

## **PUBLIC DISCLOSURE**

October 18, 1999

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### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

#### **F&M BANK APPLETON**

RSSD Number: 506744

P.O. Box 55  
Appleton, Wisconsin 54912

FEDERAL RESERVE BANK  
OF CHICAGO

230 South LaSalle  
Chicago, Illinois 60604

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.

## **GENERAL INFORMATION**

The Community Reinvestment Act (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 entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations 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 community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **F&M Bank-Appleton, Appleton, Wisconsin**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **October 18, 1999**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

**INSTITUTION'S RATING:** This institution is rated Satisfactory.

F&M Bank-Appleton provides support for community development through its lending, service and investment efforts within its assessment area. The bank has a strong level of lending to low- and moderate-income individuals and small businesses. The bank's loan-to-deposit ratio is significantly higher than its local competitors and national peer group. In addition, a large percentage of the bank's loans are originated within its assessment area. The bank's level of lending in low- and moderate-income census tracts is generally consistent with the aggregate of all reporting lenders. The bank had a low volume of qualified investments and did not have any community development lending; however, the bank's assessment area affords a somewhat limited number of community development lending and investment opportunities. In addition, the bank's accessibility of delivery systems and reasonableness of business hours provide adequate access to individuals and businesses in the assessment area.

The following table indicates the performance level of **F&M Bank-Appleton, Appleton, Wisconsin** with respect to the lending, investment and service tests. Based on the component test ratings for large banks, the assigned composite rating is Satisfactory.

Outstanding			
High Satisfactory	<b>X</b>		
Low Satisfactory		<b>X</b>	<b>X</b>
Needs to Improve			
Substantial Noncompliance			

\*Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

**DESCRIPTION OF F&M BANK- APPLETON ASSESSMENT AREA**

The City of Appleton is located in Outagamie County, approximately 30 miles southwest of Green Bay. The assessment area is comprised of 33 census tracts in Outagamie, Winnebago and Calumet Counties. These census tracts are part of the Appleton-Oshkosh-Neenah MSA 0460. The following table details demographic information for each census tract within the assessment area based upon 1990 census data:

101.00	Outagamie	1,190	\$21,875	Moderate
103.00	Outagamie	2,466	\$28,924	Moderate
29.00	Winnebago	2,617	\$24,318	Moderate
203.01	Calumet	7,623	\$37,642	Middle
203.02	Calumet	5,557	\$43,973	Middle
102.00	Outagamie	4,494	\$34,595	Middle
104.00	Outagamie	1,839	\$32,292	Middle
105.00	Outagamie	4,458	\$37,104	Middle
106.01	Outagamie	3,852	\$40,488	Middle
106.02	Outagamie	4,376	\$43,944	Middle
107.00	Outagamie	4,727	\$35,950	Middle
108.00	Outagamie	1,653	\$39,097	Middle
109.00	Outagamie	2,212	\$43,494	Middle
110.00	Outagamie	5,594	\$34,852	Middle
111.01	Outagamie	4,139	\$40,500	Middle
112.00	Outagamie	3,063	\$39,133	Middle
113.00	Outagamie	3,457	\$36,337	Middle
114.00	Outagamie	4,966	\$41,250	Middle
115.01	Outagamie	3,694	\$39,563	Middle
116.00	Outagamie	3,650	\$41,753	Middle
117.00	Outagamie	2,896	\$34,692	Middle
119.00	Outagamie	6,825	\$39,058	Middle
126.00	Outagamie	5,664	\$41,532	Middle
26.01	Winnebago	3,475	\$33,864	Middle
26.02	Winnebago	4,263	\$37,359	Middle
27.00	Winnebago	2,670	\$40,132	Middle
28.98	Winnebago	4,397	\$32,331	Middle
30.98	Winnebago	1,756	\$33,984	Middle
111.02	Outagamie	5,682	\$45,572	Upper
115.02	Outagamie	4,668	\$51,374	Upper
125.00	Outagamie	6,931	\$45,053	Upper
24.00	Winnebago	5,367	\$48,735	Upper
<b>Assessment Area Totals</b>		<b>133,997</b>	<b>\$39,511</b>	

