

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 **Community First Bank, Boscobel, Wisconsin** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **November 5, 1997**. 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**.

Community First Bank provides credit consistent with its size, financial capacity, location, current economic conditions and needs of its assessment area. The bank's loan-to-deposit ratio is reasonable and the bank originates a substantial majority of its loans within its assessment area. The bank lends to consumers of different income levels and businesses of different sizes; the geographic distribution of loans demonstrates the bank's willingness to extend credit within its assessment area. The examination revealed that the bank does not engage in any prohibited discriminatory lending activity. There were no CRA-related complaints received by the bank since the bank became a member of the Federal Reserve System.

DESCRIPTION OF INSTITUTION

Community First Bank, with total assets of \$87.4 million as of September 30, 1997, is located in Boscobel, Wisconsin, 80 miles west of Madison, Wisconsin. It is located in northern Grant County, just south of the Wisconsin River. The bank is a subsidiary of Boscobel Bancorp, Inc., a one bank holding company. The bank operates its main office (Boscobel) and two branches (Blue River and Muscoda) in Grant County and one branch (Richland Center) in Richland County. Automated teller machines (ATMs) are located at the branches in Boscobel and Muscoda. The Boscobel, Muscoda and Richland Center branches are full-service. The Blue River branch accepts limited types of loan applications; most loan requests received at the branch are handled by a loan officer from Boscobel or Muscoda.

The bank's lending products include consumer, commercial, agricultural, municipal and real estate loans. The bank offers a variety of government-guaranteed loans such as Wisconsin Housing and Economic Development Authority (WHEDA) Home Loans, WHEDA Credit Relief Outreach Program (CROP) Loans, WHEDA Linked Interest Deposit Loans (LiDL), Small Business Administration (SBA) Loans and Farm Services Agency loans. The bank also sells mortgage loans on the secondary market. There are no impediments limiting the bank's ability to meet the credit needs of its assessment area.

The bank identified its primary competitors as a branch of First Federal Savings Bank La Crosse-Madison (\$1,573 million in assets), with an office located in Richland Center; Richland County Bank (\$95 million in assets), located in Richland Center; Clare Bank, National Association (\$136 million in assets), with offices in Bloomington, Boscobel, Fennimore, Montfort and Muscoda; and AnchorBank, S.S.B. (\$1,929 million in assets), with offices in Boscobel and Richland Center. An additional 11 other financial institutions with 13 total offices compete with Community First Bank in its assessment area, according to a report of Offices and Deposits issued by the Federal Deposit Insurance Corporation (FDIC) as of June 30, 1997.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area contains 11 block numbering areas (BNAs), six of which are north of the Wisconsin River and five of which are south of the Wisconsin River. There is accessibility across the river at Boscobel, Blue River, and Muscoda where the bank's main office and two branch offices are located. BNA numbers 9801 and 9803 are located in Crawford County; BNA numbers 9601, 9602, 9603 and 9604 are located in Grant County; BNA number 9502 is located in Iowa County; and BNA numbers 9702, 9703, 9704 and 9705 are located in Richland County. According to 1990 census data, 10 of the BNAs are middle-income and BNA number 9801 in Crawford County is moderate-income.

The population of the assessment area is 37,735 according to 1990 census data; low- and moderate-income families comprise 46.5% of total families in the assessment area. The

family median income for the assessment area is \$25,677; \$4,613 below the nonmetropolitan family median income for Wisconsin of \$30,290.

The housing stock of the assessment area is 64% owner occupied, 24% rental, and 12% vacant, according to 1990 census data. One-to-four family housing units represent 77% and mobile homes 11% of the assessment area's housing stock. The percent of housing units in the assessment area built prior to 1950 is 48.5% compared to 38.6% for all nonmetropolitan areas of Wisconsin.

