

## **PUBLIC DISCLOSURE**

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

#### **F&M BANK-PRAIRIE DU CHIEN**

RSSD Number: 263346

300 E. Blackhawk Avenue  
Prairie Du Chien, Wisconsin 53821-1533

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 **F&M Bank-Prairie du Chien, Prairie du Chien, Wisconsin** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **October 2, 1998**. 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.

F&M Bank-Prairie du Chien's lending efforts promote economic growth in a manner consistent with its size, financial capacity, location and assessment area economic conditions. The bank's efforts have primarily been accomplished through the origination of 1-4 family real estate loans, installment loans and commercial/industrial lending. The bank's loan-to-deposit ratio of 82% for the most recent six reporting quarters supports these efforts. The majority of loans in the CRA sample of originations and renewals were extended in the assessment area. A further review of the CRA loan sample revealed solid loan distribution to consumers of different income levels and to businesses and farms of different revenue sizes. Analysis of loan penetration in its sole moderate-income block numbering area (BNA) revealed reasonable loan penetration relative to local demographic information. The examination revealed no evidence of discriminatory lending practices or policies intended to discourage individuals from applying for loans offered by the bank.

**DESCRIPTION OF INSTITUTION**

F&M Bank Prairie du Chien, with assets of \$92,961,000 as of June 30, 1998, is a wholly-owned subsidiary of F&M Bancorporation Inc., Kaukauna, Wisconsin. The bank became a state member of the Federal Reserve System on October 23, 1997. The bank has four branches, one each in Bagley, Eastman and Seneca and an additional branch (Riverside) in Prairie du Chien. The bank operates two ATMs, one at the main office and one at the Riverside branch.

**DESCRIPTION OF ASSESSMENT AREA**

Prairie du Chien is located in Southwestern Wisconsin on the Iowa-Wisconsin border, approximately 40 miles south of Lacrosse. The bank’s assessment area includes five Block Numbering Areas (BNAs) in Crawford County and one BNA in Grant County. The following table details demographic information relative to assessment area BNAs:

<b>F&amp;M BANK-PRAIRIE DU CHIEN ASSESSMENT AREA DEMOGRAPHIC INFORMATION</b>				
<b>BNA</b>	<b>County</b>	<b>Population</b>	<b>Median Family Income</b>	<b>Income Level</b>
9802.00	Crawford	2,301	\$23,611	Moderate
9803.00	Crawford	2,569	\$25,175	Middle
9804.00	Crawford	2,950	\$26,619	Middle
9805.00	Crawford	2,200	\$30,608	Middle
9806.00	Crawford	3,153	\$29,806	Middle
9604.00	Grant	3,526	\$25,435	Middle
<b>Totals</b>	<b>N/A</b>	<b>16,699</b>	<b>\$26,169</b>	<b>N/A</b>

Approximately 16,699 individuals reside within the assessment area; minorities comprise less than two percent of the total assessment area population. A significant percentage (45%) of the assessment area population is considered low- or moderate-income, based upon 1990 census data. Agriculture and agricultural-related industries play a large role in the assessment area economy, particularly in Grant County. There were 2,340 farms in Crawford based upon 1992 Wisconsin Agricultural Census information. By comparison, there were 978 farms in Crawford County according to the same census. Agricultural production in both counties is concentrated in corn, soybeans, dairy and livestock. The assessment area also is home to a number of diverse light industries and manufacturers. The following table highlights some of the assessment area’s larger employers:

<b>ASSESSMENT AREA LARGE EMPLOYERS</b>			
<b>COMPANY</b>	<b>CITY/TOWN</b>	<b># OF EMPLOYEES</b>	<b>PRODUCT</b>
Rayovac Corporation	Fennimore	600	Alkaline Batteries
3M Company	Prairie du Chien	600	Industrial Abrasives
Cabela's	Prairie du Chien	370	Retail Sporting Goods
Design Homes Inc.	Prairie du Chien	300	Modular Homes
Miniature Precision	Prairie du Chien	240	Automotive Part Assembly
Mc Gregor Loudspeaker Manufacturing Inc.	Prairie du Chien	200	Automotive Stereo Speakers
Quality Wood Treating	Prairie du Chien	180	Pressure Treated Lumber
DSC Technologies	Prairie du Chien	100	Speaker Cone Assembly

Unemployment levels within the assessment area compare favorably with state and national averages, as detailed in the following table:

<b>COUNTY, STATE AND NATIONAL UNEMPLOYMENT RATES 1997 &amp; 1998*</b>		
<b>COUNTY/GEOGRAPHY</b>	<b>1997 UNEMPLOYMENT RATE</b>	<b>1998 UNEMPLOYMENT RATE</b>
Crawford	3.1	3.4
Grant	4.9	3.2
State of Wisconsin	3.3	2.9
National	4.8	4.5

