

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 - Winnebago County, Omro, Wisconsin** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **October 15, 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 Satisfactory.

Review of the examination sample of loans, 1994 and 1995 Home Mortgage Disclosure Act (HMDA) data, and Consolidated Reports of Condition revealed strong performance relative to the bank's loan-to-deposit ratio and lending to borrowers of different income levels and small businesses of different sizes. Review of HMDA information reveal reasonable penetration throughout the assessment area, although mortgage activity within low- and moderate-income census tracts was minimal. Review of the six-month CRA loan sample also indicated strong lending performance with respect to lending to borrowers and businesses of different income levels and sizes. The examination loan sample and interviews conducted with bank personnel and community representatives revealed no evidence of prohibited discriminatory lending practices or policies intended to discourage credit applicants.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	F&M BANK - WINNEBAGO COUNTY 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		X	
Response to Complaints	No complaints were received.		

DESCRIPTION OF INSTITUTION

F&M Bank - Winnebago County with assets of \$88.7 million, as of June 30, 1996, is an affiliate of F&M Bancorporation, Inc., a multi-bank holding company with \$944 million in assets as of December 31, 1995. In addition to commercial and agricultural loans, the bank offers a variety of consumer loan products including single-payment, installment, home equity and overdraft protection. As of June 30, 1996, 1-4 family residential real estate comprised approximately 31% of the portfolio. Automated teller machine (ATM) services are also available at the main bank and its branch offices in Oshkosh and Winnecone. The bank's primary competitors are Firststar Bank Oshkosh, National Association, M&I Central State Bank and Oshkosh Savings Bank, FSB, all located in Oshkosh; and the Omro Branch of Bank One, Oshkosh, National Association.

DESCRIPTION OF BANK'S ASSESSMENT AREA

Omro is located in Winnebago County approximately eight miles west of Oshkosh. The bank has defined three separate assessment areas; they include portions of Winnebago County and are all located in the Appleton-Oshkosh-Neenah Metropolitan Statistical Area (MSA) in central Wisconsin. The assessment areas encompasses 11 whole census tracts surrounding the main office in Omro, and the Oshkosh and Winnecone branch offices. The main office in Omro serves census tracts 20 and 21. The branch in Winnecone serves census tract 22, and the branch in Oshkosh serves census tracts 1,2,5,6,7,11,12, and 18. The assessment area served by the Oshkosh office includes one low-income and three moderate-income census tracts located in the City of Oshkosh. Approximately 46,313 people (16,684 households) reside in the assessment area, with 13,634 people and 4,353 households in low- and moderate-income census tracts. The assessment area median family income of \$33,031 is below the MSA and State of Wisconsin median family incomes of \$37,202 and \$35,082, respectively.

Minorities comprise approximately three percent of the population within the assessment area; Asians (1.7%) and individuals of Hispanic origin (0.9%) constitute the largest percentage of the area's minority population. Based upon 1990 census information, the majority of the area's minority households are moderate- or middle-income:

Income:	Population:	Race											
		White		Black		Asian		Hispanic		American Indian		Other	
		#	%	#	%	#	%	#	%	#	%	#	%
Low	1,456	1,322	90.8	0	0.0	35	2.4	57	3.9	28	1.9	14	1.0
Moderate	12,718	12,056	94.8	52	0.4	385	3.0	119	0.9	106	0.8	0	0.0
Middle	32,139	31,393	97.7	84	0.3	362	1.1	220	0.7	72	0.2	8	0.0
Totals	46,313	44,771	96.7	136	0.3	782	1.7	396	0.9	206	0.4	22	0.0

As depicted in the preceding chart, less than ten percent of the low-income population is minority. The Hispanic low-income population at four percent, comprises the largest portion of the minority low-income population. Although the minority moderate- and middle- income percentages are lower, the number of individuals within the moderate- and middle- income categories are greater overall.

Employment within the assessment area is stable, due to a strong manufacturing, service and retail industry base. In 1995, approximately 32% of the MSA's workforce was employed by the manufacturing industry (58,900 of 186,300 employed individuals); approximately 43% of the workforce was employed in the service and retail industries. The overall unemployment rate for the MSA decreased from 3.2% in 1994 to 2.8% during the fourth quarter of 1995. The following is a list of large manufacturing employers in the MSA:

Company	City	Employees	Product
LEACH CO.	Oshkosh	471	Refuse & recycling vehicles & construction tools
AMERICAN NATIONAL CAN CO.	Neenah	475	Flexible plastic packaging
KIMBERLY-CLARK CORP.	Neenah	500	Fiber-based consumer, & industrial products
SCOTT FOOD SERVICE	Oshkosh	570	Table covers, placemats, napkins, towels, wipes, lace doilies
ELECTRONIC ASSEMBLY CORP.	Neenah	600	Electronic assemblies
KELLER & ASSOCS. INC.	Neenah	600	Commercial printing
MORGAN MFG.	Oshkosh	800	Wooden doors & millwork
NEENAH FOUNDRY CO.	Neenah	1000	Gray & ductile iron castings
OUTLOOK GRAPHICS	Neenah	1000	Commercial printing, contract packaging & paper converting
ELECTRONIC ASSEMBLY CORP.	Neenah	1300	Electronic products
WISCONSIN TISSUE MILLS	Menasha	1451	Paper converting
OSHKOSH TRUCK CORP.	Oshkosh	1600	Trucks
CURWOOD, INC.	Oshkosh	2000	Flexible packaging materials
MENASHA CORP.	Neenah	4000	Corrugated containers, paperboard, plastic & wooden products

