

## **PUBLIC DISCLOSURE**

February 29, 2000

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

**M&I BANK FOX VALLEY**

RSSD Number: 566841

221 West College Ave.  
Appleton, Wisconsin 54911

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 **M&I Bank Fox Valley, Appleton, Wisconsin**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **February 29, 2000**. The agency evaluates performance in assessment areas, 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**.

M&I Bank Fox Valley has a strong record of serving its combined assessment area, based upon a review of its lending, qualified investments and services. Management has taken an active role in meeting community credit needs within its combined assessment area as demonstrated in its lending to low- and moderate-income individuals and to small businesses. A significant percentage of the bank's loans were originated within its combined assessment area. The bank's lending efforts reflect strong penetration among low- and moderate-income individuals and to businesses of different revenue sizes. Residential real estate and small business lending also reflect a reasonable geographic distribution within the bank's combined assessment area. The bank has a reasonable level of community development lending. Furthermore, the bank had an adequate level of qualified grants that benefit small businesses and low- and moderate-income individuals and families.

The bank also provides a significant level of qualified community development services that benefit low- and moderate-income individuals and families. The bank's accessibility of delivery systems and reasonableness of business hours provide adequate access to individuals and businesses in its combined assessment area. The bank has 26 automated teller machines and it offers alternative access via personal computer home banking. M&I offers a customer service hotline, MI Line II, separate from its MI Line, its toll-free account access number. MI Line II is toll-free and it accepts complaints and comments from M&I customers 24 hours per day.

The following table details the performance level of **M&I Bank Fox Valley, 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.

<b>PERFORMANCE LEVELS</b>	<b>M&amp;I BANK FOX VALLEY</b>		
	<b>PERFORMANCE TESTS</b>		
	<b>Lending Test</b>	<b>Investment Test</b>	<b>Service Test</b>
Outstanding			
High Satisfactory	<b>X</b>	<b>X</b>	<b>X</b>
Low Satisfactory			
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 M&I BANK FOX VALLEY'S ASSESSMENT AREA**

The bank defines its combined assessment area as all of Outagamie and Calumet Counties, and portions of Winnebago and Waupaca Counties; all of which are located in northeastern Wisconsin. Outagamie, Calumet and Winnebago Counties comprise the Appleton-Oshkosh-Neenah Metropolitan Statistical Area (MSA). The bank's combined assessment area contain 70 census tracts and block numbering areas (BNAs); three are defined as low-income, three as moderate-income, 57 as middle-income and seven as upper-income tracts. The three low-income census tracts have no population; thus, activity within these tracts will be evaluated accordingly. The bank's overall performance will be evaluated separately within the Appleton-Oshkosh-Neenah MSA and within the Waupaca County non-MSA assessment area.

The population of the bank's combined assessment area is 269,554 including 72,971 households that are considered families based upon 1990 census data. The median family income is \$37,671, which is higher than that of the state and all non-metropolitan areas statewide at \$35,082 and \$30,290, respectively. Approximately 14.0 percent of families within the combined assessment area are considered low-income, 17.9 percent are moderate-income, 30.0 percent are middle-income, and 38.1 percent are upper-income. Approximately 4.6 percent of families had incomes below the poverty level.

**Appleton-Oshkosh-Neenah MSA**

The portion of the bank's combined assessment area that is within the Appleton-Oshkosh-Neenah MSA consists of Outagamie and Calumet Counties and the northern third of Winnebago County (18 of the 39 census tracts). This area will be referred to as the Appleton assessment area. The Appleton assessment area contains 76.2 percent of the total population and 78.0 percent of all families within the Appleton-Oshkosh-Neenah MSA based upon 1990 census data. The population of the Appleton assessment area is 240,009, including 65,029 families. The median family income is \$38,325, which is slightly higher than that of the MSA at \$37,202.

The population of the Appleton MSA is estimated to have increased by 33,529 (10.6 percent) between 1990 and 1998 to 348,650.<sup>1</sup> This was at a slightly higher rate than the state with a 7.0 percent growth rate. The population of the City of Appleton in which the bank's main office is located and which is the largest municipality in Outagamie County, is estimated to have increased 6.0 percent between 1990 and 1998 to 69,607.

Low unemployment rates are an indicator of the strength in the local economy at this time. The MSA unemployment rate dropped from 2.7 percent in January 1999 to 1.9 percent in September and then increased to 2.1 percent in December according to the Wisconsin Department of Workforce

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1 Wisconsin State Department of Administration, Demographic Services Center, Wisconsin Population Projections City, Town, Village.

Development. The MSA's unemployment rate as of March 2000 was 2.2 percent. The MSA annual average unemployment rate has consistently been below that of the state throughout the 1990s. Many employers have experienced difficulty in finding qualified workers.

The top five principal (services )employers in the MSA as of 1998<sup>2</sup> were United Health Group (health care services) with 3,500 employees, Theda Clark Medical Center with 3,388 employees, Affinity Health System (health care services) with 3,000 employees, Aid Association for Lutherans (fraternal benefits and financial services) with 1,589 employees and St. Elizabeth Hospital with 1,330 employees.

The manufacturing sector has the largest number of employees at 58,700 followed by 45,000 employed within the services and miscellaneous industry, which would include the health care sector. Within Outagamie County, Appleton Papers, Incorporated (coated paper products) is the largest private sector employer with over 1,000 employees. Tecumseh Products (lawn mower and snowmobile engines) is the largest private sector employer in Calumet County with over 1,000 employees. Finally, Kimberly Clark Corporation in Winnebago County is the largest private sector employer with over 1,000 employees. Approximately 87.6 percent of the businesses in the MSA have revenues less than \$1 million and are considered small businesses, based upon 1998 Dun and Bradstreet data. The largest category of businesses within the MSA based upon revenues at 31.7 percent, has gross annual revenues of from \$100,000 to \$249,000.

The Appleton assessment area is experiencing significant growth. The areas west of Highway 41 and on the east side of the city are the areas in which the majority of new commercial expansion has taken place in the past few years. Community representatives involved in economic development and residential real estate sales indicated that the area economy is booming. The area is also experiencing significant housing growth to the north and east of the City of Appleton.

