115	71.9	81.3	56.7	67.4	44.6
Unknown <sup>3</sup>	1	307	1.8	1.1	0.1	0.0	0.1
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
<b>Refinanced Loans</b>							
Low	0	0	0.0	0.0	2.9	1.9	5.8
Moderate	1	217	5.6	2.3	12.7	7.9	22.1
Middle	3	1,561	16.7	16.6	25.1	18.2	27.4
Upper	14	7,616	77.8	81.1	59.3	72.0	44.6
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.1
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
<b>Home Improvement Loans</b>							
Low	2	104	2.2	1.5	3.4	2.6	5.8
Moderate	4	314	4.4	4.4	13.9	10.5	22.1
Middle	8	447	8.9	6.3	25.1	18.9	27.4
Upper	76	6,225	84.4	87.8	57.6	68.0	44.6
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.1
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0
<b>Multifamily Loans</b>							<b>% of Multifamily Units<sup>2</sup></b>
Low	1	4,500	50.0	96.8	22.2	13.4	26.8
Moderate	0	0	0.0	0.0	28.1	20.6	27.7
Middle	1	150	50.0	3.2	18.8	24.6	20.2
Upper	0	0	0.0	0.0	30.8	41.4	24.5
Unknown <sup>3</sup>	0	0	0.0	0.0	0.0	0.0	0.8
Not Reported	0	0	0.0	0.0	0.0	0.0	0.0

<sup>1</sup> Aggregate loan data reflects all loan originations and/or purchases in the bank's assessment area reported by all HMDA filers.  
<sup>2</sup> Based on 2015 ACS 5-year estimate data and 2019 FFIEC census tract designations.  
<sup>3</sup> Includes only loans originated in census tracts where the income level is unknown. It does not include loans for which census tract locations were not reported, which is 0.0% by number and 0.0% by dollar for aggregate lenders.  
<sup>4</sup> Total home mortgage loans may include open-end lines of credit, closed-end loans, and purchased loans that originated prior to January 1, 2018. These loans are not detailed in the table.  
(NOTE: Total percentages may not total 100.0% due to automated rounding differences.)

### Small Business Lending

The geographic distribution of small business loans reflects reasonable penetration throughout the assessment area. This was based on performance in all census tracts of different income levels. Distribution of small business loans originated by the bank in low- and moderate-income census tracts make up 7.8% by number (or 16.3% by dollar), and 13.7% by number (or 10.3% by dollar) of loans, respectively. Additionally, only, 10.7% and 19.5%, respectively, of the businesses in the bank’s assessment area are located in low- or moderate- income census tracts, creating less opportunity for the bank to lend to small businesses as illustrated in the table below. The high level of competition from large banks in the small business lending environment are also factors in the bank’s performance.

<b>DISTRIBUTION OF 2019 SMALL BUSINESS LOANS BY INCOME LEVEL OF GEOGRAPHY HOUSTON ASSESSMENT AREA</b>					
<b>Census Tract Income Level</b>	<b>Small Business Loans<sup>1</sup></b>				<b>% of Businesses<sup>2</sup></b>
	<b>#</b>	<b>\$(000)</b>	<b># %</b>	<b>\$ %</b>	
Low	4	2,530	7.8	16.3	10.7
Moderate	7	1,600	13.7	10.3	19.5
Middle	5	960	9.8	6.2	22.5
Upper	34	10,331	66.7	66.4	47.1
Unknown <sup>3</sup>	1	135	2.0	0.9	0.0
Not Reported	0	0	0.0	0.0	0.2

<sup>1</sup> CRA defines small businesses loans as loans in the amount of \$1 million or less.  
<sup>2</sup> The percentage of businesses in the assessment area is based on 2019 D&B data and 2019 FFIEC census tract designations.  
<sup>3</sup> Includes only loans originated in census tracts where the income level is unknown. It does not include loans for which census tract locations were not reported, which is 2.0% by number and 0.9% by dollar.  
(NOTE: Total percentages may not total 100.0% due to automated rounding differences.)

### COMMUNITY DEVELOPMENT TEST

The bank’s responsiveness to community development needs is adequate considering the bank’s capacity and the need and available opportunities. The bank has applied its community development resources strategically to meet the substance of community needs, primarily through Affordable Housing initiatives and social services targeted to low- and moderate-income individuals in its community.

Bank employees dedicated hours participating in 13 qualified community development services. These service activities included providing technical assistance on financial matters for non-profit organizations that provide assistance to low- and moderate- income individuals.

The bank has dedicated a significant amount of capital in purchasing Mortgage Backed Securities to benefit LMI individuals. Documentation reflects that 100% of units purchased by the underlying mortgages are occupied by individuals or families below 60% of the median income of the area.

The bank also provided funding through three loans totaling \$8 million for the re-opening of a hospital in a rural area that provides essential medical care for low- and moderate- income individuals. The hospital serves a broader regional area that serves the assessment area and provides faster access to medical care for residents in Montgomery County than hospitals further into the assessment area. Additionally, the bank provided funding to a business that employs residents in the bank's assessment area during the pandemic through a loan totaling \$1.4 million, helping to stabilize the area.

The table below depicts a summary of the bank's community development activities since the last CRA evaluation.

<b>HOUSTON ASSESSMENT AREA</b>									
<b>COMMUNITY DEVELOPMENT ACTIVITIES</b>									
<b>Purpose</b>	<b>Community Development Loans</b>		<b>Qualified Investments</b>						<b>Community Development Services</b>
			<b>Investments</b>		<b>Donations</b>		<b>Total Investments</b>		
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>
<b>Affordable Housing</b>	5	8,725	12	6,949	0	0	12	6,949	3
<b>Community Services</b>	0	0	0	0	36	132	36	132	9
<b>Economic Development</b>	0	0	0	0	0	0	0	0	0
<b>Revitalization and Stabilization</b>	4	9,434	0	0	1	3	1	3	1
<b>Totals</b>	9	18,159	12	6,949	37	135	49	7,084	13

## **RESPONSE TO COMPLAINTS**

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

## **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. The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations. Established policies and procedures are designed to ensure ongoing compliance with applicable laws and regulations.

## 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, relatively permanent statistical subdivision of a county. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts average about 4,000 inhabitants, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to the population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All Agencies have adopted the following language.

1. Affordable housing (including multi-family rental housing) for low- or moderate-income individuals.
2. Community services targeted to low- or moderate-income individuals.
3. 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.
4. Activities that revitalize or stabilize –
  - a. Low- or moderate-income geographies.
  - b. Designated disaster areas.
  - c. 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-
    - i. Rates of poverty, unemployment, and population loss.
    - ii. 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).

**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 income of the applicants; the amount of loan requested; and the disposition of the application (for example, approved, denied, or withdrawn).

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

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**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 Call Report. These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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