

# **PUBLIC DISCLOSURE**

**August 21, 2023**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Bank of 1889  
RSSD #864846**

**305 Public Square  
Berryville, Arkansas 72616**

**Federal Reserve Bank of St. Louis**

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

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this bank 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 COMMUNITY REINVESTMENT ACT RATING**

Bank of 1889 is rated Satisfactory. This rating is based on the following conclusions with respect to the performance criteria:

- The bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans and other lending-related activities are originated inside the AAs.
- The borrower's profile analysis reveals reasonable distribution among individuals of different income levels, including low- and moderate-income (LMI), and businesses of different sizes.
- The geographic distribution of loans reflects an excellent dispersion throughout the AAs.
- Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

### **SCOPE OF EXAMINATION**

The Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Small Institutions* were utilized to evaluate the bank's CRA performance. Bank performance under this test is rated within each of the bank's AAs. The following table details the number of branch offices, breakdown of deposits, and the CRA review procedures applicable to each AA completed as part of this evaluation.

Assessment Area	Offices		Deposits as of June 30, 2022		Review Procedures
	#	%	\$	%	
NonMSA Arkansas	9	81.8%	\$240,282	91.2%	Full Scope
Fayetteville	2	18.2%	\$23,224	8.8%	Limited Scope
<b>TOTAL</b>	<b>11</b>	<b>100%</b>	<b>\$263,506</b>	<b>100%</b>	<b>1 – Full Scope</b>

In light of branch structure, loan and deposit activity, and the bank's CRA evaluation history, CRA performance in the nonmetropolitan statistical area (nonMSA) Arkansas AA was given primary consideration, as it contains the majority of the bank's branches and deposit activity. The bank's headquarters is also located in the nonMSA Arkansas AA.

Home Mortgage Disclosure Act (HMDA) and small business loans were used to evaluate the bank's lending performance, as these loan categories are considered the bank's core business lines based on lending volume and the bank's stated business strategy. Furthermore, given the relatively higher volume of HMDA loans during the review period, performance based on HMDA lending

activity carried the most weight when making overall performance conclusions. The following table includes the corresponding time period for each performance category.

<b>Performance Criterion</b>	<b>Time Period</b>
LTD Ratio	June 30, 2019 – June 30, 2023
Assessment Area Concentration	January 1, 2021 – December 31, 2021
Geographic Distribution of Loans	
Loan Distribution by Borrower’s Profile	
Response to Written CRA Complaints	April 15, 2019 – August 20, 2023

Lending Test analyses often entail comparisons of bank performance to AA demographics and the performance of other lenders, based on HMDA and CRA aggregate lending data. Unless otherwise noted, AA demographics are based on 2011–2015 American Community Survey data; certain business demographics are based on 2021 Dun & Bradstreet data. When analyzing bank performance by comparing lending activity to both demographic data and aggregate lending data, greater emphasis is generally placed on the aggregate lending data, because it is expected to describe many factors impacting lenders within an AA. Aggregate lending datasets are updated annually and are, therefore, expected to predict more relevant comparisons. In addition, the bank’s lending levels were evaluated in relation to those of comparable financial institutions operating in the same general region. Three other banks were identified as similarly situated peers, with asset sizes ranging from \$261.9 million to \$332.2 million as of June 30, 2023.

To augment this evaluation, one community contact interview with a member of the local community was utilized to ascertain specific credit needs, opportunities, and local market conditions within the bank’s AA. Information from this interview also assisted in evaluating the bank’s responsiveness to identified community credit needs and community development opportunities. Key details from this community contact interview are included in the *Description of Assessment Area* section.

## **DESCRIPTION OF INSTITUTION**

Bank of 1889 is an intrastate community bank headquartered in Berryville, Arkansas. The bank’s characteristics include:

- The bank is comprised of a two-tier holding company structure. First Carroll Bankshares, Inc. (FCB), a mid-tier holding company located in Berryville, Arkansas, owns 100 percent of the outstanding shares of the bank. FCB is 45 percent owned by the top-tier holding company, Bank of 1889 Employee Stock Ownership Trust.
- The bank had total assets of \$289.3 million as of March 31, 2023. That represents an increase of 42.0 percent since the last evaluation.

- In addition to its main office in Berryville, the bank has nine branch offices located in Berryville, Elkins, Green Forest, Harrison, Huntsville, Marshall, and Yellville, Arkansas. The bank also has a trust services-only office in Berryville, Arkansas.
- Nine of the ten locations have cash dispensing-only automated teller machines (ATMs). There is also one stand-alone ATM in Berryville, Arkansas.
- As shown in the following table, the bank’s primary business focus is HMDA and commercial loans (including both commercial real estate and commercial and industrial).