Housing within the assessment area is predominantly single-family, with 83.9% of the housing stock comprised of 1-4 family units; multi-family units comprised 12.7% (2,310) of the housing stock. Over 44% of the assessment area housing stock was constructed prior to 1950; by comparison, 34% of the MSA and over 36% of the state's housing stock was constructed prior to

1950. The owner occupancy rate within the assessment area (56.9%) is below the State and MSA rates (67.4% and 59.1%, respectively); however, this reflects the number of vacation and rental homes within the area. The assessment area median housing value of \$57,957, is slightly below the MSA and State median housing values of \$61,999 and \$62,141, respectively.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

Analysis of the bank's Uniform Bank Performance Report (UBPR) for the six quarters preceding the examination revealed an average loan-to-deposit ratio of 82.50%. The following chart illustrates the changes in the loan portfolio over the six quarters.

Mar.=95	Jun.=95	Sep.=95	Dec.=95	Mar.=96	Jun=96
83.76%	87.45%	82.90%	78.57%	78.22%	84.07%

A review of the bank's June 30, 1996 Consolidated Report of Condition revealed a loan-to-deposit ratio of 84.07%. The distribution of the loan portfolio, by loan type, was as follows:

LOAN TYPE	DOLLAR AMOUNT OUTSTANDING (000's)	PERCENT OF TOTAL LOANS
REAL ESTATE	4,923	7.53
Construction	278	0.43
Home Equity	20,463	31.29
Residential (1-4)	11,208	17.14
Commercial	3,559	5.44
Agricultural	1,258	1.92
Multi-family		
CONSUMER	350	0.50
Open-end Credit	3,680	5.63
All Other		
COMMERCIAL AND INDUSTRIAL	12,677	19.40
AGRICULTURAL	6,471	9.89
STATE AND POLITICAL	542	0.83
OBLIGATIONS	0.00	0.00
OTHER	0.00	0.00

Call report analysis revealed 1-4 family real estate loans comprised approximately 31.29% of the loan portfolio, followed by commercial industrial and commercial real estate lending, which comprised 19.40% and 17.14% of the portfolio, respectively. Comparative call report analysis also revealed steady growth in the bank's loan portfolio from December, 1994 through June,

1996, as total loans increased 14% from \$57,554,000 to \$65,409,000.

According to the June 30, 1996 UBPR, the bank's performance compared to peer is illustrated in the following chart.

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	7.09	5.00
1 - 4 Family Residential	32.51	28.69
Home Equity	0.38	1.05
Other Real Estate	24.47	25.34
Farmland	5.31	0.80
Multi-family	17.13	1.18
Commercial	2.03	21.01
TOTAL REAL ESTATE LOANS	64.07	65.35
LOANS TO INDIVIDUALS	6.14	10.70
CREDIT CARD LOANS	0.43	0.33
COMMERCIAL & INDUSTRIAL LOANS	18.75	16.97
AGRICULTURAL LOANS	10.26	0.62
MUNICIPAL LOANS	0.77	0.08
OTHER LOANS*	0.00	0.23
*Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

Review of the UBPR data revealed the bank's overall real estate lending activity has been at peer level since December 1993, although farm real estate lending (5.31% vs 0.80% for peer) was historically above peer. The bank's agricultural lending was at a level significantly above peer (10.26% vs 0.62% for peer), as was municipal lending (0.77% vs 0.08% for peer). The distribution of the loan portfolio is reflective of the agricultural and manufacturing concerns located within the assessment area.

The bank's loan-to-deposit ratio is high and exceeds the standards for satisfactory performance.

Lending in Assessment Area

The examination loan sample, a six-month CRA real estate loan sample, 1994 and 1995 HMDA data and preliminary 1996 Loan Application Register (LAR) were reviewed to assess the bank's level of lending within the assessment area.

A review of the loan sample revealed the following geographic distribution:

LOAN TYPE	TOTAL LOANS SAMPLED	NUMBER WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Single Payment	13	13	100
Installment	22	15	68
Revolving	20	17	85
Real Estate	13	9	69
Commercial	20	15	75
Totals	88	69	78

Approximately 78% (69 of 88 loans) of the sampled loans were made within the assessment area. The distribution of the six-month sample of real estate loans indicated that 156 of 205 loans (76%) were within the assessment area. Review of the bank's 1994 and 1995 HMDA data revealed that 84% of 1994 and 77% of 1995 originations were within the assessment area. Review of the examination loan sample and the bank's HMDA data indicate that lending within the assessment area meets the standards for satisfactory performance.