There are 91,060 housing units within the Appleton assessment area compared to 120,511 within the MSA, based upon 1990 census data. Approximately 69.7 percent of the total housing units were owner-occupied, 26.6 percent were rental units and 3.8 percent were vacant within the Appleton assessment area. The median housing value in the assessment area was \$63,388. Currently, the cost of an average single-family home will range from \$85,000 to \$125,000 within the city of Appleton according to community representatives, knowledgeable of such sales activity. Approximately 67.4 percent of the total housing units were owner-occupied, 28.5 percent were rental units and 4.1 percent of the units were vacant within the MSA. The 1990 MSA median housing value was \$61,999.

Banks and credit unions within the MSA are providing the credit products needed by the community, such as mortgage, consumer and small business loans. Several banks in the area have successful first-time homebuyer programs and participate in FHA and Wisconsin Housing and Economic Development

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2 Fox Cities Chamber of Commerce & Industry, 1998 Estimates of Local Employment.

Authority (WHEDA) loan programs. There are also several non-profit housing organizations, downtown revitalization programs and down payment assistance programs, including the Appleton Housing Authority's DOORS Home Buyer Program, the Weyauwega Downtown Revitalization program, the Federal Home Loan Bank's down payment assistance and Movin' Out Affordable Housing programs and Community Action Program (CAP) Services programs. Community representatives indicated that there were limited community development opportunities available in which the area financial institutions could participate.

### **Waupaca County**

The portion of the bank's assessment area that is within Waupaca County consists of seven of the county's 12 block numbering areas (BNAs). The bank's assessment area contains 64.1 percent of the total population and 64.0 percent of the families within Waupaca County based upon 1990 census data. The population of the bank's assessment area is 29,545 including 7,942 families. The median family income is \$32,946, which is higher than that of the county at \$31,646 and for all non-metropolitan areas statewide at \$30,202; however, it is lower than that of the state at \$35,082.

The population of Waupaca County is estimated to have increased by 3,647 (7.9 percent) between 1990 and 1998 to 49,751.<sup>3</sup> This was at a slightly higher rate than the state with a 7.0 percent growth rate. The bank has two branches in Waupaca County; one in the City of Weyauwega and one in the Town of Fremont. The City of Weyauwega is the seventh largest municipality or township in Waupaca County with a 1998 estimated population of 1,717, which is an increase of 3.1 percent since 1990.

Over 23 percent of Waupaca County residents commute for work outside the county, and more than 50 percent of those persons commute to Outagamie County. The county's annual average unemployment rate has generally fallen from 5.0 percent in 1992 to 3.3 percent in 1999; however, the unemployment rate increased to 4.2 percent as of March 2000. Manufacturing employment represents 30.0 percent of nonfarm wage and salary jobs in Waupaca County; however, health services is the largest industry sector in the county.

The top five employers in the county as of first quarter 1998<sup>4</sup> were Waupaca Foundry, Incorporated (iron castings), A. Sturm & Sons, Incorporated (powdered drink mixes), Krause Publications, Incorporated (printing and publishing), FWD Corporation (transportation equipment) and Presto Products (plastic bags). Waupaca Foundry has more than 1,000 employees while the remaining firms have between 250 and 499 employees.

There are 12,676 housing units within this assessment area compared to 20,141 housing units within the

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3 Wisconsin State Department of Administration, Demographic Services Center. *Official Population Estimates*, January 1, 1998.

4 Wisconsin Department of Workforce Development, Bureau of Workforce Information, 1<sup>st</sup> Quarter 1998.

county, based upon 1990 census data. A total of 64.9 percent of the total housing units were owner-occupied, 21.4 percent were rental units and 13.7 percent of the units were vacant within this assessment area. The median housing value in this assessment area was \$52,871. Approximately 64.4 percent of the total housing units were owner-occupied, 20.2 percent were rental units and 15.4 percent of the units were vacant within the county. The median housing value in the county was slightly lower than that of this assessment area at \$49,347.

A community representative knowledgeable of area community development activities indicated that the Town of Waupaca and Waupaca County continue to experience growth. The area housing stock is in satisfactory condition and new housing construction is prevalent. Affordable housing and rental units are also available. The financial institutions in the area are providing the credit products needed by the community, including mortgage, consumer and small business loans. The community representative was unaware of any additional opportunities related to community development in which financial institutions could participate.

## **DESCRIPTION OF INSTITUTION**

M&I Bank Fox Valley is wholly-owned by Marshall & Ilsley Corporation, a multi-bank holding company based in Milwaukee, Wisconsin. Marshall & Ilsley Corporation had \$24,369,723,000 in total assets as of December 31, 1999. M&I Bank Fox Valley had total assets of \$969,458,000 as of March 31, 2000. No financial or legal impediments exist that might affect the institution's ability to meet the credit needs of its combined assessment area. The bank's CRA performance was most recently evaluated as of December 15, 1997, at which time it was rated satisfactory.

The bank's branch network consists of its main office, 12 branch locations, one drive-through facility and one loan production office (LPO). Four of the bank's branches, the drive-up facility and the LPO are located within Appleton. The bank has two additional branches in Outagamie County outside of Appleton, three branches in Calumet County, two in Winnebago County and two in Waupaca County. The bank's main office is located within a moderate-income census tract. The other branch locations are located in middle- and upper-income geographies (census tracts or block numbering areas). Consumers may apply for consumer credit products at 12 of the bank's 15 locations. The bank also has 26 automated teller machines (ATMs) at 24 different locations within its combined assessment area.

Competition within the bank's combined assessment area is strong and is derived from very large financial institutions and a number of smaller local banks, thrifts and credit unions. The largest institutions competing for customers within the bank's combined assessment area are Bank One, Wisconsin (branch of Milwaukee); Norwest Bank Wisconsin, N.A. (branch of Milwaukee); Associated Bank, N.A. (branch of Neenah); Anchor Bank, S.S.B. (branch of Madison); Capital Credit Union (branch of Kimberly) and Community First Credit Union.

