

## **PUBLIC DISCLOSURE**

November 1, 1999  
Date of Evaluation

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

M&I Bank of La Crosse  
Name of Depository Institution

173454  
Identification Number of Institution

La Crosse, Wisconsin  
Address of Institution

Federal Reserve Bank of Minneapolis  
90 Hennepin Avenue  
Minneapolis, Minnesota 55401-1804

NOTE: 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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## GENERAL INFORMATION

*The purpose of the Community Reinvestment Act of 1977 (“CRA”), 12 U.S.C. 2901, as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. CRA requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution’s record of meeting the credit needs of its communities, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution’s record of meeting the credit needs of its communities. The agency considers the institution’s record of performance when deciding whether to approve any applications submitted by the institution.*

*This document is an evaluation of the CRA performance of M&I Bank of La Crosse, La Crosse, Wisconsin, prepared by the Federal Reserve Bank of Minneapolis, the institution’s supervisory agency, as of November 1, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

### ***Basis for the Rating***

*The assessment of the institution’s record takes into account its financial capacity and size; legal impediments; and local economic conditions and demographics, including the competitive environment in which the institution operates. Assessing the institution’s CRA performance is a process that does not rely on absolute standards. Institutions are neither required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its assessment areas. In that light, this evaluation is based on a review of the institution’s loans, investments, and services, as detailed in this evaluation.*

**INSTITUTION’S CRA RATING:** This institution is rated “Satisfactory.”

The following factors support the bank’s satisfactory CRA rating. First, the bank’s performance under the Lending Test is rated high satisfactory. This rating is based on numerous factors. The bank’s overall lending levels are strong, and the distribution of loans among borrowers of different income levels and businesses of different sizes is good. The bank offers a wide variety of loan products, including loans that benefit low- and moderate-income individuals. The bank’s loans are reasonably distributed throughout geographies of different income levels in its assessment area, including low- and moderate-income areas. In addition, the bank originated two community development loans within its assessment area. Finally, the bank originated the majority of its loans within its assessment area.

Second, the bank’s performance under the Investment Test is rated needs to improve. The bank’s investment portfolio has no qualified investments. The bank has neither identified nor acquired any qualified investments securities since becoming a member of the Federal Reserve System in May 1995. The bank has made an effort to support local community development organizations and organizations that serve low- and moderate-income individuals through donations.

Finally, the bank’s performance under the Service Test is rated low satisfactory. The bank’s offices and automated teller machine (“ATM”) locations, particularly its office and ATM in a moderate-income census tract, help serve the retail and credit needs of low- and moderate-income individuals and residents of low- and moderate-income census tracts. In addition, the bank has a variety of convenient and effective retail banking services that are accessible to all assessment area residents, including its low- and moderate-income residents and residents of low- and moderate-income census tracts. Such retail banking

services are those typical of a large bank with substantial resources and expertise. The bank has an adequate level of community development services.

*The following table indicates the performance level of M&I Bank of La Crosse, La Crosse, Wisconsin, with respect to the Lending, Investment, and Service Tests.*

<b>M&amp;I BANK OF LA CROSSE LA CROSSE, WISCONSIN</b>			
<b>PERFORMANCE LEVELS</b>	<b>PERFORMANCE TESTS</b>		
	<b>LENDING TEST</b>	<b>INVESTMENT TEST</b>	<b>SERVICE TEST</b>
Outstanding			
High Satisfactory	X		
Low Satisfactory			X
Needs to Improve		X	
Substantial Noncompliance			
*The Lending Test is weighted more heavily than the Investment and Service Tests when deriving the overall CRA rating.			

## DESCRIPTION OF INSTITUTION

*Offices.* The bank operates three full-service offices and three deposit-taking ATMs in its assessment area. Since the bank's last evaluation, dated November 17, 1997, the bank has closed one branch office. The bank's board of directors decided to close the office located in Sparta, Wisconsin, and sell the bank's assets in February 1999. The bank closed the office and completed the sale in May 1999. The bank's main office and one ATM continue to be located in La Crosse at 3500 U.S. Highway 16 in middle-income census tract 105. A branch office and another ATM are located in moderate-income census tract 2.00 at 1300 Rose Street in La Crosse. The bank's third office is located in nearby Onalaska, Wisconsin, in middle-income census tract 104.02. An Onalaska shopping center houses the bank's third ATM, which is also located in census tract 104.02. All of the bank's offices and ATMs are located in the La Crosse, Wisconsin, Metropolitan Statistical Area ("MSA").

*Loan Portfolio.* The evaluation did not reveal any financial constraints on the bank's ability to lend within its assessment area. According to the September 30, 1999, Report of Condition ("ROC"), the bank's assets totaled approximately \$143.8 million. This represents a 19.1% increase since the bank's last evaluation. The bank's loan portfolio has also exhibited significant growth. Overall, the portfolio has grown by 29.1% since the last evaluation.

The bank is primarily a residential real estate and commercial lender. According to ROC data, the bank's loan portfolio is currently made up of 49% commercial, 43% consumer real estate, and 8% consumer loans. Commercial loans have increased seven percentage points since December 1997. Bank management hired two new commercial lenders to increase commercial lending business. Agricultural loans are minimal as demand for such loans is almost nonexistent in most of the bank's assessment area.

*Credit Products.* The bank offers a variety of loan products to help meet community credit needs. These products include various types of consumer, mobile home, residential real estate, commercial real estate, and commercial loans. The bank also offers agricultural loans despite the lack of demand for these loans in the assessment area. As part of its conventional residential real estate loan products, the bank offers adjustable rate mortgages, construction loans, fixed-rate loans with 15- to 30-year maturities, and balloon-payment loans with 1- to 7-year maturities. Open-end products offered by the bank include credit cards, overdraft lines of credit, and home equity lines of credit. Finally, the bank offers residential real estate loans under its Neighborhood Home Loan Program ("NHLP"), a home purchase loan program targeted to low- and moderate-income first-time homebuyers. The bank's holding company, Marshall & Ilsley Corporation, Milwaukee, Wisconsin, developed this program for its subsidiary banks.