<b>Composition of Loan Portfolio as of March 31, 2023</b>		
<b>Loan Type</b>	<b>Amount \$ (000s)</b>	<b>Percentage of Total Loans</b>
1-4 Family Residential	\$75,683	38.2%
Farmland	\$28,639	14.4%
Commercial Real Estate	\$28,107	14.2%
Loans to Individuals	\$23,250	11.7%
Commercial and Industrial	\$21,056	10.6%
Construction and Development	\$14,782	7.5%
Farm Loans	\$6,532	3.3%
Total Other Loans	\$117	0.1%
Multifamily Residential	\$59	<0.1%
<b>TOTAL</b>	<b>\$198,225</b>	<b>100%</b>

*Note: Percentages may not total 100.0% due to rounding.*

The bank was rated Satisfactory under the CRA at its April 15, 2019, performance evaluation. There are no known legal, financial, or other factors impeding the bank’s ability to help meet the credit needs in its communities.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

The bank’s overall performance under the Lending Test is Satisfactory.

**Loan-to-Deposit (LTD) Ratio**

This performance criterion evaluates the bank’s average LTD ratio 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 AAs, and in comparison to similarly situated Federal Deposit Insurance Corporation (FDIC)-insured institutions. The similarly situated institutions were selected based on asset size, product offerings, market share, and geographic location.

<b>Comparative LTD Ratios June 30, 2019 – June 30, 2023</b>			
<b>Institution</b>	<b>Location</b>	<b>Asset Size \$ (000s)</b>	<b>LTD Ratio (%)</b>
			<b>17-Quarter Average</b>
Bank of 1889	Berryville, Arkansas	\$291,209	77.5%
<b>Similarly Situated Institutions</b>			
Regional Banks	Gainesville, Missouri	\$261,870	87.4%
	Lonoke, Arkansas	\$293,150	69.2%
	Huntsville, Arkansas	\$332,188	85.6%

The bank’s LTD ratio is reasonable. During the review period, the LTD ratio declined but maintained a 17-quarter average of 77.5 percent, which is within the range of regional banks used for comparison.

**Assessment Area Concentration**

This performance criterion evaluates the percentage of lending extended inside and outside of the AAs.

<b>Lending Inside and Outside the Assessment Area</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>
Home Purchase	74	92.5%	\$8,475	85.6%	6	7.5%	\$1,427	14.4%
Home Improvement	7	100.0%	\$410	100.0%	0	0.0%	\$0	0.0%
Other Purpose Closed-End	8	100.0%	\$361	100.0%	0	0.0%	\$0	0.0%
Refinancing	81	93.1%	\$9,110	92.5%	6	6.9%	\$742	7.5%
<b>Total HMDA-Related</b>	<b>170</b>	<b>93.4%</b>	<b>\$18,356</b>	<b>89.4%</b>	<b>12</b>	<b>6.6%</b>	<b>\$2,169</b>	<b>10.6%</b>
Small Business	122	84.7%	\$9,856	78.9%	22	15.3%	\$2,632	21.1%
<b>TOTAL LOANS</b>	<b>292</b>	<b>89.6%</b>	<b>\$28,212</b>	<b>85.5%</b>	<b>34</b>	<b>10.4%</b>	<b>\$4,801</b>	<b>14.5%</b>

*Note: Percentages may not total 100.0% due to rounding.*

A majority of the bank’s loans, by number and dollar, were originated inside the AA. Overall, 89.6 percent of the total loans were originated inside the AA, accounting for 85.5 percent of the dollar volume of total loans.

**Borrower and Geographic Distribution**

The bank’s performance by borrower’s income/revenue profile is reasonable, as driven by performance in the full-scope review AA, nonMSA Arkansas.

<b>Assessment Area</b>	<b>Loan Distribution by Borrower’s Profile</b>
NonMSA Arkansas	Reasonable
Fayetteville	Consistent
<b>OVERALL</b>	<b>Reasonable</b>

The bank’s distribution of lending by income level of census tract reflects excellent penetration throughout the bank’s AAs.

<b>Assessment Area</b>	<b>Geographic Distribution of Loans</b>
NonMSA Arkansas	Excellent
Fayetteville	Consistent
<b>OVERALL</b>	<b>Excellent</b>

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Based on findings from the Consumer Affairs examination, including a fair lending analysis performed under Regulation B – Equal Credit Opportunity and the Fair Housing Act requirements, conducted concurrently with this CRA evaluation, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

## NonMSA ARKANSAS ASSESSMENT AREA

*(Full-Scope Review)*

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NonMSA ARKANSAS ASSESSMENT AREA

The bank’s nonMSA Arkansas AA consists of the entire counties of Baxter, Boone, Carroll, Marion, Newton, and Searcy (see Appendix A for an AA map).

- No changes have occurred to the bank’s AA delineation since the prior evaluation.
- According to the June 30, 2022, FDIC Deposit Market Share Report, the bank has a market share of 5.8 percent, which ranks eighth out of nineteen FDIC-insured depository institutions operating in the AA.
- According to the Bureau of Labor Statistics, the three largest nongovernmental industries in the AA, determined by number of employees, are manufacturing (24.5 percent), healthcare and social assistance (17.3 percent), and retail trade (16.6 percent).
- One community contact interview was conducted with an individual from an organization that provides assistance to small businesses in the AA.

