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GENERAL INFORMATION

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

This document is an evaluation of the CRA performance of M&I Bank, Superior, Wisconsin, prepared by the Federal Reserve Bank of Minneapolis, the institution’s supervisory agency, as of May 12, 1997. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

Basis for the Rating

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

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

Several factors support the bank’s overall satisfactory CRA rating.

- **Lending Test**

The bank’s performance under the lending test is rated high satisfactory for the following reasons. The bank’s loan-to-deposit ratio has been consistently high since the bank became a member of the Federal Reserve System (“FRS”) on August 31, 1995. The bank originated a larger percentage of loans inside the assessment area than outside. The distribution of loans to individuals of different incomes and businesses of different sizes is good. The bank actively lends in all of the census tracts that make up its assessment area. Finally, the bank originates community development loans and offers flexible and innovative credit products that provide increased credit availability to low- and moderate-income individuals.

- Investment Test

The bank's performance under the investment test is rated low satisfactory. The investments currently held in the bank's portfolio do not qualify as community development investments under the revised CRA guidelines. However, the bank has provided a number of donations to nonprofit businesses and government agencies that provide assistance to low- and moderate-income individuals.

- Service Test

The bank's performance under the service test is rated high satisfactory. Bank management assists local community development organizations by serving on their boards of directors. Also, the bank provides direct assistance by accepting loan payments and monitoring the amortization schedule of outstanding small business loans originated by community development organizations. The bank provides extensive retail delivery systems through its automated teller machine ("ATM") network, 24-hour telephone banking, and the location of its main office in a moderate-income census tract.

The following table indicates the performance level of M&I Bank, Superior, Wisconsin, with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	M&I BANK SUPERIOR, WISCONSIN PERFORMANCE TESTS		
	LENDING TEST*	INVESTMENT TEST	SERVICE TEST
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			
*The lending test is weighted more heavily than the investment and service tests when deriving the overall CRA rating.			

DESCRIPTION OF INSTITUTION

Based on its size and financial condition, the bank meets the credit needs of its assessment area effectively. This is the bank's first CRA evaluation since it became an FRS member on August 31, 1995. The bank's performance was rated satisfactory by the Office of the Comptroller of the Currency at its previous CRA evaluation conducted December 3, 1993.

The bank's parent company is Marshall & Ilsley Corporation ("Corporation") based in Milwaukee, Wisconsin. The bank is considered a large bank for CRA purposes because its parent company has more than \$1 billion in assets. Specifically, the Corporation has approximately \$14.76 billion in assets as of December 31, 1996. The bank chose to be reviewed under CRA's new large bank evaluation procedures. The bank operates two offices and four ATMs in its assessment area. The bank's main office and three of its ATMs are located in the central business district of Superior, Wisconsin. The bank's branch office and remaining ATM are located in the southern portion of Superior. All four proprietary ATMs in the assessment area accept deposits. The bank also provides 24-hour telephone banking, 24-hour telephone bill payment, and personal computer access banking services.

According to the March 31, 1997, Report of Condition ("ROC"), the bank's assets totaled \$105.7 million. ROC data submitted after the bank became an FRS member indicate assets totaled \$94.8 million as of September 30, 1995. Bank management attributes asset growth to increases in the consumer, commercial, and commercial real estate portions of the loan portfolio. The bank's deposits according to March 31, 1997, ROC data, totaled \$89.8 million. Total deposits have increased from \$78.6 million, as of September 30, 1995. Bank management attributes the deposit growth to increased municipal and school district deposits.

The March 31, 1997, ROC data reflect the bank's status as primarily a commercial and consumer lender. The bank's loan portfolio is approximately 46.6% commercial, 32.9% consumer, 19.2% consumer real estate, and 1.3% other loans. The quarterly ROC data indicate the bank's loan portfolio mix has remained relatively constant since the bank became an FRS member. According to ROC data, the consumer loan percentage has increased by approximately 8%, while commercial loans have decreased by about 5% since September 30, 1995. The bank indicated that it has been purchasing consumer loans from a local automobile dealership. In addition, bank management indicated the city of Superior has attempted to change the economic foundation of the northern end of Superior from retail businesses to light industrial or manufacturing. Community contacts identified the bank as one of the primary commercial lenders in the assessment area. The composition of the bank's loan portfolio supports the community contacts' statement and reflects its location in the downtown business district. The contacts stated there are no unmet credit needs in the assessment area.