The bank's credit products include government-guaranteed or -insured loans and special in-house loan products, many of which are designed to fit the needs of low- and moderate-income borrowers who do not qualify for conventional financing. The bank offers residential real estate loans through the following agencies: Federal Housing Administration ("FHA"), Department of Veterans Affairs ("VA"), State of Wisconsin Department of Veterans Affairs ("State VA"), and Wisconsin Housing and Economic Development Agency ("WHEDA"). The bank participates in WHEDA's home purchase and home improvement loan programs. The bank offers loans through the Wisconsin Coulee Region Community Action Program, Inc. ("CAP"). CAP provides down payment, closing cost, and rehabilitation assistance to low- and moderate-income borrowers who obtain financing through participating lenders. In terms of small business lending, the bank offers Small Business Administration ("SBA"), WHEDA, and Wisconsin Business Development Finance Corporation loans. The bank also offers commercial loans pursuant to the Petroleum Environmental Cleanup Fund Act's program for environmental clean-up projects.

Given the bank's affiliation with a bank holding company that has banking and thrift assets of \$1 billion or more and the bank's location in an MSA, the bank must collect data about certain types of loans. It must collect CRA data for its small business, small farm, and community development loans.<sup>1</sup> The bank also must collect Home Mortgage Disclosure Act ("HMDA") data for residential real estate loans.<sup>2</sup>

## **DESCRIPTION OF M&I BANK OF LA CROSSE'S ASSESSMENT AREA**

*Assessment Area.* The bank's assessment area is located in southwestern Wisconsin and is made up of 14 census tracts in La Crosse County, Wisconsin. The assessment area includes 3 low-income, 2 moderate-income, 7 middle-income, and 2 upper-income tracts. The assessment area includes the communities of La Crosse, Onalaska, Holmen, West Salem, and Bangor, Wisconsin. The bank's assessment area has changed since its last evaluation. The bank eliminated nine census tracts, including one moderate-income census tract, in La Crosse County from the assessment area. The bank eliminated three middle-income block numbering areas ("BNA") located in Monroe County, Wisconsin, after the sale of the Sparta branch in May 1999.

*Population and Geography Characteristics.* According to the 1990 census, the bank's assessment area has a population of 52,967. The current population in the assessment area is substantially higher. Recent estimates compiled by the Wisconsin Department of Administration and the Minnesota Office of the Demographer indicate that the population of the city of La Crosse for 1998 is 52,368. The city of La Crosse has experienced modest growth of 2.4% since 1990; however, surrounding communities in the bank's assessment area have experienced high levels of growth during the past eight years. The city of Onalaska has grown 29.8% since 1990 and has a 1998 estimated population of 14,815. Another neighboring community, the village of Holmen, has grown 53.2% during those same years and has a 1998 estimated population of 4,957. Growth in population has occurred in the assessment area's northern communities, as La Crosse has little land left for expansion. The Mississippi River borders the city on the west and the bluffs serve as the city's eastern boundary. The river and bluffs converge to form the city's southern boundary.

*Income.* CRA divides income levels into four categories: low, moderate, middle, and upper. Because the bank's assessment area is located in an MSA, the categorization of a borrower or census tract's income is determined relative to the MSA median family income. The regulation defines low-income individuals as those with incomes of less than 50% of the MSA median family income, while moderate-income individuals have incomes of at least 50% but less than 80% of this amount. The regulation defines middle-income individuals as persons with incomes of at least 80% but less than 120% of the MSA median family income. Individuals with incomes of 120% or more of the median family income are classified as upper-income persons. According to 1990 census data, the La Crosse MSA median family income is \$33,226. This figure is used to determine the income level of the census tracts in the assessment area. Borrower income levels are determined using recent income estimates provided by the

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<sup>1</sup>All independent banks and thrifts with assets of \$250 million or more and banks and thrifts affiliated with a holding company with banking and thrift assets of \$1 billion or more must report CRA data. For purposes of this report, all such lenders who reported activity in the assessment area are referred to as aggregate reporters.

<sup>2</sup>All lenders required to report HMDA data that had activity in the bank's assessment area are referred to as aggregate lenders.

Department of Housing and Urban Development (“HUD”) for the MSA. According to HUD estimates, the median family income in the La Crosse MSA for 1999 is \$47,200.

According to 1990 U.S. Census data, the assessment area’s median family income is \$33,968. This is slightly lower than the median family income of \$35,082 reported for the state of Wisconsin. The median household income for the assessment area is \$26,707. Again, this is slightly lower than the median household income of \$29,442 reported for the state. The assessment area has approximately 19,130 households and 12,332 families, of which 14.5% and 7.8%, respectively, have incomes below the poverty level. The table below identifies the distribution of assessment area families and households by income level.

<b>ASSESSMENT AREA POPULATION DISTRIBUTION BY INCOME LEVEL</b>				
	Low Income	Moderate Income	Middle Income	Upper Income
Families Compared to Median Family Income	18.5%	16.9%	26.8%	37.8%
Households Compared to Median Household Income	25.5%	15.3%	19.1%	40.1%

As previously mentioned, the bank’s assessment area has three low-income, two moderate-income, seven middle-income, and two upper-income census tracts. Low-income tract 104.00 is an open grassy area located north of Onalaska and within the borders of middle-income census tract 104.02. Census tract 104.00 has a reported population of zero. Low-income tracts 3.00 and 4.00 make up the central business district of La Crosse and are located on the southern boundary of the bank’s assessment area. These two tracts contain approximately 11.8% of the assessment area’s population. The assessment area’s moderate-income census tracts 1.00 and 2.00 are located just north of the central business district along the Mississippi River and contain 20.2% of the population. Census tracts 4.00 and 5.00 have three post-secondary education campuses: the University of Wisconsin-La Crosse, Viterbo College, and Western Wisconsin Technical College. Two large health care facilities are located in census tracts 4.00 and 9.00: Gunderson Lutheran Medical Center and Franciscan Skemp Healthcare. Census tract 9.00 is located south of downtown La Crosse along the Mississippi River. Census tract 9.00 is not part of the bank’s assessment area; however, it is a moderate-income census tract, and it is adjacent to the southern portion of the bank’s assessment area. Housing conditions in this tract affect the bank’s assessment area.