Additional population characteristics of the assessment area's three moderate-income census tracts are detailed in the following table:

101.00	103	115
103.00	420	545
29.00	445	636
<b>Totals</b>	968	1,296

A review of 1998 State of Wisconsin Demographic Services Center population estimates, indicated that Calumet County has experienced an 11% population increase since 1990, in comparison to an increase of 10% for Winnebago County and 13% for Calumet County. All these growth rates exceed that of the State of Wisconsin overall.

The assessment area median family income of \$39,511 is above the Appleton-Oshkosh-Neenah MSA median family income of \$37,202 and State of Wisconsin median family income of \$35,082, based upon 1990 census data. There are 36,076 families in the assessment area also based upon 1990 census data. Approximately 13.5% are considered low-income; 16.6% are considered moderate-income; 29.9% are considered middle-income; and 40.0% are considered upper-income. Approximately 4.6% of the families have incomes below the poverty level. The percentage of low- and moderate-income families within the assessment area (30.1%) is less than the State and the MSA levels of 36.6% and 34.2%, respectively.

Paper-related industries are significant within the assessment area’s economy. The assessment area’s proximity to Green Bay (30 miles north) also provides additional employment opportunities for local residents. The assessment area’s large employers are listed in the following table:

Kimberly-Clark Corporation	5,800	Tissue products for personal care
United Health Group	3,500	Health care services
Theda Clark Medical Center	3,388	Hospital
Affinity Health System	3,000	Health care services
Appleton Papers Inc.	2,371	Carbonless and specialty coated papers
Plexus Corporation and Affiliates	2,004	Electronic design, manufacturing, and testing
Banta Corporation and Affiliates	1,970	Printer of books and periodicals
Aid Association for Lutherans	1,589	Fraternal benefits, financial services
Wisconsin Tissue Mills	1,400	Paper napkins, table covers
Pierce Manufacturing, Inc.	1,335	Fire and utility truck bodies
St. Elizabeth Hospital	1,330	Hospital
Appleton Area School District	1,317	Education
Menasha Corporation	1,312	Corrugated containers
Thilmany	1,300	Specialty papers
Anchor Food Products, Inc.	1,220	Food processing
Miller Electric Manufacturing Co.	1,279	Electric arc welders

Historically low unemployment rates are an indicator of the strong local economy at this time.

The unadjusted unemployment rates for the Appleton-Oshkosh-Neenah MSA in September 1999 and September 1998 were 1.9 percent and 2.8 percent, respectively, according to the state’s Department of Workforce Development (DWD). Seasonally unadjusted September 1998 and September 1999 unemployment rates for Outagamie, Winnebago and Calumet Counties in comparison to the State of Wisconsin and national unemployment rates are presented in the following table:

Outagamie County	1.8%	2.3%
Winnebago County	1.4%	2.6%
Calumet County	1.6%	2.3%
State of Wisconsin	2.0%	3.0%
National	4.1%	4.4%

The unemployment rates for the three counties within the bank’s assessment area compare favorably to the state’s unadjusted unemployment rates of 2.0% and 3.0%, respectively, for the same periods. The state’s September 1999 unadjusted employment rate of 2.0 percent was second lowest in the nation, according to the DWD.

The strong labor market has had a significant impact on the area housing market. There has been a recent boom in both new home construction and rehabilitation projects in the MSA. A review of Wisconsin Realtor Association data reflects continued housing growth in all three counties in the assessment area; although there are a lower number of home sales in Calumet County, the median sale price in Calumet County exceeds the median sales prices of Outagamie and Winnebago Counties.