\*Unadjusted rates for the month of August

Housing within the assessment area is largely owner occupied (60.3%), with a large percentage of vacant (19.1%) and rental units (20.6%) in the community. A significant number of the vacant units in the assessment area are vacation properties, owned by Illinois residents. By comparison, all statewide non-metropolitan and overall state owner-occupancy rates (57.1% and 59.1% respectively) are slightly below the assessment area owner-occupancy rate. There were a total of 5,307 single-family housing units, of which 340 two-to-four family dwellings; 376 multi-family dwellings and 1,518 mobile homes in the assessment area. The following table details housing demographic information for the assessment area in comparison to State of Wisconsin and all statewide non-metropolitan areas:

<b>ASSESSMENT AREA HOUSING PERCENTAGES</b>						
<b>Geography</b>	<b>Single Units</b>	<b>2-4 Units</b>	<b>Multi-family</b>	<b>Mobile Homes</b>	<b>Units Built Prior to 1950</b>	
Assessment Area	69.3%	4.4%	4.9%	19.8%	3,068	40.0%
State of Wisconsin	65.3%	16.0%	12.5%	4.9%	757,204	36.8%
All non-metropolitan areas within the State of Wisconsin	74.8%	8.1%	5.7%	1.6%	289,689	38.6%

The percentage of mobile homes, 19.8%, within the assessment area is significantly higher than levels within the state overall and within all nonmetropolitan areas in the state.

The assessment area median housing value and percentage of mobile homes also vary significantly, although general housing characteristics for the assessment area are comparable to state levels and to those of all state nonmetropolitan areas. The median housing value for assessment area owner-occupied units (\$41,842) is well below the median housing value of the State of Wisconsin overall (\$62,141) and that of all nonmetropolitan areas within the state (\$50,092).

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

A sample of 1998 loan originations and the composition of the bank’s loan portfolio were reviewed to analyze the bank’s lending performance relative to overall loan volume, geographic distribution within the assessment area and within the sole moderate-income BNA. The loan portfolio was also reviewed with respect to the distribution of lending among borrowers of different income levels and to businesses and farms of different revenue sizes.

**LOAN-TO-DEPOSIT RATIO**

The bank’s average loan-to-deposit ratio for the six most recent quarters is 82.98%. Based upon the June 30, 1998 Uniform Bank Performance Report (UBPR), the bank’s level of lending ranks in the 75<sup>th</sup> percentile of its peer group, exceeding it’s peer group average loan-to-deposit ratio of 72.74%. The following table highlights six-quarter loan-to-deposit ratios for the bank and selected local competitors:

<b>SIX-QUARTER LOAN-TO-DEPOSIT RATIOS FOR THE BANK AND ITS LOCAL COMPETITORS</b>							
	<b>LOAN-TO-DEPOSIT RATIOS %</b>						
<b>Bank/ Asset Size(\$)</b>	<b>6-30-98</b>	<b>3-31-98</b>	<b>12-31-97</b>	<b>9-30-97</b>	<b>6-30-97</b>	<b>3-31-97</b>	<b>6 quarter Average</b>
F&M Prairie du Chien/ 92 million	81.84	83.07	80.65	81.82	84.57	85.92	82.98
Peoples State Bank-/ 139 million	86.89	86.13	80.95	79.78	76.46	71.99	80.37
Community First Bank- Boscobel/ 95 million	70.80	74.44	75.86	72.30	65.95	69.02	71.40
River Bank-Stoddard/ 108 million	66.84	67.02	66.38	69.95	70.60	68.81	68.27

An additional review of the bank’s June 30, 1998 UBPR revealed the bank’s strengths relative to 1-4 family real estate lending. One-to-four family real estate loans comprised 55% of the loan portfolio, placing the bank in the 91st percentile of its peer group. The bank’s overall real estate lending is in the 51st percentile, due primarily to lower farm and commercial real estate lending in comparison to peer. Community representatives contacted during the examination did not indicate any concerns related to unmet commercial real estate lending needs.

A comparison with the loan portfolio of Peoples State Bank, a larger financial institution, revealed this bank's residential real estate loan portfolio totaled over \$35,000,000 as of June 30, 1998; Peoples State Bank had \$15,763,000 in outstanding 1-4 family real estate loans as of that date. Conversely, Peoples State Bank's outstanding commercial real estate loans (\$21,307,000) were significantly higher than F&M Bank-Prairie du Chien (\$404,000). Bank management and community representatives indicated that both financial institutions each have their own areas of specialization to meet community credit needs.