The bank offers many commercial, consumer, and consumer real estate loan products and programs to help serve the credit needs of the residents and small businesses in its assessment area. It offers consumer closed-end loan products for motor vehicles, debt consolidation, personal, and student loan purposes. The bank's consumer open-end credit products include overdraft protection and home equity lines of credit and credit cards. Its residential real estate portfolio is composed of conventional purchase money, refinance, and home improvement loans secured by single and multifamily residential properties. The bank also extends home equity and temporary construction loans to borrowers. The bank's commercial loan products include both open- and closed-end credit consisting of equipment, working capital, and commercial real estate loans.

In addition to its conventional loan products, the bank participates in numerous federal, state, and city sponsored loan programs. For residential real estate borrowers, it offers Federal Housing Administration ("FHA"), Department of Veterans Affairs ("VA"), State of Wisconsin Department of Veterans Affairs, Wisconsin Housing and Economic Development Authority ("WHEDA"), and the city of Superior's Home Ownership Opportunity Program ("HOOP"). Small businesses can apply for Small Business Administration ("SBA"), Tower Avenue Inc. ("TAI"), Superior/Douglas County Revolving Loan Fund ("SDCR"), and Minnesota Power Revolving Loan Fund ("MPRL") loans through the bank. The bank also provides loans for environmental cleanup projects pursuant to the Petroleum Environmental Cleanup Fund Act ("PECFA").

DESCRIPTION OF M&I BANK'S ASSESSMENT AREA

The bank operates two offices and four proprietary ATMs in its assessment area. The bank has defined its assessment area as Douglas County, Wisconsin. Douglas County lies in the Duluth, Minnesota/Superior, Wisconsin, metropolitan statistical area ("MSA") and borders the city of Duluth and Lake Superior. The bank's assessment area includes only census tracts that lie within Douglas County. The assessment area does not contain any non-MSA census tracts. Because of the bank's size and location in an MSA, it is subject to the requirements of Regulation C--Home Mortgage Disclosure Act ("HMDA"). Douglas County is composed of 15 census tracts.

According to 1990 census data, the assessment area has a total population of 41,758. Local members of the community familiar with housing, small business, and economic development issues and activities in the assessment area were interviewed as part of the CRA evaluation. Community contacts stated that the population of Superior has been steadily declining since 1970; at one point, the population of Superior exceeded 50,000. The contact stated that based on recent estimates by the state of Wisconsin, Superior should expect a slight population increase at the next census. Community contacts attributed the overall population decline to the reduction in Great Lakes shipping traffic for iron ore, grain, and timber. The number of individuals employed by the shipping companies and primary industries using the Duluth/Superior Lake Superior ports has continually declined. Community contacts stated that technology and alternative forms of transportation have had a significant impact on employment in the shipping industry.

An affordable housing contact stated that Superior has an abundance of affordable housing for rent. The contact stated that a number of individuals who qualify for these housing units have relocated to Duluth. The agency has resorted to using a marketing firm to advertise the abundance of affordable housing in Superior.

The main streets in the city of Superior are Belknap Avenue, which is an east-west street, and Tower Avenue, a north-south street. The intersection of these two streets starts the downtown business district for Superior. The area that lies north of Belknap Avenue and around Tower Avenue consists primarily of small retail businesses and light industrial-based companies. There are a number of vacant commercial building lots in the northern section of Superior. Bank management and community contacts stated that the northern section of Superior does not have a large percentage of residential owner-occupied housing. Census data indicate that as of 1990 there were fewer than 2,000 owner-occupied units in the low- and moderate-income tracts that comprise northern Superior. The area has predominantly retail and light industrial businesses and apartment units. Community contacts stated that this area of Superior previously consisted of a number of drinking establishments. Over the last few years, the city has purchased existing

retail establishments and vacant buildings in this area. The city has proceeded to raze the buildings and in the process attempted to change the area from retail businesses to light manufacturing.

A community contact said that a problem in the assessment area has been with the condition of many older homes in the area. The contact said that senior citizens are moving out of family homes that need major home improvement repairs. The contact stated a number of these residences contain environmental hazards, which prohibit a local community service organization from purchasing and rehabilitating the homes. As a result, the outlying area of Superior has been experiencing the largest share of new residential housing development, and its residential real estate lot prices have been steadily increasing. This increase in lot prices makes it extremely difficult for the community service agency to purchase homes for future development. Residential housing acquired by this nonprofit agency is rented primarily to low- and moderate-income individuals. The contact indicated that based on increasing real estate prices and the abundance of affordable rental housing, demand for affordable housing has been weak.