Outagamie	1,393	1,594	1,209	\$105,700
Winnebago	1,518	1,679	1,325	\$91,900
Calumet	217	276	211	\$129,300

\*Information provided by Wisconsin Realtors Association

There are a total of 51,541 housing units within the assessment area, based upon 1990 census data. Housing within the assessment area is largely owner-occupied (66.7%); however, 15,720 assessment area housing units (30.5%) were rental units based upon 1990 census data. The following table details assessment area housing demographics in comparison to MSA 0460 and State of Wisconsin:



F&M Bank-Appleton	\$76,273	109.90%
Associated Bank National Association	\$804,427	98.95%
Firststar Bank NA	\$30,318,105	93.17%
M&I Bank Fox Valley	\$932,658	78.93%
Norwest Bank Wisconsin, N.A.	\$1,883,317	57.55%
National Peer Group	\$50,000 to \$100,000	70.24%

The bank's eight-quarter average loan-to-deposit ratio is significantly above its local competitors and its national peer group. The bank's September 30, 1999 Consolidated Report of Condition revealed outstanding net loans of \$65,414,000 and total deposits of \$54,768,000. This resulted in a net loan-to-deposit ratio of 119.44%. A review of the bank's June 30, 1999 Uniform Bank Performance Report (UBPR) revealed the bank's strengths relative to commercial/industrial lending. The bank's commercial/industrial lending significantly exceeds its national peer group, as commercial/industrial lending comprised 41.81% of the bank's loan portfolio, in comparison to peer levels of 20.04%.

Additionally, a review of the bank's year-to-date 1999 small business loan originations revealed a significant increase in small business lending volume from 1998. The total number of small business loan originations increased to 234 through September 30, 1999, from 174 in all of 1998.

#### Lending in Assessment Area

The bank's 1998 and year-to-date 1999 small business loan originations and 1997 and 1998 HMDA-reportable lending were reviewed to assess the percentage of total lending within its assessment area. Small business loans are defined in the regulation as those loans with original amounts of \$1 million dollars or less. A review of the bank's 1998 small business loans revealed that 130 of 174 (75%) were originated within its assessment area; 176 of 234 (75%) year-to-date 1999 small business loans were originated within its assessment area.

The bank's 1997 and 1998 HMDA-reportable mortgage loans were also reviewed to assess its lending in the assessment area. A total of 42 of 55 (76%) 1997 HMDA-reportable mortgage loans were originated within the assessment area. In 1998, a total of 40 of 46 (87%) HMDA-reportable mortgage loans were originated in the assessment area.

#### Geographic Distribution

A sample of 1998 and year-to-date 1999 small business loan originations and 1997 and 1998 HMDA-reportable originations were reviewed to assess the geographic distribution of the bank's lending within its assessment area. The assessment area is comprised of thirty-three census tracts of which three are moderate-income, based upon 1990 census data. Two of the moderate-income census tracts correspond to downtown Appleton, an area of few owner-occupied housing units. The following table highlights the bank's small business lending in moderate-income census tracts:



101.00	6	3
29.00	1	3

Approximately 5.4% of the bank's 1998 small business loan originations and 3.4% of 1999 small business loan originations were in moderate-income census tracts. The 1998 aggregate of all small business lending reporters in the MSA originated, 3.6% of its originations in moderate-income census tracts.

A review of the bank's 1997 and 1998 HMDA-reportable lending revealed that the bank originated one loan for \$45,000 in a moderate-income census tract in 1997; the bank did not report any loans in moderate-income tracts in 1998. In comparison, the 1998 aggregate of all reporting lenders in the Appleton-Oshkosh-Neenah MSA, originated 2.4% (266 originations) of its originations in moderate-income census tracts. In 1997, the aggregate originated 4.2% (352 originations) of total lending in moderate-income census tracts. The level of bank lending in moderate-income census tracts is consistent with its overall small level of HMDA-reportable lending activity in both 1997 and 1998.

Borrower Characteristics

The bank's trial balances of 1998 and year-to-date 1999 small business loan originations and 1997 and 1998 HMDA-reportable originations were reviewed to assess the bank's lending to small businesses and to low- and moderate-income borrowers. The bank's loans to businesses with gross annual revenues of one million dollars or less, and small business loans with original amounts of \$100,000 or less were reviewed to assess the bank's performance under this category.