Assessment Area Demographics by Geography Income Level						
Assessment Area: NonMSA Arkansas						
Dataset	Low-	Moderate-	Middle-	Upper-	Unknown-	TOTAL
Census Tracts	0	2	26	2	0	<b>30</b>
	0.0%	6.7%	86.7%	6.7%	0.0%	<b>100%</b>
Family Population	0	1,399	33,186	3,831	0	<b>38,416</b>
	0.0%	3.6%	86.4%	10.0%	0.0%	<b>100%</b>

- As shown above, 86.7 percent of the census tracts in the AA are middle-income geographies, with 86.4 percent of the family population residing in those tracts. There are no low-income census tracts, and the moderate- and upper-income census tracts make up only 6.7 percent each of the AA geographies.
- The two moderate-income geographies are located in the central portion of Marion County and the southeast region of Searcy County. Together, they contain only 3.6 percent of the family population.
- In addition to containing the AA’s only moderate-income geographies, Marion County and Searcy County also contain all of the AA’s distressed and/or underserved geographies. All of the middle-income geographies in Marion County are designated as underserved, and all of the middle-income geographies in Searcy County are designated as both distressed (due to poverty) and underserved.



<b>Population Change</b>			
<b>Assessment Area: NonMSA Arkansas</b>			
<b>Area</b>	<b>2015 Population</b>	<b>2020 Population</b>	<b>Percent Change</b>
NonMSA Arkansas AA	138,377	139,139	0.6%
NonMSA Arkansas	1,133,475	1,086,823	-4.1%
Arkansas	2,958,208	3,011,524	1.8%

*Source: 2020 U.S. Census Bureau: Decennial Census  
2011–2015 U.S. Census Bureau: American Community Survey*

- The AA population remained steady during the review period, growing less than 1 percent. The population in the state of Arkansas was also relatively steady, experiencing growth at 1.8 percent, while the overall nonMSA Arkansas statewide area experienced a 4.1 percent decline.

<b>Median Family Income Change</b>			
<b>Assessment Area: NonMSA Arkansas</b>			
<b>Area</b>	<b>2015 Median Family Income</b>	<b>2020 Median Family Income</b>	<b>Percent Change</b>
NonMSA Arkansas AA	\$49,205	\$54,381	10.5%
NonMSA Arkansas	\$49,217	\$53,702	9.1%
Arkansas	\$56,576	\$62,067	9.7%

*Source: 2011–2015 U.S. Census Bureau: American Community Survey  
2016–2020 U.S. Census Bureau: American Community Survey*  
*Note: Median family incomes have been inflation-adjusted and are expressed in 2020 dollars.*

- The median family income for the AA showed 10.5 percent growth over the review period, which is in line with growth in nonMSA Arkansas (9.1 percent) and the state of Arkansas (9.7 percent).

<b>Unemployment Rates</b>			
<b>Assessment Area: NonMSA Arkansas</b>			
<b>Area</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
NonMSA Arkansas AA	3.5%	5.7%	3.5%
NonMSA Arkansas	4.2%	6.4%	4.5%
Arkansas	3.5%	6.1%	4.0%

*Source: Bureau of Labor Statistics: Local Area Unemployment Statistics*

- Unemployment levels for the AA were slightly below those of the overall nonMSA Arkansas. Both areas experienced a spike in unemployment in 2020 due to the COVID-19 pandemic and saw a subsequent decline.

<b>Housing Cost Burden</b>						
<b>Assessment Area: NonMSA Arkansas</b>						
<b>Area</b>	<b>Cost Burden – Renters</b>			<b>Cost Burden – Owners</b>		
	<b>Low-Income</b>	<b>Moderate-Income</b>	<b>All Renters</b>	<b>Low-Income</b>	<b>Moderate-Income</b>	<b>All Owners</b>
NonMSA Arkansas AA	63.1%	28.8%	31.7%	50.5%	24.0%	16.6%
NonMSA Arkansas	63.5%	30.1%	35.6%	50.5%	22.1%	15.6%
Arkansas	70.1%	30.5%	38.0%	51.9%	24.2%	15.4%

*Cost burden is housing cost that equals 30% or more of household income.*  
*Source: U.S. Department of Housing and Urban Development (HUD), 2015–2019 Comprehensive Housing Affordability Strategy*

- Within the AA, 63.1 percent of low-income renters are cost burdened, and 28.8 percent of moderate-income renters are cost burdened. In nonMSA Arkansas overall, 63.5 percent of low-income renters are cost burdened, while 30.1 percent of moderate-income renters are cost burdened. This illustrates that rental housing is similarly affordable in the AA and nonMSA Arkansas overall.
- The table above also shows 50.5 percent of low-income homeowners within the AA are cost burdened, and 24.0 percent of moderate-income homeowners are cost burdened. These figures are closely in line with the nonMSA Arkansas figures indicating 50.5 percent of low-income homeowners are cost burdened and 22.1 percent of moderate-income homeowners are cost burdened.
- The community contact noted an increase in home prices, in addition to higher interest rates, has decreased the affordability of housing for low-income buyers.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE NonMSA  
ARKANSAS ASSESSMENT AREA**

**Loan Distribution by Borrower's Profile**

This performance criterion evaluates the bank's lending to borrowers of different income levels and businesses of different revenue sizes. Overall, the bank's lending has a reasonable distribution among individuals of different income levels and businesses of different sizes, as driven by reasonable performance in the HMDA loan category.