The seven middle-income census tracts compose the largest portion of the bank’s assessment area. These tracts represent large areas geographically and are home to approximately 57.4% of the assessment area’s population. These tracts are located north of La Crosse and encompass much of the rural, outlying areas of La Crosse County. The remaining 10.6% of the population lives in the upper-income tracts. These tracts include bluff areas and are situated east of La Crosse. Part of the city of Onalaska is in upper-income census tract 104.01.

*General Economic and Business Characteristics.* The La Crosse area economy is strong and economically diverse. Manufacturing, retail and wholesale trade, health care, educational, and service organizations all play a major role in the overall health of the economy. Major manufacturers located in the area include The Trane Company, La Crosse Footwear Factory, and The Company Store. The Trane Company manufactures refrigeration and heating equipment and employs more than 2,500 persons. La Crosse Footwear Factory employs between 1,000 and 1,500 employees, while the other manufacturer employs between 500 and 999 employees. The G. Heileman Brewery was a large local employer in the past. In early 1999, Strohs Brewery, Detroit, Michigan, purchased the company and laid off more than 600 workers. It recently sold the facility to a private investor who plans to open the City Brewery toward the end of 1999. The company has begun the process of hiring back laid-off workers. So far, it has

rehired approximately 50 to 75 workers. The company hopes to employ approximately 300 people within a couple of years.

Gunderson Lutheran Medical Center and Franciscan Skemp Healthcare are both major employers in the La Crosse area. Gunderson Lutheran Medical Center is western Wisconsin's largest employer, and its health care network is a vital part of many communities in the tri-state area of Wisconsin, Minnesota, and Iowa. The two regional medical centers employ over 4,000 individuals and serve patients from a wide radius in and around the city.

As mentioned earlier, there are three post-secondary educational institutions in the city. The University of Wisconsin-La Crosse is one of the 13 four-year campuses in the University of Wisconsin System with an enrollment of approximately 8,700 students. Viterbo College is a local private, four-year liberal arts college. Its enrollment is up nearly 50% over the past five years and currently stands at around 1,600. In addition, Western Wisconsin Technical College is a public two-year college with a focus on technical education. It has an annual enrollment of about 20,000 credit and noncredit students.

The La Crosse area is home to a very educated population. Of those persons 25 years and older, 83% have completed four years of high school. Approximately 48% have at least three years of college education or equivalent vocational-technical training, and 21% have completed at least four years of college. The La Crosse MSA has the advantages of a central location and a skilled work force without some of the problems associated with larger metropolitan areas. According to community contacts, while crime has increased slightly in the La Crosse area, it is substantially below the levels found in larger metropolitan areas.

The La Crosse area has a large percentage of businesses that earn over \$1 million gross annual revenue. Community contacts indicated that for many reasons the La Crosse MSA is a popular area for businesses to establish operations. The La Crosse area is conveniently located within 150 miles of the major urban areas of Minneapolis-St. Paul, Minnesota, and Madison, Wisconsin. Within a 200-mile radius, a market of 11.5 million people exists. The metropolitan areas of Green Bay and Milwaukee, Wisconsin; Chicago, Illinois; Duluth, Minnesota; and Des Moines, Iowa, are all within several hundred miles of La Crosse.

In addition to the area's large businesses, small- and medium-size businesses continue to play a significant role in the area's economy. Census data indicate that 93.9% of La Crosse County's businesses have less than 49 employees. Approximately 5.8% or 164 of the county's establishments have between 50 and 499 employees. Eight county business establishments have over 500 employees.

Community contacts indicated that the downtown area of La Crosse is doing very well and has experienced an influx of investment dollars. Two new businesses will be establishing operations in the downtown area within the next year. A communications company will be establishing its Midwest headquarters in La Crosse, creating approximately 200 new jobs. A computer company has also expanded its operations into La Crosse. Its new building is currently under construction in the downtown area. It will create approximately 100 new jobs, many of which are technical in nature and command high salaries.

Unemployment is currently low at around 3%. According to community contacts, wages in the area are good but have not kept pace with state and national levels. The cost of living in the La Crosse area is somewhat lower than other areas, which somewhat compensates for the lower wages. Contacts indicated that wages appear to be gradually climbing and may soon reach state and national levels.



The bank operates in an extremely competitive banking environment. At least ten banks and federal savings banks have offices in La Crosse and Onalaska. In addition to these institutions, the communities have nine credit unions and several finance companies and mortgage brokers. Assessment area communities outside La Crosse have additional financial institutions. Downtown La Crosse is home to bank offices of two large regional bank holding companies, Wells Fargo and Company, San Francisco, California, and U.S. Bancorp, Minneapolis, Minnesota.

*Housing Characteristics.* La Crosse and the surrounding areas are experiencing a variety of housing-related problems. Owner-occupancy levels in the area are very low. According to 1990 census data, only 56.7% of the housing units in the bank's assessment area are owner occupied. This is due in part to the significant number of students living in and around La Crosse. The three postsecondary institutions located in La Crosse have a combined student enrollment of approximately 30,300 students. While some of these students reside on campuses in dormitories, a large percentage of them reside in rental properties. Many of these rental properties are older, single-family homes that have been converted into student housing. Due to the absence of strict zoning ordinances in the 1960s, some property owners converted single-family homes into eightplex apartment complexes to capitalize on the opportunity to rent to students. Landlords would rather rent a home to six students at \$200 each than to a single family who can afford to pay much less. This makes it difficult for families to find affordable rental housing. The area most affected by this situation is the city's southwest area near Gunderson Lutheran Medical Center. This housing situation has also led to the deterioration of the older homes located in this area. Students do not demand that their living quarters are improved; thus, landlords have little incentive to improve the properties. The area where Gunderson Lutheran Medical Center is located has deteriorated because several residential homes were torn down and parking lots built. Community contacts indicated that the southern portion of La Crosse near the medical center has the lowest property values in the county. A city panel has been formed to determine ways to improve the southwest area of La Crosse.

Another problem with housing in La Crosse is that many properties in moderate-income census tracts (1.00 and 2.00) are located in a flood plain. Building in this area is not encouraged. The city of La Crosse, for example, will provide assistance to property owners in this area for repairs and improvements, but will not provide assistance for people to buy homes in this area. The added cost of flood insurance for such properties limits the attractiveness of some affordable homes in this area.