The bank offers a variety of credit products to meet the credit needs of its combined assessment area. The types of credit offered by the bank include commercial, residential real estate mortgage (including fixed- and adjustable-rate mortgage and variable-rate construction), agricultural, consumer and student loans and home equity lines of credit. The bank also participates in several loan programs including the State and Federal Veterans Administration (VA) programs, its corporate Neighborhood Home Loan Program (NHLP), the Wisconsin Housing and Economic Development Authority (WHEDA) programs, the Midtown North Neighborhood Revitalization home equity loan program in Appleton and the Weyauwega Downtown Revitalization program. Finally, the bank offers residential real estate mortgage loans through its participation in the secondary market.

Loans and leases totaled \$195,957,000 or 55.53 percent of total assets based upon the bank's December 31, 1999 Report of Condition. The composition of the bank's loan portfolio as of the same date is detailed in Table 1.

<b>Loan Type</b>	<b>Amount (\$000s)</b>	<b>Percent</b>
1-4 Family Residential Real Estate	206,158	35.27
Commercial Real Estate	136,224	23.30
Commercial & Industrial	120,786	20.66
Agricultural & Farmland	44,538	7.62
Consumer	24,575	4.20
Home Equity Lines of Credit	16,789	2.87
Construction & Land Development	10,360	1.77
Multifamily Residential Real Estate	8,868	1.52
Credit Cards and Personal Reserve Accounts	7,517	1.29
State & Political Obligations	6,775	1.16
Other	1,781	0.30
Lease Financing Receivables	173	0.04
<b>Total</b>	<b>584,544</b>	<b>100.00</b>

The largest percentage of the bank's portfolio by dollar volume consists of 1-4 family residential real estate loans at 35.27 percent followed by commercial real estate at 23.30 percent as shown in Table 1.

The bank is primarily a commercial lender, as its commercial real estate combined with its commercial/industrial lending comprises 43.96 percent of its loan portfolio. Agricultural lending represents the next largest category of lending at 7.62 percent. Consumer lending represents a small percentage of the bank's loan portfolio at only 4.20 percent.

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

M&I Bank Fox Valley's performance under the lending, investment and service tests is summarized in each section. Lending data and pertinent supporting information related to performance characteristics

for the bank's two assessment areas follow in detail.

### **LENDING TEST**

The assessment of M&I Bank Fox Valley's performance includes its overall lending activity; assessment area lending concentration; geographic distribution of lending; distribution of lending to borrowers of different income levels; community development lending; lending to small businesses and small farms and product innovation and flexibility.

#### **Lending Volume**

The bank's overall lending levels reflect a generally strong responsiveness to credit needs within its combined assessment area. The bank's average net loan-to-deposit ratio over the past eight quarters since the previous CRA examination is 79.34 percent. The bank's ratio is higher than that of its national peers, at 77.96 percent. It is lower, however, than those of two of three of its local competitors with ratios ranging from 58.12 percent to 124.77 percent.

The bank's average loan-to-deposit ratio does not fully capture its lending activity based upon two extenuating factors. First, the bank originates and sells home mortgage loans through its affiliate, M&I Mortgage Corp. In 1998, M&I Mortgage Corp. originated 1,366 residential real estate loans from all applications forwarded by M&I Bank Fox Valley for a total of \$149,825,000; 89 percent or 1,215 loans were within the bank's combined assessment area. In 1999, M&I Mortgage Corp. originated 479 residential real estate loans for a total of \$56,422,000 from all applications forwarded by the bank; 90 percent or 432 loans were originated within its combined assessment area. Second, the bank securitizes large volumes of residential real estate loans each year. The bank had \$47,473,000 in securitized loans as of December 31, 1998 and \$33,104,000 in securitized loans as of December 31, 1999. The bank's overall lending levels are strong and reflect its willingness to meet area credit needs given these considerations.

**Assessment Area Concentration**

The analysis of the bank's concentration of lending within its assessment area is based upon the bank's HMDA-, small business and small farm-reportable loan originations. Table 2 details the percentage and dollar amount of loans that were originated within the bank's combined assessment area by product type.

Loan Product	Total Originations		Within the Combined Assessment Area			
	#	\$(000s)	#	%	\$(000s)	%
Home Purchase	406	47,796	328	80.8	36,627	76.6
Refinancing	851	53,854	756	88.8	47,135	87.5
Home Improvement	261	4,462	243	93.1	4,189	93.9
Multi-family	5	2,667	5	100.0	2,667	100.0
Total Mortgage Loans	1,523	108,779	1,332	87.5	90,618	83.3
Small Business	1,263	177,614	1,176	93.1	153,185	86.2
Small Farm	496	31,839	408	82.3	24,216	76.1
<b>TOTAL</b>	<b>3,282</b>	<b>318,232</b>	<b>2,916</b>	<b>88.8</b>	<b>268,019</b>	<b>84.2</b>

As Table 2 illustrates, 89 percent of the bank's total number of loans and 84 percent of its total dollar volume of loans were originated within its combined assessment area in 1998. The following table reflects the bank's 1999 HMDA, small business and small farm reportable lending.

Loan Product	Total Originations		Within the Combined Assessment Area			
	#	\$(000s)	#	%	\$(000s)	%
Home Purchase	493	57,687	417	84.6	47,228	81.9
Refinancing	637	41,080	560	87.9	36,143	88.0
Home Improvement	232	3,911	210	90.5	3,566	91.2
Multi-family Housing	3	590	0	0.0	0	0.0
Total Mortgage Loans	1,365	103,268	1,187	87.0	86,937	84.2
Small Business	1,032	149,780	938	90.9	129,932	86.7
Small Farm	396	23,269	342	86.4	19,000	81.7
<b>TOTAL</b>	<b>2,793</b>	<b>276,317</b>	<b>2,467</b>	<b>88.3</b>	<b>235,869</b>	<b>85.4</b>

As Table 3 illustrates, 88 percent of the bank's total number of loans and 85 percent of its total dollar

volume of reportable loans were originated within its combined assessment area in 1999. A review of all reportable lending indicates that the most significant changes in the bank's lending from 1998 to 1999 occurred in its refinance and home purchase lending. The bank's volume of home mortgage refinancing lending decreased by 26 percent while its home purchase lending increased 21 percent from 1998 to 1999. Interest rates decreased during 1998, prompting many homeowners across the country, including those in northeast Wisconsin, to refinance their home mortgage loans. This market slowed considerably in 1999 when demand declined and interest rates began to level off; however, it did not negatively impact the level of the bank's home purchase lending. The balance of the bank's lending generally decreased from 1998 to 1999: home improvement lending decreased 11 percent, small business lending decreased 18 percent and small farm lending decreased 20 percent. However, despite the decreases in overall lending levels, the bank's lending within its combined assessment area in 1998 and 1999 continues to reflect a high responsiveness to area credit needs.