CRA divides income levels into four categories: low, moderate, middle, and upper. Because the bank's assessment area is located in an MSA, the categorization of a borrower or census tract's income is determined relative to the MSA median family income. Pursuant to CRA's definitions, low-income individuals have incomes of less than 50% of the MSA median family income, while moderate-income individuals have incomes of at least 50% but less than 80% of this amount. The regulation defines middle-income individuals as persons with incomes of at least 80% but less than 120% of the MSA median family income. Individuals with incomes of 120% or more of the MSA median family income are classified as upper-income persons. Based on 1990 census figures, the MSA median family income is \$30,561. According to the 1997 updated census data, the median family income for the MSA is \$40,600.

As previously mentioned, the bank's assessment area consists of 15 census tracts. Based on 1990 census data, census tracts 201, 201.99, and 210.99 are classified low income. The population in the low-income census tracts is 1,719, or 4% of the total assessment area population. Census tract 201 is located at the very northern tip of Superior; Lake Superior forms its northern boundary. Two of the census tracts, 201.99 and 210.99, are classified crews-of-vessels tracts and reflect a combined population of two individuals. These tracts are located on the waterfront where individuals maintain residences on watercraft. Tracts 202, 203, and 206 are classified moderate income and are located in the downtown Superior area, just south of tract 201; the bank's main office is located in census tract 202. Two of its four ATMs are located in census tracts 202 and 206. The moderate-income tracts have a total population of 8,262, or 20% of the total assessment area population. The remaining census tracts that make up the assessment area are classified middle income. Census tracts 204, 205, 207, 208, 209, 210, 301, 302, and 303 are in this category. Tracts 301, 302, and 303 are outside the city of Superior in rural areas of Douglas County. The remaining two ATMs are located in tracts 205 and 208, respectively. None of the census tracts in the assessment area is classified upper income. Census data indicate that the assessment area's middle-income census tracts have a total population of 31,777, or 76% of the assessment area's total population.

The 1990 census data indicate a total of 20,610 housing units in the assessment area. Approximately 815, or 4% of the housing units in the assessment area, are located in the low-income census tracts; 4,074, or 20% of the units, are in the moderate-income tracts; and the remaining 76% are in the middle-income tracts. Census data indicate that only 35% of the housing units located in the low-income census tracts are owner occupied; 58% are classified as rental units; and the remaining 7% are vacant. In the moderate-income census tracts, 40% of the housing units are classified as owner occupied, 52% as rental housing units, and the remaining 8% as vacant. 1990 census data indicate that 48% of the assessment area's housing units were built before 1950. Community contacts stated that approximately 50% of the housing in Superior is more than 50 years old. In addition, economic data prepared by the University of Wisconsin-

Superior as of 1993 indicate that 35% of Douglas County's population is less than 24 years old, 40% of the population is between 25 and 54 years old, and 25% of the population is age 55 and over.

According to 1990 census data, the assessment area median family income is \$27,425. The assessment area's median household income is \$22,123. Approximately 11% of the families and 15% of the households in the assessment area have incomes below the poverty level. The census data provide a breakdown of the percentage of low-, moderate-, middle-, and upper-income individuals who reside in the assessment area. The distribution of assessment area families and households by income level is summarized in the following table.

ASSESSMENT AREA POPULATION DISTRIBUTION BY INCOME LEVEL				
Unit of Measure	Low Income	Moderate Income	Middle Income	Upper Income
Households Compared to Median Household Income	25%	17%	20%	38%
Families Compared to Median Family Income	22%	21%	24%	32%

The assessment area has a competitive banking market. Superior has five banks and two credit unions. Even though not in the assessment area, nearby Duluth has a large number of financial institutions, including branch offices of large regional banks, which actively compete with institutions located in Superior, particularly for commercial loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank's CRA performance as evaluated based on the lending, investment, and service tests is rated satisfactory. Much of the analysis for the lending test was based on the 219 small business loans originated in 1996 and the 59 home improvement and 110 residential real estate loans originated in 1996 and first quarter 1997. The analysis for the investment test was based on bonds held in the bank's investment portfolio and donations granted to qualifiable community organizations. The service test analysis was based on retail banking and community development services provided to low- and moderate- income individuals and geographies that enhance credit availability in the assessment area. As previously discussed, the analysis reviews the bank's lending in the MSA assessment area. The assessment area does not contain a non-MSA census tract.