HMDA Lending

The borrower distribution of HMDA lending is reasonable. The bank's lending to low-income borrowers (6.8 percent) exceeds aggregate (5.7 percent) but trails the demographic comparator (17.7 percent). The bank's lending to moderate-income borrowers (11.8 percent) trails both the aggregate (14.6 percent) and the demographic (19.4 percent). However, the bank's combined lending to LMI borrowers (18.6 percent) is similar to the combined aggregate LMI lending level (20.3 percent) and is, therefore, reasonable overall.

The bank's performance was driven by home purchase and refinance lending, which is close to, but slightly below, aggregate lending in the AA. The bank's home purchase lending to LMI borrowers (17.1 percent) trails the aggregate (22.3 percent) and the percentage of LMI households (37.1 percent) in the AA. Regarding refinance loans, the bank's lending level to LMI borrowers (16.5 percent) is approaching that of the aggregate level (18.0 percent) and is below the percentage of LMI households (37.1 percent).

Distribution of 2021 HMDA Lending by Borrower Income Level							
Assessment Area: NonMSA Arkansas							
Borrower Income Level	Bank and Aggregate Loans						Families by Family Income %
	Bank		Aggregate	Bank		Aggregate	
	#	# %	# %	\$ (000s)	\$ %	\$ %	
<b>Home Purchase Loans</b>							
Low	4	5.7%	6.0%	93	1.2%	3.2%	17.7%
Moderate	8	11.4%	16.3%	449	5.7%	11.5%	19.4%
Middle	14	20.0%	17.9%	1,078	13.7%	15.4%	23.0%
Upper	36	51.4%	39.0%	5,615	71.1%	49.1%	39.8%
Unknown	8	11.4%	20.7%	661	8.4%	20.8%	0.0%
<b>TOTAL</b>	<b>70</b>	<b>100.0%</b>	<b>100.0%</b>	<b>7,896</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Refinance Loans</b>							
Low	6	7.6%	5.0%	165	1.9%	2.8%	17.7%
Moderate	7	8.9%	13.0%	436	4.9%	9.2%	19.4%
Middle	17	21.5%	20.1%	1,176	13.2%	16.0%	23.0%
Upper	37	46.8%	37.8%	5,580	62.6%	46.6%	39.8%
Unknown	12	15.2%	24.1%	1,552	17.4%	25.4%	0.0%
<b>TOTAL</b>	<b>79</b>	<b>100.0%</b>	<b>100.0%</b>	<b>8,909</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Home Improvement Loans</b>							
Low	0	0.0%	11.2%	0	0.0%	6.3%	17.7%
Moderate	1	20.0%	15.4%	30	9.3%	9.6%	19.4%
Middle	0	0.0%	18.2%	0	0.0%	15.2%	23.0%
Upper	4	80.0%	46.2%	293	90.7%	53.8%	39.8%
Unknown	0	0.0%	9.1%	0	0.0%	15.1%	0.0%
<b>TOTAL</b>	<b>5</b>	<b>100.0%</b>	<b>100.0%</b>	<b>323</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Multifamily Loans</b>							
Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
Moderate	0	0.0%	2.7%	0	0.0%	1.1%	3.9%
Middle	0	0.0%	0.0%	0	0.0%	0.0%	88.9%
Upper	0	0.0%	13.5%	0	0.0%	5.8%	7.1%
Unknown	0	0.0%	83.8%	0	0.0%	93.1%	0.0%
<b>TOTAL</b>	<b>0</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Total Home Mortgage Loans</b>							
Low	11	6.8%	5.7%	284	1.6%	3.0%	17.7%
Moderate	19	11.8%	14.6%	1,031	5.9%	10.3%	19.4%
Middle	33	20.5%	18.8%	2,386	13.7%	15.4%	23.0%
Upper	78	48.4%	38.3%	11,528	66.1%	47.0%	39.8%
Unknown	20	12.4%	22.6%	2,213	12.7%	24.3%	0.0%
<b>TOTAL</b>	<b>161</b>	<b>100.0%</b>	<b>100.0%</b>	<b>17,442</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<p><i>Source: 2021 FFIEC Census Data</i>  2011–2015 U.S. Census Bureau: American Community Survey  Note: Percentages may not total 100.0% due to rounding. Multifamily loans are not included in the borrower distribution analysis.</p>							