**Geographic Distribution**

The analysis of the geographic distribution of the bank's lending will focus on its level of lending within low- and moderate-income census tracts or BNAs within its combined assessment area. The Waupaca assessment area contains only middle- and upper-income BNAs. As a result, the geographic distribution of the bank's lending will only be reviewed within the Appleton assessment area. The bank has three moderate-income and no low-income tracts within its Appleton assessment area; two in Outagamie County and one in Winnebago County. The bank's performance will also be analyzed in comparison to the performance of the aggregate of all reporting lenders in the MSA, since the bank's assessment area consists of a majority of the MSA tracts. The data representing the aggregate of all reporting lenders is only available for 1998 at this time.

The following tables and data illustrate the geographic distribution of the bank's 1998 and 1999 HMDA- and small business-reportable lending. Small farm reportable lending will not be included in the geographic distribution analysis since all three of the moderate-income census tracts within the Appleton assessment area are located in the City of Appleton and the Town of Menasha and would not support any agricultural lending.

The following table details the distribution of 1998 loan originations by the income level of the census tracts within the bank's Appleton assessment area.

<p style="text-align: center;"><b>Table 4</b> <b>GEOGRAPHIC DISTRIBUTION OF</b> <b>M&amp;I BANK FOX VALLEY'S 1998 LENDING</b> <b>Appleton-Oshkosh-Neenah MSA</b></p>
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Income Level of Census Tracts	Percentage of HMDA Loans Reviewed				Percentage of Small Business Loans Reviewed				Percentage of Census Tracts within MSA**	Percentage of Census Tracts within the Appleton Assessment Area**
	Bank		Market*		Bank		Market*			
	#	%	#	%	#	%	#	%		
Moderate-income	20	1.7	994	3.9	70	6.2	345	9.0	9.5	4.7
Middle-income	1,001	84.4	20,973	82.0	683	60.3	2,926	72.9	78.5	81.0
Upper-income	165	13.9	3,570	14.0	379	33.5	468	12.3	7.1	9.5

\* Market originations less lender activity.

\*\* Based upon 1990 census data.

The percentage of the bank’s 1998 HMDA and small business reportable lending within moderate-income census tracts is lower than that of the aggregate of all market lenders and the percentage of moderate-income census tracts within the assessment area. Nevertheless, the majority of the census tracts within the bank’s Appleton assessment area are considered middle- or upper-income; thus, it is reasonable to expect that a large share of its lending would be in these tracts. There are eight moderate-income census tracts within the MSA as compared to three moderate-income tracts within the bank’s Appleton assessment area. In addition, only 1.8 percent of the total families within the bank’s Appleton assessment area reside within moderate-income census tracts based upon 1990 census data. In comparison, the number of families within moderate-income census tracts in the MSA represents 5.6 percent of total families. In addition, there are only 430 businesses located within the moderate-income census tracts of the bank’s Appleton assessment area, which is 5.7 percent of all businesses within the assessment area. There are 804 businesses or 10.7 percent within all moderate-income census tracts within the MSA. The geographic distribution of the bank’s 1998 reportable lending is consistent with the percentage of families within moderate-income tracts and the distribution of the bank’s small business lending is consistent with the percentages of small businesses within moderate-income tracts within its Appleton assessment area.

Table 5 details the distribution of 1999 HMDA and small business reportable loans by the income level of the census tracts within the MSA.

Income Level of Census Tracts	Percentage of HMDA Loans Reviewed		Percentage of Small Business Loans Reviewed		Percentage of Census Tracts within MSA*	Percentage of Census Tracts within Appleton Assessment Area*
	Bank		Bank			
	#	%	#	%		
Moderate-income	13	1.1	60	6.4	9.5	4.7
Middle-income	1,004	84.6	612	65.2	78.6	81.0
Upper-income	170	14.3	266	28.4	7.1	9.5

\* Based upon 1990 census data.

The geographic distribution of the bank’s reportable lending reflects a generally strong penetration within its combined assessment area, including moderate-income census tracts. Again, since the MSA and the bank’s assessment area contain primarily middle- and upper-income census tracts, it is reasonable to

expect that the largest percentage of its HMDA and small business reportable lending is located within these areas. The bank's percentage of HMDA lending in moderate-income census tracts is generally consistent with the 1.8 percent of all families within the assessment area residing within moderate-income census tracts. In addition, there are only 430 businesses located within the moderate-income census tracts of the bank's Appleton assessment area, which is 5.7 percent of all businesses within this assessment area. The geographic distribution of the bank's 1999 reportable lending is consistent with the percentage of families within moderate-income tracts and the distribution of the bank's small business lending is consistent with the percentages of small businesses within moderate-income tracts within its Appleton assessment area.

**Lending Distribution by Borrower's Income and Business Revenue**

The bank's lending to borrowers of different income levels and businesses of different revenue sizes reflects a strong level of penetration.

The following tables and narrative illustrate the distribution of the bank's HMDA-reportable lending by borrower income characteristics and small business and small farm lending based upon the loan size and revenue size of the business. The bank's 1998 performance will first be analyzed within the MSA for which aggregate market data is available, and then within its combined assessment area. The bank's 1999 performance will be analyzed only within its combined assessment area, as aggregate market data is not available.

The bank has a generally strong record of HMDA reportable lending considering the income characteristics of the assessment area population and the housing market within the MSA. Approximately 34 percent of the population are low- or moderate-income families based upon 1990 census data. In addition, 4.9 percent of families have incomes below the poverty level.