MSA ASSESSMENT AREA ANALYSIS

Lending Test

The bank's level of lending and its performance under the lending test is rated high satisfactory. The bank has consistently maintained a high loan-to-deposit ratio since becoming an FRS member. The ratio has consistently exceeded that of competitor financial institutions operating in the assessment area. The bank has originated a majority of its loans in the assessment area. The bank also participates in various community and nonprofit organizations that lie outside of its assessment area, which results in some commercial loans being made outside the assessment area. The distribution of its loans to individuals and geographies of different income levels is reasonable. The bank originated a high percentage of its commercial loans to small businesses located in the assessment area's low- and moderate-income census

tracts. This lending activity is particularly commendable. Community contacts identified the bank as a leading financial institution in the assessment area and as extremely active in community development initiatives.

Lending Activity

The bank's loan-to-deposit ratio has consistently been high since the bank became an FRS member. The ratio has exceeded that of most competitor banks serving the assessment area. The bank's quarterly average loan-to-deposit ratio from September 30, 1995, to March 31, 1997, has averaged 81%. Based on the March 31, 1997, Uniform Bank Performance Report data, the bank's net loan-to-deposit ratio of 86% placed the bank in the 86th percentile in comparison with its peers. The following table, based on quarterly ROC data, reflects the quarterly loan-to-deposit ratio since becoming an FRS member.

Date	Net Loans (In thousands)	Deposits (In thousands)	Net Loan-to-Deposit Ratio
March 31, 1997	\$77,199	\$89,871	86%
December 30, 1996	\$75,518	\$88,455	85%
September 30, 1996	\$71,501	\$89,117	80%
June 30, 1996	\$70,542	\$89,446	79%
March 31, 1996	\$68,405	\$90,811	75%
December 31, 1995	\$67,672	\$86,041	79%
September 30, 1995	\$66,123	\$78,622	84%

The bank's assessment area is extremely competitive. There are approximately five additional financial institutions in the assessment area that submit quarterly ROC data. Based on the quarterly ROC data from September 30, 1995, to March 31, 1997, the following table reflects the asset size and quarterly average net loan-to-deposit ratio of the competitor financial institutions in the assessment area.

BANK AND LOCATION	TOTAL ASSETS (March 31, 1997) (In thousands)	QUARTERLY AVERAGE NET LOAN-TO-DEPOSIT RATIO
M&I Bank Superior, Wisconsin	\$105,760	81%
National Bank of Commerce Superior	\$175,077	79%
Community Bank & Trust Company Superior	\$ 37,927	79%
F&M Bank - Superior Superior	\$ 33,029	82%
Superior National Bank Superior	\$ 26,011	47%
Superior Savings Bank Superior	\$ 39,689	88%

Based on asset size, the bank is the second largest financial institution in the city of Superior. The loan-to-deposit ratio indicates that the bank has the third highest ratio as compared with the competitor banks. The loan-to-deposit ratios for the subject bank do not include a large volume of real estate loans sold on the secondary market. If these loans were included, the bank's loan-to-deposit ratio would increase by several

percentage points. Community contacts indicated the banking market in Superior is extremely competitive. There are a number of banks and nonbank financial institutions that provide credit to residents and small businesses in the bank's assessment area. Additional competition is provided by numerous financial institutions located in Duluth, Minnesota. Contacts indicated that the competitiveness of the banking market has resulted in reduced interest rates. The contacts stated that there are no unmet credit needs in the assessment area.

Based on the bank maintaining a high and steadily increasing loan-to-deposit ratio since becoming an FRS member and its comparison with local competitors, the ratio reflects the bank's active lending to residents and small businesses. The bank's level of lending reflects good responsiveness to assessment area credit needs.

Assessment Area Concentrations

Based on the sampled loans, the bank originated a high percentage of its loans to residents and businesses within its assessment area. The following table reflects the percentages of commercial, home improvement, and residential real estate loans originated within the assessment area.

PERCENTAGE OF LOANS IN THE ASSESSMENT AREA		
Product Lines Sampled	Total Number of Loans	Total Amount of Loans
Commercial	79	64
Home Improvement	88	91
Consumer Real Estate	85	81

As previously mentioned, the data listed in the table is based on a sample of commercial loans originated in 1996 and home improvement and residential real estate loans originated in 1996 and early 1997. The bank's assessment area follows the Douglas County lines and borders the city of Duluth, Minnesota. The bank's assessment area does not include Duluth.