The number of affordable housing units in general is also limited in the assessment area. La Crosse cannot expand due to the geographic boundaries of the river and bluffs. Therefore, the low supply drives prices upward. According to 1990 census data, the median housing value in the assessment area is \$58,696. Information obtained from community contacts indicates that current median housing values are substantially higher. One community contact estimated that the average median housing value is around \$110,000. Many properties located on the outskirts of La Crosse are significantly more expensive. The housing supply in the La Crosse area is also relatively old. Census data indicate the median age of the housing stock is 39 years. Therefore, many of the affordable homes in the assessment area need substantial repairs.

Because of the limited room for expansion within the city of La Crosse, housing growth has been occurring in the communities of Holmen, Onalaska, and other northern communities in La Crosse County. Affordable housing is also an issue in these communities. According to one community contact, an average new home in Onalaska typically sells for between \$150,000 and \$175,000. Many homes are valued more than \$175,000. Homes in West Salem, Wisconsin, and Holmen are slightly more affordable with values between \$120,000 and \$170,000. Some affordable housing is located in the older part of the cities. These homes sell for between \$70,000 and \$100,000. While these homes are small and difficult to find, they are usually in good shape. Additional affordable housing can be found in Onalaska's three

mobile home parks. Overall, the outlying communities cater to the middle- and upper-income individuals and families.

Examiners contacted local government officials and a community representative familiar with the housing, development, and business characteristics of the assessment area in an attempt to identify community credit needs. Information obtained from these community contacts was used in evaluating the bank's CRA performance.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

The bank's CRA performance as evaluated based on the Lending, Investment, and Service Tests is rated satisfactory.

### Lending Test

The bank's lending performance as evaluated under the Lending Test is rated high satisfactory. The majority of the Lending Test analysis is based on an analysis of 707 residential real estate and 337 small business loans originated in 1998 and part of 1999. The evaluation of the bank's lending performance under CRA focused on several criteria: lending activity, loans in the assessment area, geographic distribution of loans, loans to borrowers of different incomes and businesses of different sizes, community development loans, and innovative and flexible loan products. Overall, the bank has a good record of meeting community credit needs.

### **Lending Activity**

The bank's lending performance is generally strong. In 1998 and 1999, the bank reported 216 and 121 small business loans, respectively. Since the previous evaluation, the bank's commercial lending has increased by 24.4%. In addition to the \$15.1 million increase in commercial lending, the bank's real estate loan portfolio increased by approximately \$6.7 million, or 18.3%. The bank's HMDA data indicate that the bank is not a leading lender in its assessment area. The bank originated 482 HMDA loans in 1998. During the first half of 1999, the bank recorded 225 HMDA loans in the bank's assessment area.

There are numerous financial institutions that have headquarters or branch offices in La Crosse County. Although competition is fierce, the bank's commercial lending activity indicates the bank is a strong lender in the assessment area. Since the previous evaluation, the bank's quarterly average net loan-to-deposit ratio is 81.39%. The quarterly net loan-to-deposit ratio has fluctuated between 68.66% and 89.36%. The bank's net loan-to-deposit ratio compares favorably with local competitors. With the strong loan demand in the bank's assessment area, the bank's net loan-to-deposit ratio demonstrates the bank's capacity and willingness to actively make loans to individuals and businesses in its assessment area.

The economic climate in the assessment area is strong. As previously discussed, the population in the assessment area continues to grow with major growth occurring in the outlying community of Onalaska. Business growth throughout the assessment area is strong. In the context of the bank's resources and business strategy, the bank has aggressively sought new commercial and real estate lending opportunities. In addition, the bank has extended loans within its assessment area that support community development purposes.

The bank's level of lending continues to represent a generally strong responsiveness to addressing credit needs of residents and businesses in the assessment area. Community contacts did not identify any unmet credit needs in the assessment area.

A review of the lending data (the bank's high level of activity, capacity to lend, comparison with its competitors, and lack of identified unmet credit needs in the assessment area) provides evidence of the bank's good responsiveness to assessment area credit needs.

### Assessment Area Concentrations

The bank extends a majority of its loans within the assessment area. The following table shows the percentage of total number and total dollar amount of residential real estate and small business loans that the bank extended within the assessment area.

LOANS ORIGINATED IN THE ASSESSMENT AREA		
Loan Type	Total Number of Loans	Total Dollar Amount of Loans
Residential Real Estate	51.5%	55.5%
Small Business*	77.4%	69.5%

\*For purposes of CRA, small business loans are most commercial loans with original principal amounts of \$1 million or less.

On its face, loan concentrations in the assessment area appear low, especially in the residential real estate category. This is because of the significant number of real estate loans that the bank originated in 1998 and early 1999 before the sale of the Sparta branch. The bank's Sparta branch was located in BNA 9503 of Monroe County, and the bank's previous assessment area included BNAs 9502, 9503, and 9504. Further analysis of the bank's loan sample revealed that 19.0% or 134 of the real estate loans in the sample were originated in Monroe County. The bank originated a vast majority of these loans in BNAs 9503 and 9504. It extended none of the small business loans in the sample in Monroe County.

The bank extends most of its loans in the assessment area. Considering the recent sale of the Sparta branch and the bank's redefined assessment area, the bank's performance in this category is satisfactory.

### Geographic Distribution of Loans

The geographic distribution of the bank's loans within the assessment area is satisfactory based on the reasonable dispersion of loans among census tracts of different income levels. As previously discussed, the bank's assessment area includes three low-, two moderate-, seven middle-, and two upper-income census tracts in La Crosse County. The following tables show the distribution of the bank's loans and the assessment area's population, households, families, and owner-occupied units throughout the assessment area by income level of the census tract.