The assessment area median housing value is \$61,999, which is slightly lower than that of the State of Wisconsin at \$62,141 based upon 1990 census data. However, the median sales price of an average single family home at the end of the third quarter of 1999 in Outagamie County was \$105,700, \$129,300 in Calumet County, and \$91,900 in Winnebago County according to the Wisconsin Realtors Association. An area realtor contacted during the examination indicated that a single-family home within Appleton would sell from \$85,000 to \$125,000. The area housing market is strong; however, two community representatives involved in economic development indicated that there exists a shortage of affordable housing for both rental and purchase.

The distribution of HMDA-reportable lending to low- and moderate-income borrowers is strong in comparison to the aggregate of all reporting lenders and given the demographic characteristics of the MSA as illustrated in the following table.

<b>Table 6</b>
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<b>INCOME DISTRIBUTION OF M&amp;I BANK FOX VALLEY'S AND M&amp;I MORTGAGE CORP.'S 1998 HMDA LENDING COMPARED TO MARKET DISTRIBUTION Appleton-Oshkosh-Neenah MSA</b>					
<b>Income Level of Borrower</b>	<b>Percentage of HMDA Loans Reviewed</b>				<b>Percentage of Families Within Assessment Area (1990 census data)</b>
	<b>Bank</b>		<b>Market*</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	
Low-income	107	9.0	1,407	5.5	15.4
Moderate-income	227	19.1	4,492	17.6	18.8
Middle-income	359	30.3	8,219	32.1	30.3
Upper-income	470	39.6	9,366	36.6	35.6
Borrowers for which income not available	23	1.9	2,092	8.2	

\* Market originations less lender activity.

The distribution of the bank's lending based upon the income level of the borrower compares favorably to the lending distribution of the aggregate of all market reporters. The bank's distribution of lending to moderate-income families is higher than both the aggregate (market) and the percentage of moderate-income families within this assessment area. In addition, approximately 4.9 percent of assessment area families have incomes below the poverty level based upon 1990 census data, generally limiting the percentage of low- and moderate-income families that would be considered economically viable for home mortgage loans. The bank's lending to low-income families is consistent with these demographic characteristics and aggregate lending levels.

Table 7 illustrates the distribution of the bank's 1998 HMDA-reportable lending within its combined assessment area.

<b>Table 7</b> <b>INCOME DISTRIBUTION OF M&amp;I FOX VALLEY BANK'S</b> <b>AND M&amp;I MORTGAGE CORP.'S</b> <b>1998 HMDA LENDING</b> <b>Combined assessment area</b>			
Income Level of Borrower	Percentage of HMDA Loans Reviewed		Percentage of Families Within Assessment Area (1990 census data)
	Bank		
	#	%	
Low-income	115	8.6	14.0
Moderate-income	261	19.6	17.9
Middle-income	399	30.0	30.0
Upper-income	535	40.2	38.1
Borrowers for which income is not available	22	1.7	

The income distribution of the bank’s 1998 lending within its combined assessment area is consistent with the assessment area demographic characteristics. The percentage of the bank’s 1998 HMDA-reportable lending to moderate-income families within its combined assessment area is relatively consistent with its percentage of lending in the Appleton-Oshkosh-Neenah MSA. In addition, approximately 4.6 percent of the combined assessment area families have incomes below the poverty level based upon 1990 census data, generally limiting the percentage of low- and moderate-income families that would be considered economically viable for a home mortgage loan. The bank’s lending to moderate-income families also exceeds the percentage of moderate-income families within its combined assessment area.

Table 8 illustrates the distribution of the bank’s 1999 HMDA-reportable lending by borrower income levels within its combined assessment area.

<b>Table 8</b> <b>INCOME DISTRIBUTION OF M&amp;I FOX VALLEY BANK'S</b> <b>AND M&amp;I MORTGAGE CORP.'S</b> <b>1999 HMDA LENDING</b> <b>Combined assessment area</b>			
Income Level of Borrower	Percentage of HMDA Loans Reviewed		Percentage of Families Within Assessment Area (1990 census data)
	Bank		
	#	%	
Low-income	101	8.5	14.0
Moderate-income	251	21.1	17.9
Middle-income	357	30.1	30.0
Upper-income	459	38.7	38.1
Income is not available	19	1.6	

The bank’s lending within its combined assessment area to low- and moderate-income borrowers is generally strong given the demographic characteristics of the area. The bank’s lending to moderate-income families increased while the level of lending to low-income families remained relatively consistent with its lending in 1998. In addition, approximately 4.6 percent of the combined assessment area families have incomes below the poverty level based upon 1990 census data, generally limiting the percentage of low- and moderate-income families that would be considered economically viable for a home mortgage loan. The level of lending to moderate-income families significantly exceeds the percentage of moderate-income families within the bank’s combined assessment area. The bank’s lending to borrowers of different income levels generally reflects a trend of consistent penetration among low-income borrowers and increasing penetration among moderate-income borrowers.

The bank’s overall lending to small businesses and small farms is strong. The bank originates the majority of its reported small business and small farm loans in amounts of \$100,000 or less, amounts typically needed by small businesses and small farms. The following table illustrates the distribution of the bank’s 1998 small business and small farm reportable lending within its combined assessment area by loan size.

<b>Table 9</b> <b>M&amp;I BANK FOX VALLEY’S 1998</b> <b>DISTRIBUTION OF SMALL BUSINESS AND SMALL FARM LOANS</b> <b>BY LOAN SIZE</b> <b>Combined assessment area</b>				
Loan Value Category	Small Business Loans		Small Farm Loans	
	Number	Percentage	Number	Percentage
Less than or equal to \$100,000	786	66.8	338	82.8
Greater than \$100,000 but less than or equal to \$250,000	209	17.8	52	12.8
Greater than \$250,000	181	15.4	18	4.4
Total	1,176	100.0	408	100.0

In addition, the bank originated 851 loans or 72.4 percent of all 1998 small business reportable loans within its combined assessment area to those small businesses with gross annual revenues of \$1 million or less. In addition, 404 of the bank’s small farm loans or 99 percent were to farms with gross annual revenues of \$1 million or less. Finally, the bank ranked first among lenders within the Appleton-Oshkosh-Neenah MSA for total number and dollar volume of lending to small businesses and small farms in 1998.

