

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 CRA performance of **F & M Bank - Lancaster, Lancaster, Wisconsin**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **September 30, 1996**. 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 ~~A~~Outstanding record of meeting community credit needs.@

The bank's outstanding performance rating is supported by a more than adequate loan-to-deposit ratio (considering the level of local competition) and a substantial percentage of loans originated within its assessment area. Further support is evidenced by the bank's penetration among borrowers of various income levels and businesses of different sizes within the assessment area. The bank generally promotes economic revitalization and growth, consistent with its size, financial capacity, location, and current economic conditions. These efforts are primarily accomplished through the origination of agricultural, small business, consumer, and real estate loans. In addition, there are no low-income or moderate-income geographies in the bank's assessment area, and no CRA-related complaints have been received by the institution.

The following table indicates the performance level of **F & M Bank - Lancaster, Lancaster, Wisconsin**, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	F & M BANK - LANCASTER PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans	There are no low or moderate income geographies within the assessment area.		
Response to Complaints	No complaints have been received.		

DESCRIPTION OF INSTITUTION

F & M Bank - Lancaster, with total assets of \$40,024 million as of June 30, 1996, is a member of the F & M Bancorporation, a multi-bank holding company with approximately \$944 million in assets as of December 31, 1995. The bank has one office, located approximately 30 miles north of Dubuque, Iowa and 17 miles northwest of Platteville, Wisconsin. The bank also has one on-premise automated teller machine (ATM).

The local banking market is extremely competitive and consists of many banks, branches of banks, and credit unions. The bank's primary competitors include the Lancaster branch offices of the following institutions: M&I Bank - Southwest (Spring Green); First National Bank of Platteville; Farm Service Agency; Telco Community Credit Union of Grant County (Madison); and Anchor Bank, S.S.B.(Madison). Other competitors within the bank's market area include Farm Credit Services of South West Wisconsin, Mound City Bank (Platteville), Badger State Bank (Cassville), Clare Bank (offices in Platteville and Fennimore), the Potosi and Fennimore F & M Banks, Community First State Bank (Boscobel), and Woodhouse and Bartley Bank (Bloomington).

Commercial real estate loans comprise the majority (33.26%) of the bank's loan portfolio. Significant activity is also noted in one-to-four family residential lending (19.97%) and commercial and industrial loans (14.87%). A significant percentage of the bank's real estate lending is sold in the secondary market through Associates Mortgage Inc., (Green Bay) and F & M Bank - Northeast located in Pulaski. Consumer lending, including credit card loans, accounts for 5.49% of the bank's loan portfolio.

DESCRIPTION OF BANK'S ASSESSMENT AREA

The bank has defined its assessment area as four contiguous block numbering areas (BNAs): 9605, 9606, 9607 and 9608, all located in Grant County in southwestern Wisconsin. According to the 1990 Census, 15,387 persons reside in the four BNAs, and all four are designated as middle income geographies. Low income families represent 18.4% of all families in the assessment area while 20.6% are considered moderate income. Minorities represent 0.5% of the assessment area population, and none of the BNAs has a high concentration of minority residents. The median family income for the assessment area is \$28,523.

The housing stock of the assessment area is 66.6% owner-occupied, with 85.1% consisting of one-to-four family residences. The median housing age in the assessment area is 36 years, compared to the nonmetropolitan state median housing age of 28 years. According to 1990 U.S. Census data, the median housing value in the assessment area is \$43,205.

Manufacturing and agriculture are important to the Grant County economy. Major employers in these sectors include: Loudspeaker Components, a manufacturer of speaker cones that employs approximately 200; Milprint, a printing manufacturer that employs approximately 250; Skyline Homes, a mobile home manufacturer that employs approximately 200; and Foremost Farms USA,

a dairy farm. Other major area employers include the Grant County Government (300-350), the Lancaster School District (150-200), and Lancaster Memorial Hospital (100-150). People living in the assessment area also work in nearby Platteville, Wisconsin and Dubuque, Iowa. According to the State of Wisconsin Department of Labor, the Grant County unemployment rate for August was 5.8%, compared to 3.1% for the State of Wisconsin.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

A review of loans and denied credit applications revealed that the bank is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No prohibited discriminatory lending practices, or policies intended to discourage loan applicants were detected during the examination.

LOAN-TO-DEPOSIT RATIO

Using the bank's Consolidated Reports of Condition, a five quarter review of the bank's loan-to-deposit ratio was performed. The bank's average quarterly loan-to-deposit ratio is 74.87%. According to the June 30, 1996 Uniform Bank Performance Report, the bank's percentage exceeds that of its peers (66.59%).