Distribution of 2021 HMDA Lending by Borrower Income Level							
Assessment Area: NonMSA Arkansas							
Borrower Income Level	Bank and Aggregate Loans						Families by Family Income %
	Bank		Aggregate	Bank		Aggregate	
	#	# %	# %	\$ (000s)	\$ %	\$ %	
<b>Other Purpose LOC</b>							
Low	0	0.0%	8.1%	0	0.0%	4.5%	17.7%
Moderate	0	0.0%	2.7%	0	0.0%	0.4%	19.4%
Middle	0	0.0%	21.6%	0	0.0%	10.2%	23.0%
Upper	0	0.0%	51.4%	0	0.0%	68.6%	39.8%
Unknown	0	0.0%	16.2%	0	0.0%	16.3%	0.0%
<b>TOTAL</b>	<b>0</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Other Purpose Closed/Exempt</b>							
Low	1	14.3%	11.4%	26	8.3%	6.2%	17.7%
Moderate	3	42.9%	24.3%	116	36.9%	21.9%	19.4%
Middle	2	28.6%	21.4%	132	42.0%	23.1%	23.0%
Upper	1	14.3%	35.7%	40	12.7%	37.2%	39.8%
Unknown	0	0.0%	7.1%	0	0.0%	11.6%	0.0%
<b>TOTAL</b>	<b>7</b>	<b>100.0%</b>	<b>100.0%</b>	<b>314</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Purpose Not Applicable</b>							
Low	0	0.0%	3.0%	0	0.0%	2.3%	17.7%
Moderate	0	0.0%	3.0%	0	0.0%	4.0%	19.4%
Middle	0	0.0%	0.0%	0	0.0%	0.0%	23.0%
Upper	0	0.0%	0.0%	0	0.0%	0.0%	39.8%
Unknown	0	0.0%	93.9%	0	0.0%	93.6%	0.0%
<b>TOTAL</b>	<b>0</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Source: 2021 FFIEC Census Data							
2011–2015 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0% due to rounding.							

### Small Business Lending

The borrower distribution of small business lending is excellent. As displayed in the following table, the bank’s lending to small businesses (90.9 percent) is substantially higher than the aggregate lending levels (56.5 percent), and it is within 1 percent of the demographic comparator (91.9 percent).

Distribution of 2021 Small Business Lending by Revenue Size of Businesses								
Assessment Area: NonMSA Arkansas								
Business Revenue and Loan Size		Count			Dollars			Total Businesses
		Bank		Aggregate	Bank		Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	
Business Revenue	\$1 Million or Less	100	90.9%	56.5%	\$5,877	62.4%	58.7%	91.9%
	Over \$1 Million / Unknown	10	9.1%	43.5%	\$3,545	37.6%	41.3%	8.1%
	<b>TOTAL</b>	<b>110</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$9,422</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Loan Size	\$100,000 or Less	90	81.8%	89.8%	\$3,134	33.3%	33.4%	
	\$100,001 – \$250,000	14	12.7%	5.4%	\$2,356	25.0%	18.3%	
	\$250,001 – \$1 Million	6	5.5%	4.8%	\$3,932	41.7%	48.3%	
	Over \$1 Million	0	0.0%	0.0%	\$0	0.0%	0.0%	
	<b>TOTAL</b>	<b>110</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$9,422</b>	<b>100.0%</b>	<b>100.0%</b>	
Loan Size Revenue \$1 Million or Less	\$100,000 or Less	88	88.0%		\$3,042	51.8%		
	\$100,001 – \$250,000	10	10.0%		\$1,606	27.3%		
	\$250,001 – \$1 Million	2	2.0%		\$1,229	20.9%		
	Over \$1 Million	0	0.0%		\$0	0.0%		
	<b>TOTAL</b>	<b>100</b>	<b>100.0%</b>		<b>\$5,877</b>	<b>100.0%</b>		

Source: 2021 FFIEC Census Data  
2021 Dun & Bradstreet Data  
2011–2015 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0% due to rounding.

### Geographic Distribution of Loans

This performance criterion evaluates the bank’s distribution of lending within its AA by income level of census tracts, with consideration given to the dispersion of loans throughout the AA. The bank’s geographic distribution of loans reflects excellent distribution among the different census tracts and dispersion throughout the AA. There are no low-income census tracts in the AA. Thus, the geographic distribution analysis focused primarily on lending in moderate-income census tracts. There were no conspicuous lending gaps noted.

### HMDA Lending

The geographic distribution of lending is excellent. The bank’s distribution of HMDA loans in moderate-income census tracts (11.8 percent) is significantly higher than the aggregate lending level in these geographies (3.4 percent) as well as the demographic comparator (2.4 percent). The excellent geographic distribution of HMDA loans was driven by refinancing loan activity, as the bank made 16.5 percent of loans in moderate-income geographies compared to the aggregate level of 2.4 percent. The lending level of home purchase loans in moderate-income census tracts (5.7 percent) was also excellent relative to the aggregate level (2.4 percent). A dispersion analysis did not show any conspicuous gaps or lapses in lending in contiguous geographies.