<b>DISTRIBUTION OF LOANS BY CENSUS TRACT INCOME LEVEL</b>								
<b>Loan Type</b>	<b>Low-Income Census Tracts</b>		<b>Moderate-Income Census Tracts</b>		<b>Middle-Income Census Tracts</b>		<b>Upper-Income Census Tracts</b>	
	Number of Loans	Dollar Amount of Loans	Number of Loans	Dollar Amount of Loans	Number of Loans	Dollar Amount of Loans	Number of Loans	Dollar Amount of Loans
Residential Real Estate	1.9%	1.8%	13.8%	10.0%	70.3%	66.9%	14.0%	21.3%
Small Business	11.9%	16.4%	29.9%	26.0%	50.2%	53.4%	8.0%	4.2%

<b>ASSESSMENT AREA DEMOGRAPHICS BY CENSUS TRACT INCOME LEVEL</b>				
	<b>Low-Income Census Tracts</b>	<b>Moderate-Income Census Tracts</b>	<b>Middle-Income Census Tracts</b>	<b>Upper-Income Census Tracts</b>
Population	11.8%	20.2%	57.4%	10.6%
Households	13.7%	23.9%	52.5%	9.9%
Families	5.2%	21.6%	60.2%	13.0%
Owner-Occupied Units	2.9%	18.4%	64.5%	14.2%

As the data show, the distribution of the bank's residential real estate loans in low- and moderate-income census tracts is lower than the percentage of assessment area residents living in these tracts. While 32% of the assessment area's population lives in these tracts, the bank made only 15.7% of its real estate loans in the low- and moderate-income census tracts. Despite this fact, the distribution of the bank's residential real estate loans among census tracts of different income levels is reasonable. Two of the low-income tracts have very few residents. Low-income tract 104.00 has no residents. Low-income tract 3.00 has only 579 residents, but it only has eight owner-occupied households. The limited number of people living in owner-occupied housing in the low-income tracts may partially explain the bank's level of lending in these tracts.

The distribution of residential real estate loans appears even more reasonable when compared to the distribution of owner-occupied housing in the assessment area. The 15.7% of the bank's loans in low- and moderate-income census tracts is very close to the percentage of owner-occupied housing units in these tracts. The assessment area's low- and moderate-income census tracts represent only 2.9% and 18.4% of the assessment area's 11,319 owner-occupied housing units, respectively. The vast majority (64.5%) of the assessment area's owner-occupied housing units are in middle-income census tracts. Given the distribution of owner-occupied housing in the assessment area, the bank's lending activity in the assessment area's low- and moderate-income tracts appears somewhat reasonable. The distribution of the bank's real estate loans is nonetheless slightly low when compared to the distribution of owner-occupied housing. Other factors may explain this situation.

Most residential growth in La Crosse County has occurred in the assessment area's northern middle-income tracts. Residential growth in the moderate-income census tracts 1.00 and 2.00 is hampered by the fact that significant sections of these tracts are located in a flood plain. Further, as stated by community contacts, affordable housing is difficult to find in the assessment area. This too may limit the bank's ability to extend loans in low- and moderate-income census tracts. In general, it is reasonable that the majority of the bank's residential real estate loans would be in middle-income areas.

The bank's residential real estate lending in low- and moderate-income census tracts is similar to that of other HMDA lenders. In 1998, the bank made 12.2% of its HMDA loans in low- and moderate-income census tracts; aggregate lenders made 14.4% of 1998 HMDA loans in these tracts. The bank made 71.7% of its 1998 HMDA loans in middle-income census tracts and 16.1% of its loans in upper-income census tracts. Aggregate lenders made 70.5% and 15.1% of 1998 HMDA loans in middle- and upper-income census tracts, respectively. In 1997, the bank made a slightly larger percentage of its HMDA loans (13.5%) in low- and moderate-income census tracts than in 1998. Aggregate lenders made 16.2% of 1997 HMDA loans in low- and moderate-income census tracts. Again, the bank's activity in the low- and moderate-income census tracts does not seem unreasonable as there are a significant number of financial institutions with offices closer to the low-income tracts than the bank's offices. Overall, the bank's level of lending in low-income census tracts is comparable to that of aggregate lenders.

The distribution of the bank's small business loans among census tracts of different income levels is very good. As the preceding chart indicates, the bank made 11.9% of its small business loans in low-income census tracts and 29.9% of such loans in moderate-income census tracts. This distribution of loans shows the bank's strong support of businesses located in both low- and moderate-income census tracts. According to 1998 data, 52.8% of all business establishments in the assessment area are located in the low- and moderate-income census tracts. Although the bank has an office located in moderate-income census tract 2.00, it faces stiff competition for business loans from financial institutions with offices closer to the business districts than the bank's office. The bank's main office and Onalaska branch are located in middle-income census tracts, which are not close to the low- and moderate-income census tracts.

The bank's small business lending is similar to that of aggregate reporters. The bank made 41.8% of its small business loans in the assessment area's low- and moderate-income tracts. Aggregate CRA reporters made 52.3% of 1998 small business loans in low- and moderate-income census tracts. Aggregate CRA reporters made 23.0% and 29.3% of the small business loans in low- and moderate-income census tracts, respectively, during 1998. The reporters extended 41.6% of such loans in middle-income census tracts and 6.1% in upper-income tracts. Although the bank extended a lower percentage of small business loans in low-income census tracts than the aggregate reporters, its activity is reasonable given the number of competitor banks with offices in or near the MSA's low-income tracts.

The dispersion of the bank's residential real estate and small business loans throughout the assessment area is reasonable given the bank's locations, the bank's competitors locations, and general demographic characteristics of the assessment area. The bank lends in all of the census tracts in its assessment area. As expected, the bank makes the majority of its residential real estate and small business loans in and around the areas closest to its offices. The evaluation did not identify any gaps in the distribution or dispersion of the bank's loan activity. Thus, the geographic distribution and dispersion of the bank's loans is satisfactory.

### **Distribution of Loans by Borrower Income**

The bank's level of lending to borrowers of different incomes and businesses of different sizes is good. The bank's loan data reflect reasonable loan distribution among the various borrower income levels and business size categories. As previously discussed, CRA classifies income levels into four categories: low, moderate, middle, and upper. A borrower's income classification is based on the 1999 HUD estimated median family income for the area. This figure for the La Crosse MSA is \$47,200.

The following table illustrates the percentages of residential real estate loans made to borrowers of different income levels.