An expanded loan-to-deposit ratio analysis was conducted using data for the bank's competitors within an approximate 15-mile radius of the bank. The following chart shows the loan-to-deposit ratio of the bank and its primary competitors, as of June 30, 1996:

<u>LOAN-TO-DEPOSIT RATIO (LTD) ANALYSIS</u>				
Bank Name	Main office location	Competitive Location(s)	Asset Size (\$000s)	LTD Ratio 6/30/1996
Ist. Nat'l Bank-Platteville	Platteville	Lancaster	\$74,502	86.63%
M&I Bank - Southwest	Spring Green	Lancaster	\$320,096	78.43%
Mound City Bank	Platteville	Platteville	\$108,933	77.86%
F&M Bank - Lancaster	Lancaster	N/A	\$40,024	72.66%
Comm. St.. State Bank	Boscobel	Boscobel, Blue River, Muscoda	\$79,563	70.01%
Badger State Bank	Cassville	Cassville	\$41,883	69.90%
Woodhouse & Bartley Bank	Bloomington	Bloomington	\$19,761	61.55%
Clare Bank, N.A.	Platteville	Fennimore, Boscobel, Bloomington	\$132,091	52.30%
Information as of Spring 1996, according to the McFadden American Financial Directory.				

In addition to the banks in the preceding chart, the bank also receives competition from the F & M Banks of Potosi and Fennimore, Farm Credit Services, Farm Credit Agency, and Telco Community Credit Union of Grant County. Competition is very strong and many financial institutions compete for the loans and deposits of a relatively few people (population in the assessment area is 15,387). Considering the bank's financial condition, strong local competition, and available lending opportunities in the assessment area, the institution's loan-to-deposit ratio meets the standards for satisfactory performance.

LENDING IN ASSESSMENT AREA

In order to determine the bank's lending performance within its assessment area, loan originations were reviewed for the six-month period between April and September of 1996.

Loan Type	Total number reviewed	Number within the assessment area	Percent of Total
Commercial	26	25	96%
Agriculture	40	35	88%
Single Payment	35	29	83%
Direct Installment	61	46	75%
Indirect Installment	22	15	68%
R/E Mortgage	21	19	90%
Other Loans*	29	17	59%
Total	234	186	79%
*Other loans consist of municipal, personal and home equity lines of credit, commercial real estate, residential real estate thru FHLB.			

As the preceding chart illustrates, approximately 79% of the sampled loans are within the bank's assessment area. Significant percentages of commercial, agriculture, and real estate mortgage loans are within the assessment area. As a result, the bank's performance in this category is considered outstanding.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES

An analysis of the bank's lending to small businesses, small farms, and individual borrowers of different incomes was performed to assess the bank's lending performance, by income. The bank prepared a report detailing small business (commercial) and small farm (agriculture) loans originated during the six-month period from April 1996 through September 1996. Of the 26 commercial loans reviewed, 21 were made to small businesses (defined as those with annual revenues of \$1 million or less). All but one of the 40 agriculture loans were made to small farms (defined as those with annual revenues of \$500,000 or less).

A review of the bank's Consolidated Report of Income showed that as of June 30, 1996, the institution's outstanding commercial and industrial portfolio consisted of: 72 loans with original amounts of \$100,000 or less; 16 loans with original amounts between \$100,000 and \$250,000; and 4 loans with original amounts between \$250,000 and \$1,000,000. The bank also made 140 loans with original amounts of \$100,000 or less to finance agricultural production/other loans to farmers.

The bank also prepared a report detailing consumer loans originated during the review period and classified by income level codes. These codes were based on a median income level of \$35,500 and were only available for consumer real estate loans. Because the bank regularly collects income information on single-payment and direct installment borrowers, a sample of these loans originated during the period of January 1996 to September 1996 was also reviewed. A review of the 86 consumer loans revealed the following distribution, by income level:

Loan Type	Number of loans sampled	Low Income Number of loans	Moderate Income Number of loans
Real Estate	32	0	4
Installment	39	7	9
Single Payment	15	3	5
Percentage Totals		12%	21%

As the preceding chart illustrates, 28 of 86 consumer loans sampled (33%) were made to low income and moderate income borrowers. The fact that the bank did not make any real estate loans to low income borrowers during this period is not a cause for concern; with a median family income of \$14,260 or less, low-income borrowers may not qualify for mortgage loans. Further, the CRA officer indicated that while there were none made during this 6-month period, the bank has made loans to low-income borrowers in the past.

The distribution of loans to borrowers reflects more than a reasonable penetration of individuals of different income levels and businesses and farms of different sizes. In addition, the bank's small business and small farm lending is consistent with its size, assessment area, and comments received from contacts with community representatives. The bank's performance in this category is considered satisfactory.

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's assessment area consists of four middle income designated BNAs. Since there are no low income or moderate income geographies located within the assessment area, the geographic distribution of lending activity was not analyzed.

RESPONSE TO SUBSTANTIATED COMPLAINTS

No CRA-related complaints have been received by the institution.