

PUBLIC DISCLOSURE

February 1, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

LIBERTY BANK

RSSD Number: 755346

815 North Water Street
Milwaukee, Wisconsin 53202

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 CRA performance of **Liberty Bank, Milwaukee, Wisconsin**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **February 1, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

Liberty Bank's lending activity promotes economic growth, consistent with its size, location, and current economic conditions. The bank's objectives are primarily accomplished through the origination of consumer, commercial and real estate loans. The positive results of the bank's efforts are an acceptable loan-to-deposit ratio and a pattern of originating the majority of loans to assessment area customers. The bank's lending to consumers of different income levels and to businesses of different revenue sizes is strong and exceeds the standards for satisfactory performance. In addition, the bank has significant lending activity within low- and moderate-income census tracts and compares favorably to the demographics of the bank's assessment area. No complaints have been received by the institution on its CRA performance since its previous examination a year ago.

DESCRIPTION OF INSTITUTION

Liberty Bank had assets of \$72.4 million as of December 31, 1998. The bank operates five offices in Wisconsin. The bank's main office is located in downtown Milwaukee, and four branch offices are situated in Milwaukee, Whitefish Bay, Fox Point and New Berlin. The New Berlin branch opened in November of 1998. Each facility has an automated teller machine.

Bank competitors include M&I Marshall & Ilsley Bank; Bank One, Wisconsin; Mutual Savings Bank; Norwest Bank Wisconsin, N.A.; Associated Bank Milwaukee; and St. Francis Bank, F.S.B. Additional competition is provided by a number of smaller banking institutions and several credit unions in the assessment area.

Consumer loan products offered by the bank include installment, single-payment and real estate loans (construction, fixed and balloon mortgages). Open-end consumer loan products include home equity and overdraft protection lines of credit.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes the Milwaukee Metropolitan Statistical Area (MSA), which encompasses Milwaukee, Waukesha, Washington and Ozaukee counties. The Milwaukee MSA includes 392 census tracts, of

which 78 are designated low-income, 68 are moderate-income, 169 are middle-income, and 77 are upper-income. The largest cities in the MSA are Milwaukee, West Allis, Waukesha, Wauwatosa, Brookfield and New Berlin.

The assessment area’s population is 1,432,149, according to 1990 census data. The median family income of the assessment area is \$39,005, which compares with \$35,082 for the State of Wisconsin. The 1998 median family income was \$53,900 and \$48,200 for the Milwaukee MSA and the State of Wisconsin, respectively, according to the Department of Housing and Urban Development (HUD). Of the 372,335 families in the assessment area, 19.5% are low-income and 17.7% are moderate-income, which compares to 17.9% and 18.7%, respectively, for the State of Wisconsin. Families below the poverty level represent 8.9% of the families in the assessment area.

The housing stock in the assessment area includes 562,031 units with a median housing value of \$76,108 and a median age of 45 years, per 1990 census data. This compares with a median housing value of \$62,141 and a median age of 47 years for the State of Wisconsin. Of these units, 56.9% are owner-occupied, 38.8% are rental units, and 4.3% are vacant. One-to-four-family residences represent 78.5% of the housing units in the assessment area. Owner-occupied units in the low- and moderate-income census tracts represent 22.9% and 40.0%, respectively, of all housing units in these census tracts.

The housing affordability index compares the median housing value to the median family income of the geographic area; higher ratios indicate decreased affordability. The affordability index is 1.95 for the assessment area, and 1.77 for the State of Wisconsin overall.

The Milwaukee MSA provides diverse employment opportunities, from small businesses to large international conglomerates. The December 1998 unemployment rate for the Milwaukee MSA was 2.9%, compared with 3.1% for the State of Wisconsin. These unemployment rates are comparable from December 1997 levels, which were 2.6% and 3.0%, respectively. Economic conditions in the Milwaukee MSA are favorable, with the strongest indicators being a low unemployment rate even as the labor force continues to expand.

The Milwaukee-Waukesha Primary MSA (PMSA) presents varied employment opportunities, from large international companies to small businesses. The service sector of the local economy employs the largest percentage of the workforce, followed by the manufacturing and retail trades. The Milwaukee area leads the nation in the production of precision manufacturing (such as industrial controls, X-ray equipment and mining machinery) and in printing and publishing. The area is well-served by interstate highways, providing the labor force with mobility in obtaining employment. Table 1 illustrates some of the larger industrial employers in the PMSA:

Table 1

LEADING INDUSTRIAL EMPLOYERS IN MILWAUKEE-WAUKESHA MSA			
Company	Employees	City/County	Product/Service
A.O. Smith Automotive Products Co.	2,500	Milwaukee/Milwaukee	Manufactures car frames
Allen-Bradley Co., Inc.	3,500	Milwaukee/Milwaukee	Aircraft and nave instrumentation, computer processors and tele-communications products
Briggs & Stratton Corp.	3,650	Wauwatosa & West Allis/Milwaukee	Air-cooled gas engines and ferrous castings