<b>DISTRIBUTION OF ASSESSMENT AREA RESIDENTIAL REAL ESTATE LOANS BY BORROWER INCOME*</b>				
	Low-Income Borrowers	Moderate-Income Borrowers	Middle-Income Borrowers	Upper-Income Borrowers
Number of Loans**	8.2%	19.8%	22.8%	46.4%
Amount of Loans	3.9%	12.2%	19.3%	61.5%
*Income level determined based on the 1999 La Crosse MSA median family income.				
**Income was not available for 2.8% of the bank's residential real estate loans.				

The table shows that the bank made 28% of its HMDA loans from 1998 and the first half of 1999 to low- and moderate-income borrowers. The bank extended almost half of its loans to upper-income borrowers. As previously discussed, 40.8% of the assessment area's households and 35.4% of the assessment area's families are considered low or moderate income. Several factors support the reasonableness of the bank's real estate lending patterns.

The bank compares favorably with aggregate lenders in its level of HMDA loans to low- and moderate-income borrowers in the assessment area. In 1998, the bank originated significantly more HMDA loans (237) than in 1997 (126). The bank also made a larger percentage of its loans to low- and moderate-income borrowers. Specifically, the bank made 26.6% of its loans to low- and moderate-income borrowers. In 1998, aggregate lenders made only 19.2% of the HMDA loans to low- and moderate-income borrowers. The bank's HMDA data indicate that the bank increased its level of lending to low- and moderate-income borrowers in 1998 as compared with 1997. In 1997, aggregate lenders made 21.6% of HMDA loans to low- and moderate-income borrowers. The bank's distribution of HMDA loans by borrower income level compares closely to the lending performance of aggregate lenders. Specifically, the bank originated 21.8% of its loans to low- and moderate-income borrowers in 1997.

Levels of lending to middle- and upper-income borrowers are still significantly higher than those to low- and moderate-income borrowers. In 1998, the bank originated 25.3% and 48.0% of its HMDA loans to middle- and upper-income borrowers, respectively. While these levels of lending appear high compared to the assessment area's demographics, aggregate lenders also originated a high percentage of HMDA loans to middle- and upper-income borrowers; specifically, these lenders extended 32.6% and 48.2%, respectively, to such borrowers. The bank's level in lending is similar to that of all lenders.

The lack of affordable housing in the assessment area explains the relatively low levels of lending to low- and moderate-income borrowers. Both La Crosse and the outlying areas have very little affordable housing available. The housing that is available is typically in need of substantial repairs, which makes it unaffordable to individuals with limited resources. In addition, given that the bank's main branch is close to middle- and upper-income census tracts, it seems reasonable that the bank would have more middle- and upper-income borrowers than low- and moderate-income borrowers. However, the bank participates in several loan programs designed to provide real estate loans to low- and moderate-income individuals.

The bank's assessment area has no areas that are considered highly economically disadvantaged. The low- and moderate-income census tracts have some properties that are in need of improvements, but this is due mainly to the fact that a significant number of the homes in these areas are rented to students. Landlords do not have any incentive to improve the properties beyond essential repairs, as there is no demand to do so by the majority of student renters. Community contacts mentioned that some low- and moderate-income persons have been moving to the La Crosse MSA from larger metropolitan areas such as Minneapolis-St. Paul and Chicago. Crime has increased slightly, but these areas are not considered

highly economically disadvantaged. There are many organizations in the La Crosse area that are committed to improving housing and overall living conditions in the low- and moderate-income areas of La Crosse.

The bank has a good distribution of small business loans to businesses of different sizes. The bank makes the majority of its small business loans to businesses with \$1 million or less in gross annual revenues. The bank made 80.1% of its small business loans to businesses with \$1 million or less in gross annual revenues. This significantly exceeds the percentage of such loans originated by aggregate reporters in the bank's assessment area. In 1998, aggregate CRA reporters made 59.8% of small business loans to businesses with less than \$1 million in gross annual revenues. Community contacts indicated that the La Crosse area is a regional service center with a significant number of businesses with more than \$1 million in gross annual revenues. These facts, coupled with the bank's comparison to aggregate reporters, indicate that the bank's level of lending to small businesses is good.

The sampled small business loans also exhibit a reasonable distribution among loan size categories. The sample shows that 69.4% of the bank's loans were for amounts less than or equal to \$100,000 and 19.5% were for amounts greater than \$100,000 but less than or equal to \$250,000. Approximately 11.1% of the bank's loans were for amounts greater than \$250,000 and less than or equal to \$1 million.

Overall, the bank's level of lending to borrowers of different income levels and to businesses of different sizes is good. The bank's real estate lending to low- and moderate-income individuals is good and compares favorably with aggregate lenders. The bank offers loan products designed to serve the credit needs of low- and moderate-income borrowers. Further, the bank's level of lending to small businesses is good; it compares favorably with lending of CRA reporters.

### **Community Development Lending Activities**

The bank originated two community development loans since its last evaluation. It extended a loan to a local organization that promotes new business development in the La Crosse area. A municipality, a regional utility company, and a community development company pooled resources to form the organization. The purpose of the loan is to construct and provide permanent financing for a 40,000-square-foot office building in downtown La Crosse. A company that provides consulting and information technology services will occupy the building. Estimates indicate that the new company will create at least 100 new jobs in the La Crosse area. The building is being constructed in a low-income census tract. As such, the loan contributes to the revitalization efforts in a low-income census tract.

The bank extended its other community development loan to a local partnership committed to creating affordable housing in the La Crosse area. The partnership is building a multifamily apartment complex in middle-income census tract 103.00. The funds to construct the building and to provide permanent financing were extended by WHEDA. The bank provided an irrevocable letter of credit. The development owner must rent two of the units to residents with incomes of no more than 40% of the county median income and six units to residents with incomes of no more than 50% of the county median income. Rent on the units for these lower-income tenants will be based on their incomes and will be 50% to 60% of market rent amounts. Due to the lack of affordable housing in the La Crosse area, this housing complex represents a really significant benefit to the bank's assessment area.

The bank did not have any qualified community development loans available for review at its last evaluation. The bank extends many loans that generally benefited the community; however, these loans did not qualify as community development loans pursuant to CRA. The bank's community development

lending efforts have improved. The bank's community development lending activity is commendable considering the competitive banking environment in which the bank operates.