Major employers in the assessment area includes Rayovac (batteries) in Fennimore which employs 600; Advance Transformer Co. (transformers) in Boscobel which employs 700; and Rockwell Automation-Allen Bradley (motor controls) in Richland Center which employs 434. Lands= End, Inc. (luggage and clothing) in Dodgeville (Iowa County) employs 7,000, according to bank management and community representatives. Although the employer is not in the assessment area, Lands= End is within commuting distance from the assessment area and residents take advantage of this employment opportunity.

The following is a comparison of unemployment rates for the months of September and August, 1997 and 1996 according to the Wisconsin Division of Workforce Development for counties included in the assessment area and for the state of Wisconsin:

STATE OF WISCONSIN UNEMPLOYMENT RATES				
COUNTY	9/97	9/96	8/97	8/96
Grant	4.6%	5.1%	4.8%	5.8%
Crawford	3.0%	3.0%	3.1%	3.1%
Richland	3.2%	2.3%	3.1%	2.7%
Iowa	2.3%	2.4%	2.2%	2.5%
STATE OF WISCONSIN	3.1%	2.8%	3.2%	3.1%

The high unemployment rates in Grant County compared to the State of Wisconsin levels are due to the slow recovery of unemployment caused by the closing of a pork processing plant in Dubuque, Iowa, that resulted in the lay-offs of 500 Grant County workers in late 1995 and the closing of a major durable goods manufacturing plant in the county that left another 500 to 600 workers without jobs. The largest regional employer, Lands= End, Inc. (7,000 employees), contributes to Iowa County's low unemployment rates.

The assessment area is largely rural and agricultural. Both bank management and community representatives indicated that agriculture continues to have less influence on the area's economy, and that communities are aggressively soliciting manufacturers to bring their

operations to the area. The lack of a major roadway through the assessment area is an obstacle that prevents some businesses from relocating to the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts.

LOAN-TO-DEPOSIT RATIO

A review of the bank's Consolidated Reports of Condition over the four quarters since the bank became a member of the Federal Reserve System revealed that the bank's loan-to-deposit ratio averaged 68.89%. The bank's third quarter 1997 loan-to-deposit ratio of 72.30% compares favorably with its national peer ratio of 73.29%, according to the September 30, 1997 Uniform Bank Performance Report (UBPR).

The bank's loan-to-deposit ratio was also compared to that of banks with offices in the assessment area, in order to assess the bank's performance in comparison with local competitors. The following chart illustrates a loan-to-deposit ratio comparison with area competitors:

LOAN-TO-DEPOSIT RATIOS OF COMMUNITY FIRST BANK AND AREA COMPETITORS						
Bank Name	Asset Size (\$000)	Dec. 1996	March 1997	June 1997	Sept. 1997	4-Quarter Average
F&M Bank-Fennimore	\$49,176	87.66%	84.07%	80.97%	84.33%	84.25%
F&M Bank-Prairie du Chien	\$89,451	80.08%	85.92%	84.57%	81.82%	83.09%
Peoples State Bank	\$125,296	79.28%	71.99%	76.46%	79.78%	76.87%
Community First Bank	\$87,352	68.28%	69.02%	65.95%	72.30%	68.89%
Clare Bank	\$136,117	55.57%	58.56%	62.17%	64.06%	60.09%
Richland County Bank	\$95,339	53.94%	54.91%	55.06%	56.01%	54.98%
National Peer Group	N/A	69.73%	69.56%	72.14%	73.29%	71.18%

The preceding chart illustrates that the bank's loan-to-deposit ratio is reasonable compared with peer and local competition. In addition, the bank sold 20 home mortgage loans totaling

\$1,752,444 in 1997 on the secondary market; this activity is not reflected in the loan-to-deposit ratio but represents additional lending by the bank. The institution's loan-to-deposit ratio meets the standards for satisfactory performance, considering the bank's size, financial condition, lending programs and local competition in the assessment area.