LEADING INDUSTRIAL EMPLOYERS IN MILWAUKEE-WAUKESHA MSA			
Company	Employees	City/County	Product/Service
Delco Electronics Corp.	1,200	Oak Creek/Milwaukee	Automotive electronic control modules
Delphi Automotive Systems	1,100	Oak Creek/Milwaukee	Catalytic Converters
The Falk Corp., division of Sunstrand Corp.	1,400	Milwaukee/Milwaukee	Mechanical and hydrostatic components
Master Lock Co.	1,500	Milwaukee/Milwaukee	Padlocks, door locks, and security items
Leeson Electric Corp.	900	Grafton/Ozaukee	Electric motors
Serigraph, Inc.	1,085	West Bend/Washington	Commercial offset and screen printing
The West Bend Co.	1,500	West Bend/Washington	Electrical appliances and stainless steel CO cookware
GE Medical Systems	2,650	New Berlin & Waukesha/Waukesha	Medical equipment
Custom Products Corp.	700	Menomonee Falls/Waukesha	Precision and production equipment

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio was evaluated in terms of the bank's capacity to lend, the loan-to-deposit ratios of peers and competitors, and available lending opportunities in the assessment area. The bank's net loans and leases to total deposit ratio averaged 68.8 % in the three-quarters (4th quarter data unavailable) since the previous examination. The ratio for the bank's national peer group over the same period is 69.9 %. The average ratios for four similarly situated banks within the bank's assessment area are 79.4%, 62.6%, 65.8% and 67.2%.

According to the September 30, 1998 Uniform Bank Performance Report, the bank's loan-to-deposit ratio is 66.5%, compared with the national peer loan-to-deposit ratio of 70.2%.

The bank meets the standards for satisfactory performance, based on its average loan-to-deposit ratio in comparison with its peers and competitors. The rating also is based upon the lack of any identified unmet credit need.

LENDING IN ASSESSMENT AREA

The bank's CRA performance was evaluated using three loan samples: 135 commercial loans, originated between July 1, 1998 and December 31, 1998; 172 consumer installment loans, originated over the same period; and 100 loans reported in the bank's 1998 Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR). A majority of the bank's lending took place within its assessment area as shown in Table 2.

Table 2

LIBERTY BANK LENDING WITHIN THE BANK'S ASSESSMENT AREA		
Loan Type	No. of Loans Within Assessment Area	Percentage Within Assessment Area
Commercial	82	61%
Consumer Installment	136	79%
HMDA	97	97%
Totals	315	77%

The bank meets the standards for satisfactory performance in this category, as a majority level of originations were made within the bank's assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

An analysis of the bank's preliminary 1998 HMDA data (a sample of 97 loans within the bank's assessment area) and a sample of 37 installment loans (originated between July 1, 1998 and December 31, 1998), was performed to determine the bank's level of lending to borrowers of different income levels. In addition, 31 commercial loans originated in 1998 were reviewed to assess the bank's lending activity to businesses of different revenue sizes. The income levels were based upon the 1998 median family income for the Milwaukee MSA. Table 3 reveals the distribution of these two samples by the income level of the borrower.

Table 3

LIBERTY BANK DISTRIBUTION OF LENDING TO BORROWERS TO DIFFERENT INCOME LEVELS								
Loan Type	Low-Income (<50%)		Moderate-Income (50%-80%)		Middle-Income (>80%-120%)		Upper-Income (>120%)	
	No.	%	No.	%	No.	%	No.	%
Consumer Installment	9	24	7	19	10	27	11	30
98 HMDA	28	29	21	22	16	16	32	33
Totals	37	28	28	21	26	19	43	32

The bank's distribution of lending to low- and moderate-income borrowers compares favorably to the demographics of the bank's assessment area. According to 1990 census data, there were 19.5% low-income families, 17.7% moderate-income families, 25.6% middle-income families and 37.2upper-income families.

A sample of 31 commercial loans originated within the bank's assessment area was reviewed to evaluate the distribution of the bank's lending to businesses of different sizes. The bank originated 25 loans to small businesses, those with less than \$1 million in gross annual revenues. In addition, all 31 loans were for amounts of less than \$1 million and are, therefore, considered to be small business loans.

The bank's lending to businesses of different sizes is commendable. The bank's performance under this category exceeds standards for satisfactory performance based upon the distribution of lending within each loan sample.

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's 1998 consumer and commercial loans and preliminary 1998 HMDA-reportable lending data were reviewed to determine the geographic distribution of originations within the assessment area. Table 4 illustrates the geographic distribution of the bank's lending by loan type:

Table 4

LIBERTY BANK DISTRIBUTION OF LENDING BY INCOME LEVEL OF CENSUS TRACT								
Loan Type	Low-Income (<50%)		Moderate- Income (50%- 80%)		Middle-Income (80%-120%)		Upper-Income (>120%)	
	No.	%	No.	%	No.	%	No.	%
Commercial	15	18	11	13	36	44	20	24
Consumer Installment	11	8	23	17	54	40	48	35
98 HMDA	23	23	20	21	27	28	27	28
Totals	49	16	54	17	117	37	95	30

The bank's assessment area is comprised of 20% low-income tracts, 17% moderate-income tracts, 43% middle-income tracts and 20% upper-income tracts. The distribution of the bank's lending is comparable to the composition of its assessment area. The distribution of commercial and 1998 HMDA loans is particularly favorable compared with the bank's assessment area.

Overall, the bank's geographic distribution of lending meets the standards for satisfactory performance.

RESPONSE TO COMPLAINTS

No CRA-related complaints were received by the bank since the previous examination.

GENERAL

The credit applications reviewed during this examination represented a sample of approved and denied applications from the sample month. The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts. Management has developed and implemented policies and procedures supporting nondiscrimination in lending. Bank lending standards are in compliance with the regulations and applied in a consistent manner.