The following table highlights 1998 and year-to-date 1999 small business lending by original loan amount:

1998	70	3,199,177	43	6,747,896	17	7,281,706
1999	102	3,991,761	42	6,837,082	32	25,186,853

A majority of the bank's 1998 and year-to-date 1999 small business loan originations had original loan amounts of \$100,000 or less; 54% of 1998 and 58% of year-to-date 1999 small business loan originations had original loan amounts of \$100,000 or less. In addition, all of the bank's 1998 small business loan originations were to businesses with gross annual revenues less than \$1 million. A review of year-to-date 1999 small business loan originations revealed that 96% of the

bank's originations (169 of 176 loans) were to businesses with gross annual revenues of \$1 million or less.

The following table highlights the bank's 1997 and 1998 HMDA-reportable mortgage lending to low- and moderate-income borrowers:

	1997	1998	1997	1998
Home Purchase	1	3	0	0
Refinance	2	1	0	4
Home Improvement	0	2	1	3
<b>*Totals</b>	<b>3</b>	<b>6</b>	<b>1</b>	<b>7</b>

\*Includes only those applications for which income was provided

A review of the bank's HMDA-reportable mortgage lending based upon applicant income revealed approximately 21% of 1997 lending (9 of 42 total loans) were to low- or moderate-income borrowers. A review of the bank's 1998 lending revealed approximately 20% (8 of 40 total loans) were to low- or moderate-income borrowers. The analysis revealed that the bank's percentage of originations to low- and moderate-income borrowers is consistent with the 1997 and 1998 aggregate of all reporting lenders in the Appleton-Oshkosh-Neenah MSA. The aggregate originated 24% of its 1997 and 23% of its 1998 reported lending to low- or moderate-income borrowers. The level of bank lending to low- and moderate-income borrowers is consistent with its overall small level of HMDA-reportable lending activity in both 1997 and 1998.

**Innovative or Flexible Lending Practices**

The bank participates in flexible and innovative lending practices designed to meet the credit needs of low- and moderate-income individuals and small business owners. The bank participates in the Wisconsin Housing and Economic Development Authority (WHEDA) HOME program. The bank has originated 3 loans totaling \$173,500 under the program since the previous examination. The bank has also originated 47 Small Business Administration (SBA) loans totaling \$8,280,660 since the previous examination.

**CONCLUSION**

The bank's overall lending performance is considered strong. Its eight-quarter average loan to-deposit ratio is significantly above its national peer group and local competitors. A substantial majority of the bank's loans are originated within its assessment area. The bank's small business lending in low- and moderate-income census tracts is reasonable. The bank has a strong level of loan penetration to small businesses with gross annual revenues of less than \$1 million. The bank did not have any loans which qualified as community development loans; however, a review of demographic information including that provided by community representatives, did not reveal unmet community development lending needs in its assessment area.

**INVESTMENT TEST**

The bank's investment portfolio, donations and special programs that contribute to local community development efforts were reviewed. Qualified investments or grants were reviewed for innovativeness, responsiveness to credit and community development needs and the degree to which these investments are not routinely provided by private investors. No significant opportunities were identified during the examination in which the bank could make qualified community development investments in the form of securities, in organizations that qualify under the regulation.

Degree to Which Investments are not Provided by Private Investors

The only qualifying investment activity by the bank was a \$500 donation to CAP Services Inc. Although the bank's assessment area offers limited opportunities for qualifying investments, a review of local organizations revealed that there are other qualifying organization within its assessment area.

Responsiveness to Available Opportunities

The bank's current level of investment does not reflect efforts to take advantage of available opportunities for qualifying CRA investments within its assessment area.

**CONCLUSION**

The bank's performance under the investment test is considered to be marginally adequate. The bank has a limited level of CRA investment activity in relation to the available investment opportunities in its assessment area.

**SERVICE TEST**

The bank's systems for delivering retail banking and community development services were reviewed for range and accessibility, responsiveness and innovation. The bank's alternative service delivery systems were also reviewed. Additionally, the distribution of bank branches, its record of opening and closing branch offices, and community development service activity were reviewed.