Lending to Borrowers of Different Income and Businesses of Different Sizes

The bank's internal monitoring reports, Consolidated Reports of Condition, and HMDA data, were reviewed to assess the distribution of the bank's lending to individuals, businesses and farms of various income levels and sizes. The bank monitors its lending performance by computer-generated reports which segregate small business and farm, single-family and multi-family housing, and consumer loans by low-, middle-, and upper-income categories. Review of the bank's September 26, 1996 report for loans made during the preceding six months revealed the following:

Loan Type	Number	\$ Amount
Consumer Loans under \$1,000	104	51,877
Small Business*	212	6,959,778
Small Farm**	138	3,364,329

*Small businesses defined as businesses with gross revenues under \$1 million

**Small farm defined as farms with gross revenues of up to \$500,000

Consumer loans under \$1,000 comprised approximately 41% of the consumer loan portfolio (104 of 252 consumer loans). The bank's report also indicated that commercial and farm lending during the six-month period was exclusively to small businesses and farms.

Review of the bank's 1994, 1995, and 1996 June Consolidated Reports of Condition revealed the bank's record in making loans to small businesses:

Commercial Real Estate Lending

Commercial Real Estate Loan Amount	June 1994		June 1995		June 1996	
	#	\$	#	\$	#	\$
\$100,000 or less	75	2,498	109	2,017	86	3,022
\$100,000 to \$250,000	33	3,764	32	3,768	31	3,485
\$250,000 to \$1 Million	17	3,725	10	4,283	10	3,984

Commercial/Industrial Lending

Commercial-Industrial Loan Amount	June 1994		June 1995		June 1996	
	#	\$	#	\$	#	\$
\$100,000 or less	416	6,050	367	4,884	319	5,355
\$100,000 to \$250,000	27	2,960	31	3,669	26	3,297
\$250,000 to \$1 Million	6	1,464	8	2,446	10	4,025

As the preceding tables illustrate, the majority of the bank's commercial real estate and commercial-industrial lending were for amounts of \$100,000 or less. Commercial real estate loans in amounts less than \$100,000 comprised approximately 60% of the commercial real estate portfolio in June 1994 and 68% in June 1996. Commercial-industrial loans for less than \$100,000 comprised 93% of the category in 1994, and 90% in 1996.

Farm Real Estate Lending

Farm Real Estate Loan Amount	June 1994		June 1995		June 1996	
	#	\$	#	\$	#	\$
\$100,000 or less	25	759	28	1,121	35	1,184
\$100,000 to \$250,000	11	930	15	1,851	14	1,930
\$250,000 to \$500,000	1	476	0	N/A	2	445

Agricultural Lending

Agricultural Loan Amount	June 1994		June 1995		June 1996	
	#	\$	#	\$	#	\$
\$100,000 or less	214	3,358	192	2,641	184	2,891
\$100,000 to \$250,000	17	1,425	22	2,850	22	2,775
\$250,000 to \$500,000	2	599	2	342	4	805

As the preceding tables illustrate, the majority of the bank's farm real estate and agricultural loans were for amounts less than \$100,000. Loans for \$100,000 comprised 68% of farm real estate loans in June 1994, and 69% in June 1996. Agricultural loans for \$100,000 or less comprised 92% of the portfolio in June 1994, and 88% of the portfolio in June 1996.

Review of the bank's 1994 and 1995 HMDA data revealed that the bank generated approximately 39% of its 1994 originations and 32% of 1995 originations from low- and moderate-income applicants. The distribution of the loan sample, record of lending to small businesses and farms, and HMDA data indicate that the bank's lending to individuals of different incomes and businesses/farms of different sizes exceeds the standards for satisfactory performance.

Geographic Distribution

The geographic distribution of the examination loan sample, and the bank's 1994 and 1995 HMDA data were reviewed to assess the dispersion of loans throughout the assessment area. Review of the examination loan sample revealed that the bank made loans in eight of the eleven census tracts in the assessment area, with one loan made in census tract 6 (low- income tract) and one in census tract 12, a moderate-income tract. Forty-five of the 69 loans (65%) were made within census tract 20 (Omro), and 11 were made in census tract 21.

The bank's geographic analysis of real estate mortgages in the six-month loan sample indicated that loans were made within nine of the eleven census tracts in the assessment area; eleven loans (5%) were within low- or moderate-income census tracts. Review of 1994 and 1995 HMDA data indicated that the bank's originations in low- and moderate-income census tracts is below aggregate level for both years. The bank generated 8.47% of 1994 originations and 11.54% of 1995 originations in low- and moderate-income census tracts. By comparison, the delineation aggregate generated 14.23% of 1994 originations and 15.18% of 1995 originations in low- and moderate-income census tracts.

Although the bank does not have a large amount of activity in low- and moderate-income census tracts, the bank originated all ten applications received from low- and moderate- income census tracts in 1995, and ten of eleven applications in 1994. The overall distribution of credit throughout the assessment area supports a satisfactory rating under this criterion.

Response to Complaints

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