The commercial loan percentages are below the other categories' percentages due to several factors. First, the bank is involved in several small business economic development organizations based in Duluth. The bank generates commercial loans through its participation in these entities. Second, the bank participates in various small business economic entities that cover the northwestern portion of Wisconsin and technically lie outside of its assessment area. It generates commercial loans as a result of its participation in these entities as well. As previously mentioned, community contacts stated there are no unmet credit needs in its assessment area.

According to 1995 HMDA data, the bank originated 91% of its 77 total HMDA loans in the assessment area. According to 1995 aggregate HMDA data, the bank originated 70 HMDA loans in the assessment area, compared with a total of 1,296 HMDA loans originated by all lenders. The bank is a minor HMDA lender in the assessment area, given that it made only 5% of the assessment area's aggregate 1995 HMDA loans.¹ In 1996, the bank's 93 assessment area HMDA loans constituted 87% of its total HMDA loans reported that year.

The large percentage of loans originated within its assessment area indicates the bank's lending is focused

¹The bank's HMDA data do not include secondary-market loans originated by the bank but reported by an affiliated mortgage company; the affiliated institution makes the credit decision for these loans. As such, the bank's HMDA data do not reflect a complete picture of its level of lending in the assessment area.

on meeting the credit needs of residents and small businesses in the assessment area.

Geographic Distribution of Loans

The bank has a good distribution of loans among the assessment area's census tracts of different income levels. As previously mentioned, the bank's assessment area is located in an MSA and includes 15 census tracts. Three of the census tracts are classified as low income; three tracts are classified as moderate income; and nine tracts are classified as middle income. There are no upper-income census tracts in the assessment area. 1990 census data reflect that 4% of the population in the assessment area resides in the low-income census tracts, 20% resides in the moderate-income census tracts, and 76% of the population resides in the middle-income census tracts. The following table reflects the bank's lending pattern within its assessment area based on the income level of the census tracts.

DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY CENSUS TRACT INCOME LEVEL			
Loan Type	Low-Income Census Tracts	Moderate-Income Census Tracts	Middle-Income Census Tracts
<u>Commercial:</u>			
Percentage of Total Loans	12%	42%	46%
Percentage of Loan Amounts	14%	46%	41%
<u>Home Improvement:</u>			
Percentage of Total Loans	0%	8%	92%
Percentage of Loan Amounts	0%	5%	95%
<u>Residential Real Estate</u>			
Percentage of Total Loans	0%	14%	86%
Percentage of Loan Amounts	0%	12%	88%

As previously mentioned, the commercial loan portfolio comprises the largest percentage of the bank's loan portfolio. Also, the bank's main office is located in a moderate-income census tract. The low-income census tracts cover the northern portion of downtown Superior, which includes a large portion of the downtown Superior business district. Only one of these tracts has owner-occupied housing units. The moderate-income census tracts are located next to the low-income tract and predominantly cover the remaining downtown business area. The percentages in the table reflect that more than half of the commercial loans originated were to businesses located in the low- and moderate-income census tracts. Based on the bank's main office location and its proximity to the retail and light industrial businesses located in these tracts, the distribution of commercial lending is reasonable; it represents a strong level of commercial lending in the assessment area's low- and moderate-income census tracts.

The home improvement and residential real estate percentages indicate that the bank did not originate any such loans in the low-income census tracts. The percentages in the moderate-income census tracts for both loan categories are below the percentage of the population that resides in these tracts. The bank attributed these low origination percentages to several factors. First, there is a lack of owner-occupied housing in the low- and moderate-income census tracts. Only 35% of the housing units in the low-income census tracts are owner-occupied units, and only 40% of the units in the moderate-income census tracts are owner-occupied units. As of the 1990 census, there were only 287 owner-occupied housing units in the low-

income census tracts and only 1,635 such units in the moderate-income tracts. As discussed, these tracts contain mostly small businesses. As previously discussed in the Description of M&I Bank's Assessment Area section, the majority of housing in the low- and moderate-income census tracts are rental units. Second, individuals who rent do not have a need for home improvement loans. Also, due to the lack of available owner-occupied housing in these tracts, individuals who have a need for residential real estate loans purchase real estate outside of the low- and moderate-income census tracts. Finally, these tracts are located in a mature section of Superior where there is little residential real estate development. As discussed, many homes in these areas are very old and need extensive repairs. Many do not qualify for local programs designed to provide affordable housing to area residents.