Retail Banking Services

F&M Bank-Appleton is a full-service bank with three branches and three ATMs located within its assessment area. The bank offers a full variety of deposit services, business, consumer and real estate loans to businesses, local governments, and individuals within its assessment area.

The bank's 103 West College Avenue branch is in census tract 101.00 in downtown Appleton, which is a moderate-income tract. The bank does not have a lender at this location or the 3000A East College Avenue supermarket branch; however, personal credit line applications are available.

Distribution of Branches Among Census tracts

The following table details the bank's branch/drive-up facility locations and hours of operation:

Appleton-Main 1935 E. Calumet Street	203.01	Lobby:  Drive-Up:	8:30am-5:00pm 8:30am-6:00pm 8:00am-12:00pm 7:30am-5:00pm 8:00am-12:00pm	Monday, Tues, Wed, Friday Thursday Saturday Monday-Friday Saturday
333 South Nicolet Road, Appleton	125.00	Lobby:  Drive-Up:	8:30am-5:00pm 8:30am-6:00pm 8:00am-12:00pm 7:30am-5:00pm 8:00am-12:00pm	Monday, Tues, Wed, Friday Thursday Saturday Monday-Friday Saturday
103 West College Avenue, Appleton	101.00	Lobby:  Drive-Up:	8:30am-5:00pm  N/A	Monday-Friday
3000A East College Avenue, Appleton	4601.02	Lobby:  Drive-Up:	10:00am-6:00pm 9:00am-2:00pm N/A	Monday-Friday Saturday

Record of Opening and Closing Offices

The bank opened a supermarket branch on 3000A East College Avenue since the previous examination. No branches have been closed since the previous examination.

Alternative Systems for Delivering Retail Banking Services

The bank also provides deposit services through ATMs at the following locations, in addition to the loan and deposit services available at its offices:

Main Bank	1935 East Calumet, Appleton
Menasha	Highway 10 & 114
Grocery store branch	3000 East College Avenue, Appleton

Range and Accessibility of Services Within the Assessment Area

The bank and its branch network offer an array of services that meet the credit and deposit needs of its assessment area, including low- and moderate-income individuals and small businesses. The bank offers the following products and services in addition to its basic banking services:

- Free ‘N Easy Checking Accounts- No monthly service fee account, featuring no minimum balance requirement and 50 free checks.
- Anytime Line- Toll-free, 24-hour phone banking service which allows customers the ability to obtain account information, transfer funds, make loan payments, and order checks.
- PC banking service- Provides customers with 24-hour banking access through the use of a

personal computer.

- Increased access- F&M Bank customers have free access to any F&M Bank affiliate offices and ATMs without charge. The F&M Branch network includes over 80 locations within Wisconsin, Iowa and Minnesota.

#### Community Development Services

There are a limited number of qualifying community development organizations within the bank's assessment area; however, the bank and its senior management have limited roles in local organizations that promote community development consistent with the regulation requirements. Management permits bank staff to attend outside organization meetings during business hours. Bank senior management has not had the opportunity to take a more recent active role with local community development service organizations due to a significant level of staff turnover related to the Citizens Bank merger. A bank lender maintains referral relationships with WHEDA, CAP Services Homebuyer Assistance Programs and Habitat for Humanity. Loan Office John Anderson provides applicant counseling and referrals to the above-mentioned programs.

#### **CONCLUSION**

The bank's performance under the service test is rated low satisfactory. The bank's primary and alternative service delivery systems are accessible within its assessment area. Bank offices and hours of service are reasonably suited to meet the needs of its customers. The bank's record of opening and closing offices has not adversely affected the accessibility of its products and services to low- and moderate-income individuals residing within its assessment area. The bank offers additional accessibility to various services within the State of Wisconsin through its banking affiliates. The bank's recent limited community development services activity is related to staff turnover.

#### **GENERAL**

The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity and the Fair Housing Acts.