The bank's loan-to-deposit ratio meets the standard for satisfactory performance in consideration of its size, local economic conditions and available assessment area lending opportunities.

### **LENDING IN ASSESSMENT AREA**

The bank's report of all originations and renewals extended during a seven-month period from January 1, 1998 through July 31, 1998, was reviewed as a CRA loan sample to assess the bank's lending efforts within the assessment area. A review of the new loan report revealed that 1,109 total loans were originated or renewed during the sample period. Approximately 75% (834 loans) of the total loans in the sample were originated or renewed within the assessment area.

The bank's performance with respect to lending within the assessment area also meets the standards for satisfactory performance

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

The CRA loan sample was also reviewed to determine the bank's distribution of consumer real estate loans based upon borrower income levels. The original loan amount was utilized as a proxy to assess the bank's lending to low- and moderate-income borrowers since applicant income information was not readily available. A significant percentage (60%) of the specified owner-occupied housing units in the assessment area have values between \$25,000 to \$59,999 according to 1990 census data. It was determined that real estate loans of less than \$50,000 would be affordable for low- and moderate-income individuals, after a review of census data and discussions with management.

A review of the CRA loan sample revealed that the bank originated or renewed approximately 161 real estate secured loans in the assessment area, totaling \$10,189,875; 41% of the loans extended in the assessment area (66 loans) were for amounts under \$50,000.

The bank's June 30, 1998 and June 30, 1997 Consolidated Reports of Condition were utilized to assess the bank's lending to businesses and farms with gross annual revenues of one million dollars or less, using loan origination amounts as a indicator of business/farm size, since annual business and farm revenue data was not readily available. The following table details the number and dollar amount (in thousands) of commercial real estate, commercial/industrial, agricultural

real estate and agricultural loans:

<b>F&amp;M BANK-PRAIRIE DU CHIEN 1997 &amp; 1998 COMMERCIAL LENDING</b>								
<b>Loan Amount</b>	<b>1997 Commercial Real Estate</b>		<b>1998 Commercial Real Estate</b>		<b>1997 Commercial-Industrial</b>		<b>1998 Commercial-Industrial</b>	
\$100,000 or less	25	509	23	404	231	5,573	235	5,482
Between \$100,000 to \$250,000	0	0	0	0	8	916	11	1,072
Between \$250,000 to \$1,000,000	0	0	0	0	20	8,228	20	6,866

<b>F&amp;M BANK-PRAIRIE DU CHIEN 1997 &amp; 1998 FARM LENDING</b>								
<b>Loan Amount</b>	<b>1997 Farm Real Estate</b>		<b>1998 Farm Real Estate</b>		<b>1997 Farm Production</b>		<b>1998 Farm Production</b>	
\$100,000 or less	1	12	1	5	174	2,566	9	159
Between \$100,000 to \$250,000	2	270	2	260	7	1,107	10	1,608
Between \$250,000 to \$1,000,000	0	0	0	0	2	401	1	365

A further review of the bank’s June 30, 1997 and June 30, 1998 Consolidated Reports of Condition revealed that a substantial majority of the bank’s business and farm loan originations were in amounts of \$100,000 or less. Approximately 92% of 1997 business and farm loans combined (405 of 442 loans) were extended for original amounts of \$100,000 or less; 85% of combined 1998 commercial and farm loans (244 or 286 loans) were for amounts of \$100,000 or less.

The bank’s loan penetration among borrowers of different income levels and to businesses and farms of different revenue sizes is consistent with assessment area demographics and community credit needs. The bank’s origination of real estate loans for amounts under \$50,000 suggests a strong level of lending to borrowers of different income levels. The bank’s lending performance meets the standards for satisfactory performance.

**GEOGRAPHIC DISTRIBUTION OF LOANS**



There are a total of six BNAs comprising the assessment area. The bank's assessment area contains one moderate-income BNA, 9802, which has a median family income of \$23,611 and contains 832 households (the fewest number of households in any of the bank's assessment area BNAs). The CRA loan sample was also utilized to determine the bank's loan penetration in the assessment area's moderate-income BNA. The bank originated or renewed eleven loans (one percent of assessment area total lending) in BNA 9802. Two of the eleven loans were secured by real estate; the remaining nine loans were unsecured consumer loans. The bank has a reasonable level of penetration in its sole moderate-income BNA based upon assessment area demographic characteristics. The bank's geographic distribution within the assessment area meets the standard for satisfactory performance.

### **RESPONSE TO COMPLAINTS**

No complaints were received by the bank regarding its CRA performance since the previous examination.

### **GENERAL**

Management has developed and implemented policies and procedures supporting nondiscrimination in lending. The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts. The bank has developed standards, policies and practices reasonably adapted in compliance with the regulations and has applied them in a consistent manner.