LENDING IN ASSESSMENT AREA

A review of the bank's September 30, 1997 Consolidated Report of Condition revealed the following distribution of loans by loan type:

LOAN TYPE	DOLLAR AMOUNT OUTSTANDING (\$000s)	PERCENT OF TOTAL LOANS
REAL ESTATE		
Residential (1-4)	13,045	24.77
Commercial	11,943	22.67
Agricultural	4,737	9.00
Multi-family	55	0.10
CONSUMER	5,573	10.58
COMMERCIAL AND INDUSTRIAL	9,296	17.65
AGRICULTURAL	5,402	10.26
STATE AND POLITICAL OBLIGATIONS	2,593	4.92
OTHER	27	0.05

The bank identified consumer real estate loans and loans to small businesses as its two major products. A six month sample of these loans was reviewed to determine the bank's level of lending in its assessment area.

The bank originated 987 loans from April 1, 1997 to September 30, 1997. Of the 987 loans, 117 were to small businesses and 59 were consumer real estate loans. Of the 117 small business loans, 101 (86.32%) of the loans to small businesses and 53 of 59 (89.83%) consumer real estate loans were originated in the assessment area. Additionally, the bank originated nine loans to small businesses located in Lone Star, Wisconsin. Although Lone Star appears to be in the assessment area, the BNAs identified for the addresses of those businesses in Lone Star were not in the assessment area. With the addition of these nine loans, the percentage of loans in the assessment area increased to 94.02%.

The bank's level of lending within the assessment area indicates that a substantial majority of loans are originated in the assessment area; this level exceeds the standards for satisfactory performance.

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

The bank does not routinely record income information for loan applicants. A loan amount of \$2,000 was selected as a proxy, as a loan amount reasonable for a low- or moderate-income borrower. Of the 987 loans originated in the six months between April 1, 1997 and September 30, 1997, 219 or 22.19% of the loans were for \$2,000 or less. 1990 census data indicates that 4,835 or 46.5% of families in the assessment area are low- or moderate-income. Ascertainable reasons for the divergence between these figures are as follows: 1) The bank has no branch offices in two of the counties in the assessment area, where 1,067 [or 10.27% of the total families in the assessment area] live; 2) the main bank and two bank branches are located on the south side of the Wisconsin River, and although there is access across the river at each of the three locations, the river remains a natural boundary that would restrict customers in certain northern portions of the bank's assessment area from coming to certain branches; and 3) the bank has strong local competition.

The bank also meets the credit needs of its community by offering government guaranteed or insured loans. The bank has three Farm Services Agency government-guaranteed loans pending, totaling \$443,500. Total Farm Services Agency loans outstanding are \$248,533. The bank originated one Small Business Administration (SBA) loan for \$189,000. The bank also participates in the Wisconsin Housing and Economic Development Authority (WHEDA) Linked Interest Deposit Loan (LiDL) program. LiDL is a reduced rate loan for small businesses with gross annual sales of \$500,000 or less. The bank originated one LiDL for \$200,000.

A review of the June 30, 1997 Report of Condition revealed that 377 (16.48%) small business loans were outstanding in amounts of \$100,000 or less and that 450 (19.67%) small farm loans were outstanding in amounts of \$100,000 or less.

Given the makeup of the assessment area, involvement in government-guaranteed/insured lending programs, and the level of lending, the bank meets the standards for satisfactory performance under this criterion.

GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of the consumer real estate loans and loans to small businesses originated within the last six months was performed in order to evaluate the bank under this criterion. The bank originated loans in ten of 11 of the BNAs in the assessment area. The analysis revealed that 80 (68.38%) of the 117 small business loans and 43 (72.88%) of 59 consumer real estate loans were originated in BNAs where a branch of Community First Bank is located. The bank originated six loans to small businesses and two consumer real estate loans in the moderate-income BNA number 9801. The bank did not originate any consumer real estate loans or loans to small businesses in BNA number 9702 in Richland County. BNA number 9702 surrounds BNA number 9704 where a bank branch (Richland Center) is located. The lack of loans in BNA number 9702 is attributed to the short period of time (approximately two years) the branch location has been operating in Richland Center. The geographic distribution of loans in the assessment area is reasonable and meets the standards for

satisfactory performance.

RESPONSE TO COMPLAINTS

No CRA-related complaints were received since the bank became a member of the Federal Reserve System.