Overall, the bank's community development lending efforts are good. The bank extended two community development loans, one of which involves a commercial loan that may ultimately result in 100 new jobs in one of the assessment area's low-income tracts.

### **Product Innovation and Flexibility**

The bank offers a variety of loan products that demonstrate its willingness to offer flexible and innovative loan terms. Many of these products also benefit low- and moderate-income borrowers. For example, the bank offers a home equity line of credit that allows the borrower to convert the open-end line of credit into as many as four closed-end installment loans. As the borrower pays down the installment loan, the amount of accessible open-end credit increases. This product is unique and offers substantial flexibility to borrowers who wish to amortize loan payments over a fixed period of time.

Another innovative loan program offered by the bank is the NHLP. This loan program is targeted to first-time homebuyers and offers flexible terms and underwriting standards. For example, the minimum down payment required is 3%, and the standard private mortgage insurance requirement is waived. In addition to standard qualifying criteria, the bank takes into consideration timely rent, utility, and other monthly payments. This benefits persons who may not have an extensive credit record. The bank began offering loans under this program in August 1996. The bank's participation in the program has grown significantly since that time. In 1996, the bank originated 2 loans with amounts totaling \$141,500. From January 1997 to the bank's last evaluation in November 1997, the bank originated 11 loans with amounts totaling \$682,593. The following table shows the bank's participation in this program since the last evaluation.

<b>NHLP ORIGINATIONS</b>		
<b>Date of Origination</b>	<b>Number of Loans</b>	<b>Amount of Loans</b>
December 1997	2	\$148,500
1998	14	\$990,260
YTD 1999	7	\$586,133

Since its last evaluation, the bank has extended 23 loans through the NHLP with amounts totaling \$1,724,893. The bank's efforts in using this program to meet the needs of low- and moderate-income borrowers are commendable.

The bank also participates in several government loan programs that help meet the credit needs of low- and moderate-income borrowers. One program is the State VA Primary Mortgage Program. This is a low-interest loan program that provides home purchase, construction, and home improvement loans to low- and moderate-income Wisconsin veterans. This loan program has limited down payment requirements.

The bank also offers low down payment WHEDA home purchase and low-interest WHEDA home improvement loans. Although the bank has been an active WHEDA home purchase lender, the demand for WHEDA home improvement loans is minimal. The bank has not originated any such loans since the last evaluation. Applicants meeting certain income standards are eligible for WHEDA programs. Although the bank participates in the FHA first-time homebuyers program, the bank has not originated any such loans since its last evaluation. This is due to the significant number of loans that the bank



extends through the NHLP. It takes half the time to process an NHLP application compared with an FHA loan application, and the NHLP program does not require the borrower to pay FHA insurance premiums.

The following table illustrates the bank's involvement in government loan programs since January 1, 1998.

Loan Program	GOVERNMENT LOAN PROGRAM ORIGINATIONS			
	1998		YTD 1999	
	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans
VA	5	\$399,488	5	\$499,168
State VA	2	\$124,400	3	\$233,815
WHEDA	8	\$431,152	3	\$177,675

As the table indicates, the bank is active in residential real estate loan programs designed to assist lower-income individuals. The bank also originated one SBA-guaranteed loan in 1998. Bank management indicated that most business applicants do not require special financing considerations; thus, demand for SBA loans has been minimal. In general, the bank has shown good use of flexible and innovative lending products for low- and moderate-income borrowers.

### Conclusion

The bank's high satisfactory rating for the Lending Test is supported by the bank's strong overall lending levels. The bank's distribution of loans by borrower income levels is good. In addition, the bank extended the majority of its loans in its assessment area. The bank's level of community development lending is good. The bank offers an adequate variety of innovative and flexible lending products that enhance opportunities for low- and moderate-income individuals to obtain residential real estate financing. Finally, the geographic distribution and dispersion of the banks loans are reasonable.

### Investment Test

The bank is rated needs to improve under the Investment Test. The bank has neither identified nor acquired any qualified community development investments since becoming a member of the Federal Reserve System in 1995.

### Investment and Grant Activity

The bank has no qualified investments in its portfolio. Although the investment portfolio contains local bonds, the purposes of these bonds do not meet the definition of qualified investments under CRA. Bank management indicated that the assessment area has had few community development investment opportunities in recent years. Community contacts were also not aware of any such opportunities. Despite these facts, the bank should increase its efforts to identify qualified investment opportunities. Qualified investments that benefit areas larger than the bank's assessment area are also considered qualified investments provided that the investment also benefits the bank's assessment area.

The bank made several donations to organizations that serve low- and moderate-income individuals or help revitalize low- and moderate-income geographies. None of these donations, however, are innovative or complex. The bank provided the following amounts of qualified investments in 1997, 1998, and 1999, respectively: \$2,385, \$2,261, and \$2,654. These amounts are slightly higher than the amount of qualified donations reported at the last evaluation but are still relatively low for a bank with significant resources.

Overall, the bank's level of qualified investments warrants a needs to improve rating. In general, the bank's qualified investment activity is low.

### Service Test

The bank's level of services is rated low satisfactory. The bank's office locations, hours of operation, alternative delivery systems, and range of services are accessible and effective in delivering banking services to all members of the community, including low- and moderate-income individuals and those individuals residing in low- and moderate-income geographies. The bank offers the types of services typical of a large bank with extensive resources and expertise. The bank is engaged in an adequate level of community development services.

### **Retail Banking Services, Changes in Branch Locations, and Business Hours**

The bank has effective systems to deliver retail banking services to all residents and businesses in its assessment area. First, the bank's Rose Street branch is located in moderate-income census tract 2.00. This branch also has a deposit-taking ATM available to serve the residents of the low- and moderate-income tracts that surround the branch. The bank operates two other offices in middle-income census tracts. One of these offices has an ATM on site and the other has one in a nearby shopping center. As previously discussed, the bank closed its Sparta branch, which was located in Monroe County. The bank decided to close the branch due to the limited growth opportunities available for the office. Bank management determined that it could use its resources more effectively by investing in its more established markets of La Crosse and Onalaska. The Sparta branch was located in middle-income BNA 9503, and its closing was not detrimental to the area. All BNAs in Monroe County are classified as middle-income BNAs.