Distribution of 2021 Residential Real Estate Lending by Income Level of Geography							
Assessment Area: NonMSA Arkansas							
Geographic Income Level	Bank and Aggregate Loans						Owner-Occupied Units %
	Bank		Aggregate	Bank		Aggregate	
	#	# %	# %	\$ (000s)	\$ %	\$ %	
<b>Home Purchase Loans</b>							
Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
Moderate	4	5.7%	2.1%	325	4.1%	1.9%	3.4%
Middle	60	85.7%	86.5%	6,587	83.4%	83.3%	85.8%
Upper	6	8.6%	11.2%	984	12.5%	14.7%	10.8%
Unknown	0	0.0%	0.1%	0	0.0%	0.1%	0.0%
<b>TOTAL</b>	<b>70</b>	<b>100.0%</b>	<b>100.0%</b>	<b>7,896</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Refinance Loans</b>							
Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
Moderate	13	16.5%	2.4%	1,391	15.6%	2.0%	3.4%
Middle	60	75.9%	84.3%	6,769	76.0%	81.8%	85.8%
Upper	6	7.6%	13.3%	749	8.4%	16.2%	10.8%
Unknown	0	0.0%	0.0%	0	0.0%	0.1%	0.0%
<b>TOTAL</b>	<b>79</b>	<b>100.0%</b>	<b>100.0%</b>	<b>8,909</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Home Improvement Loans</b>							
Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
Moderate	0	0.0%	4.9%	0	0.0%	2.8%	3.4%
Middle	3	60.0%	82.5%	81	25.1%	83.2%	85.8%
Upper	2	40.0%	12.6%	242	74.9%	14.0%	10.8%
Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
<b>TOTAL</b>	<b>5</b>	<b>100.0%</b>	<b>100.0%</b>	<b>323</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Multifamily Loans</b>							<b>Multifamily Units %</b>
Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
Moderate	0	0.0%	0.0%	0	0.0%	0.0%	3.9%
Middle	0	0.0%	86.5%	0	0.0%	79.6%	88.9%
Upper	0	0.0%	13.5%	0	0.0%	20.4%	7.1%
Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
<b>TOTAL</b>	<b>0</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Total Home Mortgage Loans</b>							<b>Owner-Occupied Units %</b>
Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
Moderate	19	11.8%	2.4%	1,819	10.4%	2.0%	3.4%
Middle	128	79.5%	85.2%	13,648	78.2%	82.5%	85.8%
Upper	14	8.7%	12.3%	1,975	11.3%	15.4%	10.8%
Unknown	0	0.0%	0.1%	0	0.0%	0.1%	0.0%
<b>TOTAL</b>	<b>161</b>	<b>100.0%</b>	<b>100.0%</b>	<b>17,442</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Source: 2021 FFIEC Census Data							
2011–2015 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0% due to rounding.							

Distribution of 2021 Residential Real Estate Lending by Income Level of Geography							
Assessment Area: NonMSA Arkansas							
Geographic Income Level	Bank and Aggregate Loans						Owner-Occupied Units %
	Bank		Aggregate	Bank		Aggregate	
	#	# %	# %	\$ (000s)	\$ %	\$ %	
<b>Other Purpose LOC</b>							
Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
Moderate	0	0.0%	5.4%	0	0.0%	7.9%	3.4%
Middle	0	0.0%	78.4%	0	0.0%	79.1%	85.8%
Upper	0	0.0%	16.2%	0	0.0%	13.0%	10.8%
Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
<b>TOTAL</b>	<b>0</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Other Purpose Closed/Exempt</b>							
Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
Moderate	2	28.6%	4.3%	103	32.8%	7.1%	3.4%
Middle	5	71.4%	82.9%	211	67.2%	82.7%	85.8%
Upper	0	0.0%	12.9%	0	0.0%	10.2%	10.8%
Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
<b>TOTAL</b>	<b>7</b>	<b>100.0%</b>	<b>100.0%</b>	<b>314</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Purpose Not Applicable</b>							
Low	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
Moderate	0	0.0%	6.1%	0	0.0%	3.7%	3.4%
Middle	0	0.0%	72.7%	0	0.0%	76.0%	85.8%
Upper	0	0.0%	21.2%	0	0.0%	20.3%	10.8%
Unknown	0	0.0%	0.0%	0	0.0%	0.0%	0.0%
<b>TOTAL</b>	<b>0</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Source: 2021 FFIEC Census Data							
2011–2015 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0% due to rounding.							



Small Business Lending

The geographic distribution of small business lending is excellent. The bank’s distribution of small business loans in moderate-income census tracts (11.8 percent) is significantly higher than the aggregate (2.5 percent) and the percentage of small businesses (2.8 percent) in moderate-income census tracts.

<b>Distribution of 2021 Small Business Lending by Income Level of Geography</b>							
<b>Assessment Area: NonMSA Arkansas</b>							
<b>Tract Income Levels</b>	<b>Count</b>			<b>Dollar</b>			<b>Total Businesses</b>
	<b>Bank</b>		<b>Aggregate</b>	<b>Bank</b>		<b>Aggregate</b>	
	<b>#</b>	<b>%</b>	<b>%</b>	<b>\$ (000s)</b>	<b>\$ %</b>	<b>\$ %</b>	
Low	0	0.0%	0.0%	\$0	0.0%	0.0%	0.0%
Moderate	13	11.8%	2.5%	\$686	7.3%	1.4%	2.8%
Middle	91	82.7%	84.9%	\$8,412	89.3%	91.7%	87.8%
Upper	6	5.5%	11.7%	\$324	3.4%	6.8%	9.4%
Unknown	0	0.0%	0.9%	\$0	0.0%	0.1%	0.0%
<b>TOTAL</b>	0	0.0%	0.0%	\$0	0.0%	0.0%	0.0%
<i>Source: 2021 FFIEC Census Data            2021 Dun &amp; Bradstreet Data            2011–2015 U.S. Census Bureau: American Community Survey            Note: Percentages may not total 100.0% due to rounding.</i>							