The following table details the distribution of the bank’s 1999 small business and small farm reportable lending within its combined assessment area.

<b>Table 9</b> <b>M&amp;I BANK FOX VALLEY'S 1999</b> <b>DISTRIBUTION OF SMALL BUSINESS AND SMALL FARM LOANS</b> <b>BY LOAN SIZE</b> <b>Combined assessment area</b>				
Loan Value Category	Small Business Loans		Small Farm Loans	
	Number	Percentage	Number	Percentage
Less than or equal to \$100,000	623	66.4	290	84.8
Greater than \$100,000 but less than or equal to \$250,000	189	20.2	38	11.1
Greater than \$250,000	126	13.4	14	4.1
Total	938	100.0	342	100.0

The bank’s lending to small businesses and small farms within its combined assessment area is strong given the demographic characteristics of the area. In 1999, 66.4 percent of reported small business loans were in amounts of \$100,000 or less. Of the bank’s 938 small business loans, 686 or 73.1 percent were to businesses with gross annual revenues of \$1 million or less. In addition, all of the bank’s agricultural loans reported in 1999 were in amounts of \$500,000 or less, and 84.8 percent of those were in amounts of \$100,000 or less. Of the 342 small farm loans, 336 or 98.2 percent were to farms with gross annual revenues of \$1 million or less. Market data is not available for 1999. Approximately 88 percent of all businesses within the Appleton-Oshkosh-Neenah MSA have gross annual revenues of less than \$1 million based upon 1998 Dun and Bradstreet data.

The bank’s lending to small businesses and small farms is strong based upon a review of 1998 and 1999 lending within its combined assessment area to businesses and farms with gross annual revenues of \$1 million or less and its lending to small businesses and farms in original amounts of \$100,000 or less.

**Community Development Lending**

The bank engages in lending to support affordable housing, small business expansion and other community development activities. The bank’s combined assessment area provides limited community development lending opportunities, based upon discussions with community representatives and bank management. Currently, the bank has only two commercial loans having a community development purpose. The first loan is to the Emergency Shelters of Appleton, Incorporated, a homeless shelter in Appleton, with an outstanding balance of \$264,012. The second loan is to the Boys and Girls Club of Fox Valley in the amount of \$595,000, \$520,000 of which was new money for the purpose of acquisition and improvements of real estate in a low-income area. The Boys and Girls Club is an organization particularly concerned with the special needs of children from challenging backgrounds.

In addition to the above loans, the bank extended a letter of credit to the Outagamie County Housing Authority (Authority) in the amount of \$2,247,321. This letter of credit was extended to enhance credit bonds issued for the purpose of affordable housing development. The letter of credit allows for a

reduced interest rate to the Authority since the full faith and credit of M&I Bank Fox Valley backs the bonds.

The bank participates in community development lending opportunities as they are available, including those outside their combined assessment area. The bank has two outstanding loans for the purpose of affordable housing development for a total of \$2,461,224. One is located in Fond du Lac in Winnebago County south of the bank's combined assessment area and the other is in Green Bay northeast of its combined assessment area. Community development representatives have indicated that the Appleton-Oshkosh-Neenah MSA needs affordable housing development and discussions for such development have been initiated. Any resulting projects would provide area financial institutions with additional opportunities to provide financing.

The bank also provides innovative products and it has flexible lending standards designed to meet the credit needs of low- and moderate-income individuals and families. The bank participates in several government sponsored loan programs such as the HOME program, sponsored by WHEDA, to provide mortgage loans for low- and moderate-income individuals and families. The bank also offers the M&I Neighborhood Home Loan Program (NHLP), which allows applicants to access long-term fixed-rate, adjustable-rate and balloon mortgage loans. These mortgage loans have a maximum loan-to-value of 97 percent, and are available for single- and multi-family residences. The bank made 73 loans through WHEDA for \$4,577,000, 55 Federal Veterans Administrations (VA) loans for \$4,523,000, 32 State VA loans for \$3,219,000 and 37 NHLP loans for \$2,549,000 in the period between January 1998 and December 1999.

The bank offers two additional loan programs. First, the bank offers a home equity loan program to residents of the Midtown North Neighborhood of Appleton in an effort to revitalize this area. This program was initiated in April of 1999 and will run through October 2000. The bank recently made a commitment to the City of Appleton to continue the program for another 18 months starting November 2000. These loans have annual percentage rates of 5.9 percent for owner-occupied units and 6.9 percent for non-owner-occupied and multi-family units, with rates fixed for up to five years and amortizations of up to 10 years. These loans range from \$5,000 to \$15,000, with a maximum loan-to-value of 100 percent and with no closing costs. The bank has made 11 loans through this program for a total of \$132,000. The bank reports these loans in accordance with the Home Mortgage Disclosure Act.

The second program is the Weyauwega Downtown Revitalization program. The loan proceeds are to be used to upgrade facades and roofs, landscaping and other repairs. The maximum loan amount is \$25,000 with a total commitment to the program of \$250,000. The interest rate is prime less one percent with a term of up to seven years. Since its inception in June of 1998, the bank has received only three applications, one of which was approved in the amount of \$5,000.

Finally, the bank has two products that are beneficial to low- and moderate-income individuals. The

first is a 100 percent loan-to-value home equity line of credit (HELC). This HELC allows borrowers to access the line at the time of a home purchase closing for minor repairs associated with the purchase, to obtain additional money for closing costs or to increase the down payment. The second product was initiated in 1998 and is called the Turbo Mortgage loan. This product is for mortgage refinancings of \$75,000 and less, for a term of no greater than 10 years. The Turbo Mortgage product closing costs are typically close to \$75 as compared to average closing costs of \$750 for a conventional mortgage loan. The turn around time is quick at a maximum time allowed for approval at 60 minutes with closings in as little as 72 hours. The product has been successful with 546 originations totaling \$22 million in 1998 and 420 originations totaling \$19 million in 1999.

