

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-New London** 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 CAR Part 228.

INSTITUTION-S RATING: This institution is rated **Outstanding**.

The F&M Bank-New London 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 consistently high, the bank originates a substantial majority of loans within its assessment area and the bank is lending to consumers of different income levels, and to businesses and farms of different sizes.

The following table indicates the performance level of **F&M Bank-New London** with respect to each of the five performance criteria:

SMALL INSTITUTION ASSESSMENT CRITERIA	F&M BANK-NEW LONDON 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	There are no low- or moderate-income geographies within the bank's assessment area.		
Response to Complaint	No CRA-related complaints were received since the bank became a state member bank.		

DESCRIPTION OF INSTITUTION

F&M Bank-New London, with assets of \$31.5 million as of September 30, 1996 is a subsidiary of F&M Bancorporation, Inc., a multi-bank holding company, with total assets of \$944 million as of December 31, 1995. The bank has one office located in downtown New London and one off-site ATM located at a nearby truck stop. The bank offers depository services and a full array of loan products including consumer, mortgage, commercial and agricultural loans. The bank also participates in locally developed loan programs such as the New Community Development Corporation loan program and the City of New London Revolving Loan Fund, which make low cost funds available for local businesses.

The F&M Bank-New London is one of four financial institutions in New London. There are no impediments limiting the bank's ability to meet the credit needs in its assessment area. The bank's primary competitor is First State Bank, located in New London (\$136 million in assets). Other competitors located in New London include a branch of the First Northern Savings Bank of Green Bay (\$508 million in total assets) and the Wolf River Credit Union.

DESCRIPTION OF BANK'S ASSESSMENT AREA

The City of New London is located in both Waupaca and Outagamie counties about 20 miles northwest of Appleton in East Central Wisconsin. The bank's assessment area includes census tracts 126, 127, 128 and 132 in Outagamie County, within the Appleton-Oshkosh-Neenah MSA, and block numbering areas (BNAs) 9902, 9904, 9907, 9908, 9909, 9910, 9911 and 9912 in Waupaca County. All four census tracts and seven of the eight BNAs in the assessment area are middle-income; BNA 9908 is identified as upper-income.

The population of the bank's assessment area is 53,783, according to 1990 census data; Whites constitute 52,988 or 98.5% of the population of the assessment area. New London has experienced a 4.1% increase in population from 1990 (6,658) to 1995 (6,930), according to the Wisconsin Department of Administration and census data; the population is expected to increase to 7,032 by the year 2000.

The median family income for the assessment area is \$33,539. There are 14,455 families in the assessment area of which 9,487 or 65.6% are middle- or upper-income and 4,968 or 34.4% are low- or moderate-income.

There are 21,207 housing units in the assessment area, according to 1990 census data; owner-occupied units total 14,912 or 70.3%, rental units total 4,464 or 21.0%, with a remaining vacancy rate of 8.7%. The median housing value in the assessment area is \$52,646; the median age of the housing stock within the assessment area is 27 years with 41.7% of the housing units built before 1950. There are 1,229 multi-family housing units and 1,719 mobile homes in the assessment area. There are 2,804 housing units in New London with 1,800 or 64.2% being owner-occupied, a vacancy rate of 3.0%, and a median housing value of \$51,625. Two single family housing

developments remain active within the area, according to community representatives.

Significant employment opportunities exist within the assessment area; job opportunities in Appleton also attract area residents. The Wisconsin Department of Workforce Development reported that in July, 1996 the unemployment rate in Outagamie County was 2.6% and in Waupaca County the rate was 3.0%; both compare favorably with a 3.5% unemployment rate in the State of Wisconsin. The major employers in New London are Hillshire Farms and Kahn's (1,180 employees); Curwood, Inc. (584 employees); and Simmons Juvenile Products (500 employees).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts. The examination did not reveal any evidence of discriminatory policies, procedures or practices that would discourage applicants.

Loan-to-Deposit Ratio

A review of the bank's Consolidated Reports of Condition for the past six quarters beginning June 30, 1995, revealed an average loan-to-deposit ratio of 83.98%. The following chart illustrates the trend in the loan portfolio since the previous examination:

6/30/95	9/30/95	12/31/95	3/31/96	6/30/96	9/30/96
86.07%	82.99%	80.62%	80.77%	84.17%	89.27%

By comparison, The First State Bank of New London, showed a loan-to-deposit ratio of 88.2% as of December 31, 1995.

The bank's consistently high average loan-to-deposit ratio is considered to exceed the standards for satisfactory performance, based upon the bank's size, financial condition, competition and credit needs in the assessment area.

Loans in Assessment Area

A sample of the bank's loan originations for the six month period ending September 26, 1996 was relied upon to determine the extent of lending within the assessment area. A review of this sample revealed that the bank originated a total of 486 loans of all types, of which 450 (92.59%) were identified as originated in the assessment area.

A specific review of the loan sample by type, revealed the following geographic distribution:

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LOAN TYPE	TOTAL	WITHIN THE LOCAL DELINEATED COMMUNITY	PERCENT OF TOTAL
COMMERCIAL- Agricultural and Small Business	70	68	97.14%
CONSUMER - Single Payment	93	87	93.55%
CONSUMER- Installment	183	170	92.90%
CONSUMER- Real Estate	112	103	91.96%
OTHER	28	22	78.57%
TOTAL LOANS	486	450	92.59%

The review of the six-month loan sample indicates that a substantial majority of the bank's loans are in the assessment area and this level of lending exceeds the standards for satisfactory performance.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank does not consistently collect income information on its loan applications; however, the six month loan sample as of September 26, 1996 did contain revenue and income information for real estate, agricultural and commercial loans originated in the assessment area in the previous six months. Fifty-six of 62 (90.32%) commercial loans were made to small businesses; five of six (83.33%) agricultural loans were made to small farm operations. This evidences the bank's commitment to the credit needs of small farm and small business owners.

The analysis of the real estate loans by income level revealed the following distribution:

Type	Low-income	Moderate - income	Middle-income	Upper-income	Total loans
	# / %	# / %	# / %	# / %	# / %
Real Estate	6 (5.8%)	24 (23.3%)	36 (35.0%)	37 (35.9%)	103 (100.0%)

The preceding chart indicates that a total of 29.1% of mortgage originations were to low- and moderate-income borrowers in the assessment area.

The loan amount as a proxy for annual income was also used, to analyze bank lending. The six month loan sample as of September 26, 1996 indicated that 89 of 257 (34.63%) consumer installment and single payment loans originated in the assessment area were in amounts of \$2,000 or less. Loans of this amount are considered affordable for low- and moderate-income borrowers.

Overall, the bank meets the standards for satisfactory performance based on the bank's lending to

small farm and small business owners and to low- and moderate-income homeowners.

Geographic Distribution of Loans

There are no low- or moderate-income geographies within the bank's assessment area; therefore, this criterion is not rated.

Response to Complaints

No complaints were received by the institution regarding its CRA performance since the bank has become a state member bank.