## FAYETTEVILLE-SPRINGDALE-ROGERS, ARKANSAS METROPOLITAN STATISTICAL AREA

*(Limited-Scope Review)*

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE FAYETTEVILLE ASSESSMENT AREA

This AA includes the entirety of Madison and Washington counties, two of the three counties that make up the Fayetteville-Springdale-Rogers, Arkansas MSA (Fayetteville MSA). The bank operates two branch offices in this AA. The tables below detail key demographics relating to this AA.

<b>Population Change</b>			
Area	2015 Population	2020 Population	Percent Change
Fayetteville AA	232,134	262,392	13.0%
Fayetteville MSA	470,332	546,725	16.2%
Arkansas	2,958,208	3,011,524	1.8%
<i>Source: 2020 U.S. Census Bureau: Decennial Census 2011–2015 U.S. Census Bureau: American Community Survey</i>			

<b>Median Family Income Change</b>			
Area	2015 Median Family Income	2020 Median Family Income	Percent Change
Fayetteville AA	\$61,244	\$65,802	7.4%
Fayetteville MSA	\$66,512	\$75,899	14.1%
Arkansas	\$56,576	\$62,067	9.7%
<i>Source: 2011–2015 U.S. Census Bureau: American Community Survey 2016–2020 U.S. Census Bureau: American Community Survey Note: Median family incomes have been inflation-adjusted and are expressed in 2020 dollars.</i>			

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE FAYETTEVILLE ASSESSMENT AREA**

The bank's Lending Test performance in this AA is consistent with the bank's Lending Test performance in the nonMSA Arkansas AA, as detailed in the following table. For more detailed information relating to the bank's Lending Test performance in this AA, see the tables in *Appendix A*.

<b>Lending Test Criteria</b>	<b>Performance</b>
Distribution of Loans by Borrower's Profile	Consistent
Geographic Distribution of Loans	Consistent
<b>OVERALL</b>	<b>Consistent</b>

**APPENDIX A – LENDING PERFORMANCE TABLES FOR LIMITED-SCOPE  
REVIEW ASSESSMENT AREA**

**Fayetteville Assessment Area**

Distribution of 2021 Home Mortgage Lending by Borrower Income Level							
Borrower Income Level	Bank Loans				Families by Family Income %	Aggregate HMDA Data	
	#	#%	\$	%		#%	\$ %
Low	1	11.1%	\$36	3.9%	23.4%	6.1%	3.0%
Moderate	2	22.2%	\$138	15.1%	19.9%	14.6%	9.4%
Middle	3	33.3%	\$279	30.5%	19.3%	18.4%	13.9%
Upper	3	33.3%	\$461	50.4%	37.5%	38.8%	41.2%
Unknown	0	0.0%	\$0	0.0%	0.0%	22.1%	32.5%
<b>TOTAL</b>	<b>9</b>	<b>100.0%</b>	<b>\$914</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Distribution of 2021 Small Business Lending by Borrower Income Level								
Business Revenue and Loan Size		2021						
		Count			Dollars			Total Businesses
		Bank		Aggregate	Bank		Aggregate	
		#	%	%	\$ (000s)	\$ %	\$ %	%
Business Revenue	\$1 Million or Less	12	100.0%	38.0%	\$433	100.0%	35.2%	91.0%
	Over \$1 Million/ Unknown	0	0.0%	62.0%	\$0	0.0%	64.8%	9.0%
	<b>TOTAL</b>	<b>12</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$433</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Loan Size	\$100,000 or Less	12	100.0%	87.4%	\$433	100.0%	29.6%	
	\$100,001–\$250,000	0	0.0%	6.6%	\$0	0.0%	18.8%	
	\$250,001–\$1 Million	0	0.0%	6.0%	\$0	0.0%	51.6%	
	Over \$1 Million	0	0.0%	0.0%	\$0	0.0%	0.0%	
	<b>TOTAL</b>	<b>12</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$433</b>	<b>100.0%</b>	<b>100.0%</b>	
Loan Size Revenue \$1 Million or Less	\$100,000 or Less	12	100.0%		\$433	100.0%		
	\$100,001–\$250,000	0	0.0%		\$0	0.0%		
	\$250,001–\$1 Million	0	0.0%		\$0	0.0%		
	Over \$1 Million	0	0.0%		\$0	0.0%		
	<b>TOTAL</b>	<b>12</b>	<b>100.0%</b>		<b>\$433</b>	<b>100.0%</b>		