**CONCLUSION**

The bank’s overall performance under the Lending Test is considered strong based upon several factors. The bank’s loan to deposit ratio is reasonable; its ratio is higher than that of its national peers although lower than those of two of its local competitors. A significant majority of its lending activity is originated within its combined assessment area. The geographic distribution of lending within its combined assessment area is generally strong and lending to businesses of different sizes and borrowers of different income levels is strong, given the demographic characteristics of the area. The bank’s community development lending is considered adequate, based upon the total number and dollar amount of loans and the limited opportunities available within its combined assessment area. Discussions with community representatives support the bank’s performance with statements that it meets the credit needs of the communities it serves. Furthermore, the bank participates in loan programs that are responsive to the combined assessment area’s credit needs.

**INVESTMENT TEST**

A review was conducted of the bank’s qualified investment and grant activity, including responsiveness to community development needs to assess its performance under the Investment Test.

Qualified Investment Activity

Discussions with bank management and community development representatives revealed that qualified investment opportunities within its combined assessment area are limited. Although the bank has had limited qualified investment activity, it did have an adequate volume of grant activity benefiting organizations targeting low- and moderate-income individuals and families and encouraging community development. The following table summarizes the bank’s qualified grant activity since the previous CRA examination.

<b>Table 10</b>	
<b>M&amp;I BANK FOX VALLEY’S QUALIFIED GRANT ACTIVITY</b>	
<b>Organization</b>	<b>Amount</b>

<b>Organization</b>	<b>Amount</b>
Emergency Shelters of Appleton, Inc.	\$4,000
Goodwill Industries of North Central Wisconsin	\$9,000
Reach Counseling (development program counseling children of abuse)	\$1,000
Hmong Partnership (Indo-Chinese community development association)	\$6,000
Red Cross	\$4,000
Salvation Army Project Home	\$10,000
CAP Services Home Buyers Assistance Program	\$5,000
Housing Partnership of Fox Cities	\$620
Fox Cities Chamber/National Job Program (technical training)	\$3,500
Boy and Girls Club of Fox Valley (youth development)	\$6,000
Outagamie County Health and Human Services	\$100
Habitat for Humanity	\$100
Mid-town Neighborhood Revitalization (moderate-income area in Appleton)	\$100
Harbor House (domestic abuse shelter/job training assistance)	\$6,500
Appleton Downtown Revitalization (small business)	\$3,300
Harmony Care, Inc. (assisted living for disadvantaged)	\$100
WHEDA Care at Home	\$500
National Ovens of Manitowoc (nutritional assistance)	\$300
Menasha Action Council, Inc., Redevelopment Committee (small business)	\$100
Hortonville Food Pantry	\$50
<b>Total</b>	<b>\$60,270</b>

The bank made a total of \$256,042 in donations since the previous CRA examination. Qualified grant activity represents 24 percent of all donations made from January 1998 to March 2000. The bank's qualified grant activity is adequate given the opportunities available in its combined assessment area.

#### Responsiveness to Available Opportunities

The bank's current opportunities to respond to community development initiatives are limited; however, its grant activity indicates its willingness to take advantage of the opportunities that exist within its combined assessment area. The bank's volume of qualified grants is reasonable considering the opportunities available.

#### **CONCLUSION**

The bank's performance under the Investment Test is considered strong. The bank has exhibited a generally strong level of responsiveness to the needs of its community including economic development organizations. The bank has a generally strong level of grant activity based upon the available opportunities in its combined assessment area.

#### **SERVICE TEST**

The assessment of the bank’s performance under the Service Test includes an evaluation of the accessibility of its delivery systems; reasonableness of business hours and services in meeting the needs of its combined assessment area; changes in branch locations; and the level of community development services.

Retail Banking Services

M&I Bank Fox Valley is a full-service bank with 13 bank locations, a drive-through location, an LPO and 26 ATMs located within its combined assessment area. There are more than 200 ATMs located throughout the State of Wisconsin operated by M&I affiliates; bank customers are able to use any of these without a service charge. The bank provides a variety of conventional and government loan products, various checking and interest-bearing deposit accounts, and cash management and investment services. The bank provides alternative delivery of banking services through its personal computer home banking; MI Line, a toll-free account access system; and MI Line II, a toll-free customer service hotline manned 24-hours a day.

Distribution of Branches Among Geographies

The following chart illustrates the bank’s branch and drive-up facility locations, the communities in which they are located and the days and hours of service.

<b>BANK BRANCH ADDRESS LISTING AND HOURS OF SERVICE</b>			
<b>Location</b>	<b>Census Tract/BNA</b>	<b>Lobby and Drive-up Hours</b>	
Appleton 221 W. College Avenue Appleton, WI 54911	101.00	Lobby Hours	M-F 9am-5pm
		Drive-up Hours	No drive-up Hours
Appleton Calumet 2009 E. Calumet Street Appleton, WI 54915	203.01	Lobby Hours	M-Th 9am-5pm, F 9am-6pm, Sat 9am-12pm
		Drive-up Hours	M-F 8am-6pm, Sat 9am-12pm
Appleton West College 2915 W. College Avenue Appleton, WI 54914	110.00	Lobby Hours	M-F 9am-5pm
		Drive-up Hours	M-F 7:30am-6pm, Sat 9am-12pm
Appleton Wisconsin Ave 402 E. Wisconsin Avenue Appleton, WI 54911	113.00	Lobby Hours	M-F 9am-5pm
		Drive-up Hours	M-F 8:30am-6pm
Black Creek 101 N. Main Street Black Creek, WI 54106	128.00	Lobby Hours	M-W 8:30am-4:30pm, Th-F 8:30am-6pm
		Drive-up Hours	M-W 8:30am-4:30pm, Th-F 8:30am-6pm
Chilton 35 E. Main Street Chilton, WI 53014	205.00	Lobby Hours	M-Th 8:30am-4pm, F 8:30am-6pm
		Drive-up Hours	M-Th 8am-5pm, F 8am-6:30pm