According to 1995 HMDA data, the bank originated 70 HMDA reportable real estate loans in the assessment area, of which 13, or 19%, were originated in the low- and moderate-income census tracts. In 1996, the bank originated 93 loans in the assessment area, of which 11, or 12%, were originated in the low- and moderate-income census tracts. The bank's HMDA loan origination rate in the low- and moderate-income census tracts slightly exceeded that of all lenders in the assessment area in 1995.² The assessment area's aggregate lenders originated 17% of their 1995 HMDA loans in the low- and moderate-income geographies.

The bank actively lends in almost all of the census tracts that make up its assessment area. The bank had no loans in census tracts 201.99 and 210.99. As discussed, these two tracts had a total population of two individuals. The percentages of home improvement and residential real estate loans in the low- and moderate-income census tracts are less than the population demographics in these tracts. However, the bank's explanation for the lack of lending, the loan programs offered, and the statements by community contacts concerning these census tracts indicate that the bank's overall lending pattern is reasonable. The bank's strong commercial lending levels in these tracts further supports concluding that its geographic distribution of loans reflects good loan penetration throughout its assessment area, particularly in the low- and moderate-income tracts.

Borrowers' Profiles

The bank's lending to borrowers of different incomes and to businesses of different sizes is reasonable and represents good loan penetration among different income levels and business sizes. As previously mentioned, CRA classifies borrower's income levels into four categories: low, moderate, middle, and upper. 1990 census data indicate that low-income households comprise 25% of the assessment area, moderate-income households comprise 17%, middle-income households comprise 20%, and upper-income households comprise 38%. The 1990 census data indicate the median household and family incomes for the assessment area to be \$22,123, and \$27,425 respectively. The 1997 median family income for the MSA has increased to \$40,600. The following table shows the percentage of sampled loans made to borrowers of different income levels.

²See footnote 1.

DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BORROWER INCOME LEVELS*				
Loan Type	Low-Income Borrowers	Moderate-Income Borrowers	Middle-Income Borrowers	Upper-Income Borrowers
<u>Home Improvement:</u>				
Total Number of Loans	4%	27%	39%	29%
Total Amount of Loans	1%	21%	51%	27%
<u>Residential Real Estate:</u>				
Total Number of Loans	13%	23%	30%	34%
Total Amount of Loans	9%	18 %	25%	49%
*Income level is determined based on the 1997 median family income of \$40,600 for the Duluth/Superior MSA.				

The percentages in the table reflect that the bank's lending pattern to borrowers of different income levels is reasonable. The percentage of home improvement loans to low- and moderate-income borrowers is 31%, which is slightly below the percentage of such households in the assessment area. This percentage breakdown is attributable to several factors. First, the demand for home improvement loans from low- and moderate-income individuals is weak based on local economic factors. The majority of housing in the low- and moderate-income census tracts are rental units. Second, a community contact familiar with affordable housing issues in the area stated that Superior has an oversupply of affordable housing for low- and moderate-income individuals. The agency has been using a marketing firm to advertise the abundance of affordable housing in Superior. This trend indicates relatively weak demand for housing by low- and moderate-income individuals. Finally, community contacts stated that more than half of the housing in the assessment area is more than 50 years old. A number of these homes have significant environmental and structural problems. The cost of purchasing the house and making necessary improvements would make them prohibitively expensive for low- and moderate-income individuals.

The table indicates that the bank's lending to low- and moderate-income individuals who obtained residential real estate loans is also slightly below the percentage of such households in the assessment area. The bank made 36% of these loans to low- and moderate-income individuals; specifically, 13% of the loans were to low-income individuals and 23% were to moderate-income individuals. The reasons discussed in the previous paragraph also explain why the bank does not have more residential real estate loans to low- and moderate-income individuals. Given these reasons, the bank's home improvement and residential real estate lending to low- and moderate-income individuals is reasonable.

According to 1995 HMDA data, the bank originated 70 residential real estate loans in the assessment area; 16 of these loans, or 23%, were to low- and moderate-income individuals. In 1996, the bank originated 93 residential real estate loans in the assessment area; 26 of these loans, or 28%, were to low- and moderate-income individuals. The bank's HMDA loan approval rate to low- and moderate-income individuals was slightly below the assessment area's aggregate levels.³ The assessment area's aggregate lenders originated 32% of their loans to low- and moderate-income individuals in 1995.