The bank's office and ATM locations are reasonably distributed throughout the assessment area. The bank's hours provide customers with easy access to bank services. All offices are open until at least 5:00 p.m. each day and all have Saturday drive-up teller hours. The bank's La Crosse offices are open until 6:00 p.m. on Friday evenings.

The bank offers several additional delivery systems that provide access to its services. Through the Mi Line automated voice response system, customers may access credit and deposit account information 24 hours a day. Customers may use this service to access balance information and to transfer funds between accounts. There is no charge for this service. The bank also offers the M&I Direct Telephone Bill Pay program and the M&I Direct PC Banking system. For a small monthly fee, customers can use the telephone or a personal computer to pay monthly bills, access account information, and transfer funds between accounts. Finally, the bank offers the M&I Bank Card, an ATM and debit card on the VISA and TYME networks. Bank customers may also transact business at all M&I affiliated banks throughout Wisconsin.

Overall, the bank's retail banking services offer a variety of delivery options for all of its customers. The availability of free telephone banking enhances the delivery services to low- and moderate-income individuals. The bank's office and ATM in a moderate-income census tract contribute significantly to the delivery of services to persons residing in the low- and moderate-income areas that surround the office.

### **Community Development Services**

Since the last evaluation, the bank has engaged in an adequate amount of community development services. Although the overall level of community development services is not high, the services show

the bank's willingness to support its local community. In October 1999, the bank sponsored a seminar targeted to first-time homebuyers. The seminar included a special guest speaker from WHEDA who discussed the most recent WHEDA purchase price limits and income requirements. The bank also introduced its in-house loan program, NHLP, which has a low down payment requirement and special underwriting standards. As previously discussed, this program is targeted to low- and moderate-income, first-time homebuyers.

Another of the bank's community development service is the president's involvement in the United Coulee Region Neighborhood Task Force. This task force was established by the mayor of La Crosse in conjunction with other task forces designed to assess current conditions in local troubled neighborhoods. The task force's goal was to identify problems and improve conditions regarding housing and security. As the group began to target neighborhoods, it became apparent that there were already many organizations in place working with the targeted neighborhoods. The task force consulted with a local community development corporation active in the La Crosse area. This corporation provides employment, nutrition, health services, and affordable housing assistance to low- and moderate-income individuals in La Crosse County and surrounding areas. A representative of the corporation proposed that the task force function as a subsidiary to provide affordable housing opportunities to low- and moderate-income individuals. The task force submitted this proposal to the mayor and will likely begin working with the corporation. The process is currently at a standstill as funding is needed for the group to move forward. The bank's president has been a key member in this process. In late 1997, the task force began meeting monthly and did so for about a year. If funding can be obtained, the project will move forward. The bank president's participation on this task force shows a commitment to providing affordable and safe housing for all members of the community.

Two bank employees serve another community development service organization, the newly organized La Crosse Area Fair Housing Partnership. The partnership is made up of realtors, lenders, government entities, educators, nonprofit organizations, ethnic organizations, and builders who are dedicated to increasing the availability and accessibility of affordable, quality housing to all persons. The main focus of the partnership is awareness and outreach. The organization formed in the summer of 1998. One of the bank's officers was a key member in this group's formation, and another joined the partnership in December 1998. The partnership has held approximately four to five meetings since formation and meets quarterly. The partnership has sponsored two seminars: one for lenders and one for the public. HUD staff members gave presentations about the fair lending aspects of renting and buying a home.

Finally, the bank is one of the local lenders that participates in the La Crosse Area Lender's Consortium. Two bank officers attend this organization's quarterly meetings. On a rotating basis, lenders in the consortium participate in the La Crosse Home Buyer Program. This program has been offered since 1995. The applicants are low- and moderate-income, first-time homebuyers from the La Crosse area. Total household income of qualified applicants must not exceed 80% of the county median income level. A local community development corporation administers the program. The corporation provides up to \$12,000 of down payment, closing cost, and rehabilitation cost assistance. The loan is interest-free provided the buyer keeps the home for at least five years. A member of the consortium provides the balance of the financing at an interest rate of 0.5% to 1% above the prime rate. The lenders do not require private mortgage insurance for these loans. The consortium began operating by May 1999. The bank has been involved with the organization since early 1999.

In general, the bank's level of community development services is limited. As such, the bank's community development services are adequate.

## **Conclusion**

The bank's level of services is rated low satisfactory. The bank provides several services that enhance the access to banking services for low- and moderate-income individuals and residents of low- and moderate-income census tracts; however, these services are typical of a bank with extensive resources and expertise. The bank has an adequate level of community development services.

## **COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS**

The evaluation did not reveal any credit practices in violation of the substantive provisions of the fair lending and housing laws and regulation.

## **GENERAL**

The bank has not received any CRA-related complaints since its last evaluation, dated November 17, 1997.

**APPENDIX A**

<b>Scope of Examination</b>			
As of the evaluation date, the bank operated three full-service offices and three ATMs in La Crosse County, Wisconsin. It has defined only one assessment area for purposes of CRA. This evaluation is based on a review of all the bank's activities in the assessment area since the last evaluation, dated November 17, 1997.			
<b>Time Period Reviewed</b>	We reviewed the bank's CRA performance based on its activities since the last evaluation, dated November 17, 1997. The loan data reflected in the Report is based on loans originated in 1998 and the first half of 1999.		
<b>Financial Institution</b> M&I Bank of La Crosse La Crosse, Wisconsin			<b>Products Reviewed</b> As part of this CRA evaluation, the examiners reviewed two loan categories: small business and residential real estate loans (home purchase, refinance, and home improvement).
<b>Affiliate(s)</b> Not applicable			
<b>List of Assessment Areas and Type of Examination</b>			
<i>Assessment Area</i>	<i>Type of Examination</i>	<i>Branches Visited</i>	<i>Other Information</i>
<b>MSA Assessment Area</b>  La Crosse Assessment Area	Full Scope	Main Office	For CRA purposes, it was not necessary for the examiners to visit the bank's other two offices.