<b>Distribution of 2021 Home Mortgage Lending by Income Level of Geography</b>							
<b>Census Tract Income Level</b>	<b>Bank Loans</b>				<b>% of Owner- Occupied Units</b>	<b>Aggregate HMDA Data</b>	
	<b>#</b>	<b># %</b>	<b>\$</b>	<b>%</b>		<b># %</b>	<b>\$ %</b>
Low	0	0.0%	\$0	0.0%	0.5%	0.7%	1.5%
Moderate	7	77.8%	\$629	68.8%	31.6%	23.7%	19.0%
Middle	1	11.1%	\$25	2.7%	35.2%	36.7%	35.2%
Upper	1	11.1%	\$260	28.4%	32.7%	38.9%	44.3%
Unknown	0	0.0%	\$0	0.0%	0.0%	0.0%	0.0%
<b>TOTAL</b>	<b>9</b>	<b>100.0%</b>	<b>\$914</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

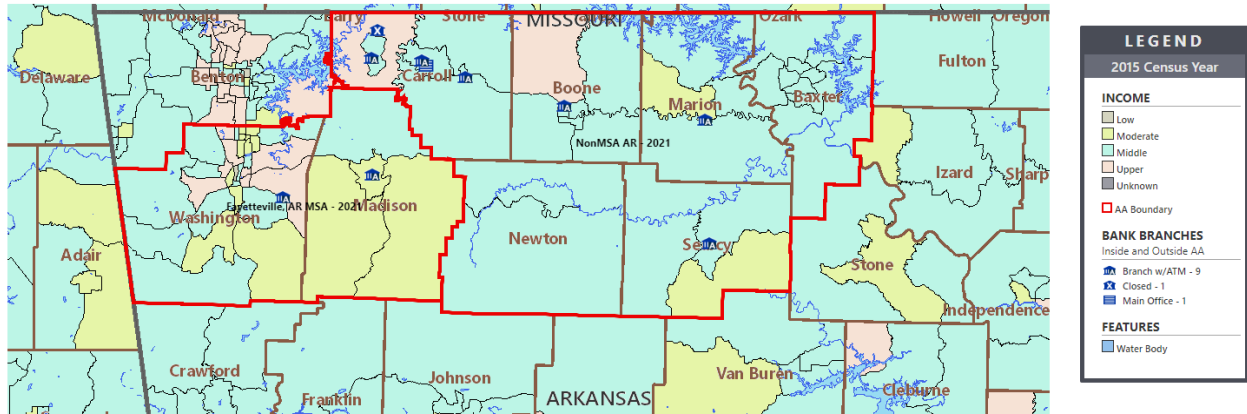
<b>Distribution of 2021 Small Business Lending by Income Level of Geography</b>							
<b>Census Tract Income Level</b>	<b>Bank Small Business Loans</b>				<b>% of Businesses</b>	<b>Aggregate of Peer Data</b>	
	<b>#</b>	<b># %</b>	<b>\$ 000s</b>	<b>\$ %</b>		<b>%</b>	<b>\$ %</b>
Low	0	0.0%	\$0	0.0%	1.4%	1.2%	1.8%
Moderate	3	25.0%	\$86	19.9%	29.7%	27.6%	25.7%
Middle	4	33.3%	\$144	33.3%	39.6%	38.6%	36.4%
Upper	5	41.7%	\$203	46.9%	29.2%	31.1%	35.9%
Unknown	0	0.0%	\$0	0.0%	0.0%	1.4%	0.2%
<b>TOTAL</b>	<b>12</b>	<b>100.0%</b>	<b>\$433</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

APPENDIX B – MAP OF THE ASSESSMENT AREAS

NonMSA Arkansas and Fayetteville Assessment Areas

Bank of 1889 - Berryville, AR 2023

Internal FR



## APPENDIX C – 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.

**Assessment area:** One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution's record of CRA performance.

**Census tract:** A small subdivision of metropolitan and nonmetropolitan 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 on 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 contact:** Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank's community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution's CRA performance.

**Community development:** An activity associated with one of the following five descriptions: (1) affordable housing (including multifamily 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 low- or moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or (5) Neighborhood Stabilization Program (NSP) eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and geographies.

**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.

**Demographics:** The statistical characteristics of human populations (e.g., age, race, sex, and income) used especially to identify markets.

**Distressed nonmetropolitan middle-income geography:** A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20

percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**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 nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

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

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders who 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 applicants; the amount of loan requested; and the disposition of the application (e.g., approved, denied, and withdrawn).

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

**Household:** One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

**Housing affordability ratio:** Calculated by dividing the median household income by the median housing value. It represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.

**Limited-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.



**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median family income:** The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An 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. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an 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.

**Nonmetropolitan statistical area (nonMSA):** Not part of a metropolitan area. (See metropolitan area.)

**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.

**Performance context:** The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

**Performance criteria:** These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) is measured. The criteria relate to lending, investment, retail service, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of

criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

**Performance evaluation (PE):** A written evaluation of a financial institution's record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

**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 businesses/small farms:** A small business/farm is considered to be one in which gross annual revenues for the preceding calendar year were \$1 million or less.

**Small loan(s) to business(es):** That is, "small business loans" are included in "loans to small businesses" as defined in the Consolidated Reports 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 secured by either 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):** That is, "small farm loans" are included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Reports 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.

**Underserved middle-income geography:** A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**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.