³As discussed, the bank's HMDA data does not include all loans originated by the bank. The bank's affiliated mortgage company reports secondary market loans on its loan/application register. As such, the bank's HMDA data does not include loans to low- and moderate-income individuals that were secondary-market loans.

The bank originates a large percentage of its commercial loans to businesses with less than or equal to \$1 million in gross annual revenues. A small business loan is a loan of \$1 million or less. The statistical sampling of small business loans indicates that 78% of these loans went to businesses with less than or equal to \$1 million in gross annual revenues. Specifically, 84% of the small business loans had amounts of \$100,000 or less; 12% of the small business loans ranged from \$100,001 to \$250,000; and the remaining 4% of the small business loans ranged from \$250,001 to \$1 million. This distribution of small business loans is consistent with the bank's asset size, legal lending limit, and the overall assessment area's economic conditions.

The bank's lending dispersion pattern to individuals of different income levels and businesses of different sizes is good. Although the level of home improvement and residential real estate lending is below the assessment area's demographic characteristics, the bank's lending is reasonable given economic, housing, and loan demand factors in the assessment area. In addition, the bank originated a large percentage of its commercial loans to small businesses in its assessment area.

Community Development Lending Activities

The bank has originated a few loans that qualify as community development loans under the revised CRA regulation. A number of additional loans originated by the bank serve community development purposes. However, such loans are generally classified as HMDA or small business loans, pursuant to CRA's definitions.

The bank provided loans to a local community services organization to purchase residential housing. Housing purchased by the organization is rehabilitated and rented to low- and moderate-income individuals. Through the PECFA, the bank originated a loan to a local small business to remove leaking underground storage tanks and redevelop the site. The underground storage tanks and the clean-up site are located in a moderate-income census tract.

Finally, the bank has originated a number of direct loans to a local for-profit community development corporation. The organization's primary goals are maintaining, developing, and rehabilitating the downtown business area of Superior. These goals are intended to promote the welfare of the downtown business area and supplement the community welfare by increasing employment opportunities for low- and moderate income individuals. The organization attempts to meet these goals by directly providing commercial loans to small businesses that lie in the downtown business area. As previously mentioned, the downtown business area in Superior lies within the assessment area's low- and moderate-income census tracts. Finally, the bank originated a multifamily residential real estate loan on a property that provides housing to low- and moderate-income individuals. These loans represent a notable level of community development lending by the bank.

Product Innovation and Flexibility

As previously discussed in the Description of Institution section of the evaluation, the bank participates in numerous federal, state, and local government loan programs. These government programs involve both commercial and residential real estate loans.

The bank offers a number of credit programs that directly benefit the low- and moderate-income individuals and small businesses in the moderate-income census tracts. The WHEDA program is offered through the state of Wisconsin. It provides home mortgage loans with a low, fixed interest rate to help low- and moderate-income individuals and families purchase homes. The city of Superior offers the HOOP

program. This program is for low- and moderate-income individuals who lack down-payment funds to purchase residential real estate. The bank also offers FHA and VA mortgage loans. The bank provides innovative commercial loan programs and products that benefit small businesses. The bank provides assistance to SDCR and MPRL in accepting loan payments from small businesses. The bank will also direct small businesses to these different credit programs. In general, the bank uses innovative and flexible lending practices in order to serve assessment area credit needs.

Investment Test

The bank's performance under the investment test is rated low satisfactory. The bank does not own any investments that would qualify as community development investments under CRA. The donations provided by the bank to organizations that provide services to low- and moderate-income individuals qualify under revised CRA.

Investment and Grant Activity

The bank's investment portfolio does not include any investments that qualify under the revised CRA regulation. Bank management indicated that Superior and Douglas County have not issued any community development bonds that would qualify under CRA. Community contacts confirmed that the city and county have not offered any bond issues that would qualify under revised CRA as community development investments.

Donations and Contributions

The bank provided donations to a number of qualified community development organizations that serve its assessment area. The organizations provide services to low- and moderate-income individuals or geographies. The bank has consistently provided donations to these organizations. Given the limited community development investment opportunities in the assessment area, the bank's level of community development investments is adequate.

Service Test

The bank's performance under the service test in the MSA is rated high satisfactory. The bank maintains an office and two ATMs in a moderate-income census tract. Its office hours for the main office and the branch are reasonable. The bank's loan products are extensive and diversified. The bank has not closed a branch in the assessment area since becoming an FRS member. The alternative delivery systems provided by the bank are extensive and provide 24-hour access for banking services to low- and moderate-income individuals and geographies. Finally, the bank provides additional community development services that directly benefit small businesses in the moderate-income census tracts.