BANK BRANCH ADDRESS LISTING AND HOURS OF SERVICE			
Location	Census Tract/BNA	Lobby and Drive-up Hours	
Fremont 310 Wolf River Drive Fremont, WI 54940	9908.00	Lobby Hours	M-Th 8:30am-4:30pm, F 8:30am-6pm
		Drive-up Hours	M-Th 8:30am-4:30pm, F 8:30am-6pm
Hortonville 132 E. Main Street Hortonville, WI 54944	127.00	Lobby Hours	M-W 8:30am-4:30pm, Th 8:30am-5pm, F 8:30am-6pm
		Drive-up Hours	M-W 8am-4:30pm, Th 8am-5:30pm, F 8am-6pm
Menasha 1093 Appleton Road Menasha, WI 54952	26.01	Lobby Hours	M-Th 9am-5pm, F 9am-5pm
		Drive-up Hours	M-F 8:30am-5pm
Neenah 643 S. Green Bay Road Neenah, WI 54956	34.00	Lobby Hours	M-F 9am-5pm, Sat 9am-5pm
		Drive-up Hours	M-Th 8:30am-5pm, F 8:30am-5pm, Sat 9am-12pm
New Holstein 1820 Wisconsin Avenue New Holstein, WI 53061	206.00	Lobby Hours	M-Th 8:30am-4:30, F 8:30am-7pm
		Drive-up Hours	M-Th 8:30am-5pm, F 8:30am-7pm
Sherwood W443 Veterans Avenue Sherwood, WI 54169	203.02	Lobby Hours	M-W 9am-4:30pm, Th-F 9am-6pm
		Drive-up Hours	M-W 8:30am-4:30pm, Th-F 8:30am-6pm
Weyauwega 110 W. Main Street Weyauwega, WI 54983	9907	Lobby Hours	M-Th 8:30am-4:30pm, F 8:30am-6pm
		Drive-up Hours	M-Th 8:30am-4:30pm, F 8:30am-6pm
Appleton Park Place LPO 59 Park Place Appleton, WI 54914	125.00	Lobby Hours	M-F 8:30am-5pm
		Drive-up Hours	No Drive-up Hours

The bank’s office and drive-up hours are reasonable given the communities within which it operates.

Record of Opening and Closing Offices

The bank closed three bank locations since the previous CRA examination; a drive-up location in Appleton, a branch in Greenville and a branch in Shiocton. Discussions with management indicated that the North Auto Bank was closed since there was an existing drive-up facility within one mile, which expanded its hours of operation to match the hours at the North Auto Bank. The Greenville and Shiocton locations were closed primarily due to declining profitability. There are branch locations within 6 miles of both of these sites that offer extended daily hours, five days per week. M&I Bank Fox Valley upgraded the ATMs in Greenville and Shiocton to accept deposits and night depository units were installed in two area businesses in an effort to serve these communities. M&I customers are still able to continue their banking relationship through bank-by-mail or M&I Direct phone banking services. The impact of the closing of these three locations has generally been limited.

Community Development Services

The bank provides a significant level of community development services within its combined assessment area. These services include providing technical assistance related to the provision of financial services to individuals and nonprofit organizations that serve low- and moderate-income individuals and families, and to small businesses to promote community revitalization and development. The following are examples of community development services provided by the bank.

- A bank representative volunteers for the Outagamie County Housing Authority related to affordable housing development.
- A bank representative provides assistance to the Weymont Food Pantry.
- One bank representative is involved in the Weyauwega and the Waupaca Chambers of Commerce. Small businesses comprise the majority of the membership of both chambers. This individual is also actively involved in the Waupaca County Economic Development Corporation's revolving loan committee, which provides start-up and expansion funding to area businesses in order to create jobs.
- Two bank representatives act as directors for Appleton Downtown, Inc., an organization targeting a moderate-income area comprised primarily of small businesses.
- One bank representative sits on the redevelopment committee for the Appleton Northside Business Association and another bank representative assists the South Appleton Business Association as treasurer, both primarily serving small businesses.
- Bank representatives provide assistance to the Housing Partnership of the Fox Cities, which provides affordable housing for low- and moderate-income families.
- Several bank representatives volunteer their services at the Harbor House, a domestic abuse shelter providing housing and technical assistance to abused women and their families.
- A bank officer acts as the treasurer for Reach Counseling Services, a development center providing counseling and assistance to children of abuse.
- Two bank representatives provide assistance to the Fox Valley Housing Partnership.
- One bank representative acts as the treasurer to the New Holstein Chamber of Commerce, the members of which are primarily small businesses. This individual also sits on the advisory board for Calumet and Manitowoc Counties of the Lake Shore Community Action Program.
- A bank representative acts as treasurer for the Chilton Chamber of Commerce, an organization serving almost entirely small businesses.
- A bank representative sits on the WHEDA Agricultural Advisory Board providing technical assistance.
- One bank representative sits on the Mortgage Lenders Consortium for the Outagamie County Housing Authority's DOORS homebuyer assistance program targeting low- and moderate-income individuals and families.
- One bank representative provides technical assistance to Habitat for Humanity.
- One bank representative conducts educational presentations related to banking to area high school students.
- A bank officer acts as a board member for the Hmong Partnership Association, a community development organization targeting Indo-Chinese immigrants.

- Several bank representatives provide volunteer hours to the Salvation Army and Operation Christmas Child, which provide services to low-income families.

## **CONCLUSION**

The bank's performance under the service test is considered strong. The bank's delivery systems, including electronic delivery systems, are easily accessible within the assessment area, including its branches. In addition, the bank provides a significant level of community development services within its combined assessment area, which demonstrates its attentiveness to the community development needs of its combined assessment area. Bank officers and staff provide technical expertise and are otherwise involved in many community development organizations.

## **GENERAL**

The bank is in compliance with the substantive portions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts. A significant portion of consumer loan underwriting has been centralized, which has been reviewed in a separate examination of centralized loan underwriting functions. The bank has developed standards, policies and practices in compliance with the regulations and has applied them in a consistent manner. Interviews with community representatives revealed no evidence of prohibited discriminatory lending activity.