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

The bank's retail banking services allow extensive access to its services and products for residents of its assessment area. As previously discussed, the bank's main office is located in census tract 202, which is classified as moderate income. It owns ATMs in census tracts 202 and 206, both classified as moderate income. The bank has not closed any offices since becoming an FRS member.

The office hours provided by the main bank and its branch are reasonable. The main bank is open Monday through Thursday, 8:30 a.m. to 4:00 p.m., and Friday, 8:30 a.m. to 5:30 p.m. The drive-in facility at the main bank is open Monday through Friday, 7:30 a.m. to 5:30 p.m., and Saturdays, 9:00 a.m. to 12:00 p.m. The branch office is open Monday through Thursday, 9:30 a.m. to 4:00 p.m., and Friday from 9:30 a.m. to 5:30 p.m. The drive-in facility at the branch office is open 7:30 a.m. to 5:30 p.m., Monday through Friday.

The alternative delivery systems provided by the bank are extensive and diversified. The bank provides 24-hour telephone banking, M&I Direct telephone bill payment, and personal computer banking for its customers. Customers may use the bank's toll-free numbers to access the 24-hour telephone banking and the direct telephone bill payment services. In addition, the bank is affiliated with 29 financial institutions located in Wisconsin. The bank and its Wisconsin affiliates operate an interbank system, which permits customers to make deposits, cash checks, and make loan payments through any affiliate office located in the state. In general, the bank has a high level of retail banking services.

Community Development Services

The bank performs a variety of community development services within its assessment area. Bank officers are active in community development organizations that are attempting to redevelop the downtown business area.

The bank provides the following community development-related services:

- The bank's president serves as the vice chairman on the Business Improvement District ("BID"). BID promotes facade improvements and space utilization concerning vacant buildings in downtown Superior, a moderate-income area.
- The bank's president serves on the board of directors for TAI, a qualified community development corporation. TAI promotes small business lending in the downtown business area that lies in the moderate-income census tract.
- The bank's president serves as the treasurer for the Superior/Douglas County Development Association ("SDCDA"). SDCDA attempts to attract small businesses to Superior or Douglas County.
- The bank's compliance officer serves as the treasurer for American Business Women's Association ("ABWA"). ABWA provides scholarships for low- and moderate-income residents of Superior.
- The bank accepts payments from small businesses on behalf of SDCR and MPRL. As a service to these small business development organizations, the bank monitors the amortization schedule for loans granted to its customers. Loan payments received on behalf of the development organizations are placed into interest-bearing deposit accounts.
- The bank offers a no-minimum-balance checking account to participants in programs sponsored by the Family Nutrition Center. Customers referred by this organization receive checking accounts that charge no fees and provide free duplicate checks. The vast majority of beneficiaries are low- and moderate-income single parents.

Overall, the bank's performance under the service test is rated high satisfactory because of the bank's office and ATM locations, business hours, alternative delivery systems, and community development services.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

The evaluation did not reveal any credit practices in violation of the fair lending and fair housing laws and regulations. An isolated procedural violation of the technical aspects of Regulation B's Equal Credit Opportunity Act and isolated technical violations of Regulation C's HMDA were noted. Bank management has corrected the practices that led to the violations.

GENERAL

The bank has not received any CRA-related complaints since the last evaluation.

APPENDIX A

Scope of Examination			
The bank has defined its assessment area as the 15 census tracts that lie within Douglas County, Wisconsin.			
Time Period Reviewed	We reviewed the bank's CRA performance based on its activities since it became an FRS member on August 31, 1995. The loan data reflected in the report is based on 1996 commercial loan originations and 1996 and first quarter 1997 home improvement and residential real estate loan originations.		
Financial Institution M&I Bank, Superior, Wisconsin			Products Reviewed Home Improvement Residential Real Estate Commercial Loans
Affiliate(s) Not Applicable			
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Examination	Branches Visited	Other Information
MSA Assessment Area Superior, Wisconsin	On-site	Main and branch offices.	First CRA evaluation since becoming an FRS member.

PUBLIC DISCLOSURE

May 12, 1997
Date of Evaluation

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

M&I Bank
Name of Depository Institution

095548600000
Identification Number of Institution

Superior, Wisconsin
Address of Institution

Federal Reserve Bank of Minneapolis
250 Marquette Avenue
Minneapolis, Minnesota 55401-2171

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.