

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 - Appleton, Appleton, Wisconsin**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **October 28, 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 Outstanding.

F&M Bank - Appleton's lending activity promotes economic growth, consistent with its size, location, and current economic conditions in its assessment area. The bank's efforts are primarily accomplished through the origination of commercial, real estate, and consumer loans. These efforts are evidenced by a high loan-to-deposit ratio, which is consistently higher than the bank's peer group. In addition, the majority of the bank's loans are made within the assessment area, and to consumers of different income levels and businesses of different sizes. Lending activity was also noted in geographies of varying income levels, including the three moderate-income census tracts, within the assessment area. The examination revealed no patterns or practices intended to discriminate or to discourage applications from any member of a protected class. No CRA-related complaints have been received by the bank.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	F&M BANK - APPLETON 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 CRA-related complaints have been received by the bank		

DESCRIPTION OF INSTITUTION

F&M Bank - Appleton, with assets of \$56.2 million as of September 30, 1996, is an affiliate of F&M Bancorporation, Inc., a multi-bank holding company, with \$1.1 billion in total assets as of June 30, 1996. The bank maintains three facilities in the Appleton area: the main office located on the south edge of Appleton, which includes an automated teller machine (ATM); a full-service branch on the west side of Appleton near the Fox River Mall; and a deposit-taking facility in Appleton's downtown business district.

The Appleton area financial services community is highly competitive, consisting of many banks, branches of banks, thrift institutions, and credit unions. Included among these are: Bank One Appleton, N.A.; Firststar Bank Appleton; M&I Bank Fox Valley, Appleton; American National Bank-Fox Cities, Appleton; Associated Bank, N.A., Neenah; Citizens Bank, N.A., Shawano; Norwest Bank Wisconsin, N.A., Milwaukee; Fox Cities Bank, F.S.B., Neenah; Security Bank S.S.B., Milwaukee; East Wisconsin Savings and Loan Association, Kaukauna; Community First Credit Union, Appleton; and Fox Communities Credit Union, Appleton.

Competition for consumer loans is very strong from local credit unions. Consequently, the bank's loan portfolio as of September 30, 1996 is concentrated in commercial and industrial loans (61%), with consumer real estate loans (37%), and consumer loans (2%) comprising the balance of the portfolio. The bank is a certified loan processor with the Small Business Administration (SBA) and also makes loans in connection with the Wisconsin Housing and Economic Development Association (WHEDA). In addition to offering traditional commercial loans, the bank has committed loan funds for two local initiatives: the Facade Restoration Loan Pool, which is available to property owners in the central business district for external building renovation; and the City of Appleton Commercial Development Loan Pool, which provides gap financing assistance to companies that create or retain jobs, with an emphasis on low- or moderate-income persons, within the city limits of Appleton. The bank has also participated in a consortium of local financial institutions in providing funding to the Fox Cities Amateur Sports Authority to build a new \$6 million stadium in Appleton.

Consumer loan products include real estate, installment, and single-payment loans, as well as, home equity and personal lines of credit. Debit cards are also offered by the bank. Real estate loans consist of fixed rate mortgages on balloon notes; long-term, fixed-rate mortgage requests are referred to a third party. There are no factors relative to the bank's financial condition, size, or local economic conditions which would prevent the bank from meeting community credit needs.

DESCRIPTION OF F & M BANK - APPLETON ASSESSMENT AREA

Appleton is part of the Fox Cities community in the Appleton-Oshkosh-Neenah Metropolitan Statistical Area (MSA 0460) in East Central Wisconsin, approximately 100 miles northwest of Milwaukee. The bank defines its assessment area to include 33 contiguous census tracts, all

within Appleton and its immediate surrounding area, located in the counties of Outagamie, Calumet, and Winnebago. Three census tracts (0029.00, 0101.00, and 0103.00) are identified as moderate-income geographies.

According to 1990 U.S. Census data, the assessment area has a total population of 133,897. Minorities comprise 2.65% of this population. The median family income in the assessment area is \$39,511, which compares to \$37,202 and \$35,082 for MSA 0460 and the State of Wisconsin, respectively. Low- and moderate-income families represent 13.5% and 16.6%, respectively, of all families in the assessment area.

The housing stock in the assessment area has a median value and age of \$66,347 and 32 years. One-to-four family residences represent 83.7% of the total housing units available, with 66.7% of all housing units being owner-occupied, 30.5% rental, and 2.8% vacant.

Employment in the Fox Cities area is very strong. Of 276 metropolitan areas nationally, the Appleton-Oshkosh region, as of July, 1996, was ranked 13th lowest in unemployment statistics, with a seasonally adjusted unemployment rate of 2.7%. This is an improvement from 3.0% for August, 1995. The Appleton area is strong in manufacturing, retail, and service industries. There are 25 manufacturers in the area with 500 or more employees, the largest of which include, Uarco Business Forms and Menasha Corp., each with 4,000 employees; and Appleton Papers Inc., Curwood, Inc., and Tecumseh Products Co., each with 2,000 employees.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank was examined for compliance with fair lending laws and regulations. No evidence of prohibited discriminatory credit practices was detected. The bank is in compliance with the substantive portions of anti-discrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts.

Loan-To-Deposit Ratio Analysis

A review of the bank's quarterly Consolidated Reports of Condition and the Uniform Bank Performance Reports (UBPR) for the period June 30, 1995 through September 30, 1996 revealed a loan-to-deposit ratio averaging 90.72%, which compares to 68.17% for the bank's peer group during the same period. The following chart illustrates these figures.

Loan-To-Deposit Ratio							
	6/30/95	9/30/95	12/31/95	3/31/96	6/30/96	9/30/96	Average
F&M Bank-Appleton	87.25%	86.67%	89.82%	92.17%	93.51%	94.90%	90.72%
Peer Group	65.95%	66.04%	68.33%	68.68%	69.62%	70.41%	68.17%

As the previous chart illustrates, the bank had a loan-to-deposit ratio of almost 95% as of September 30, 1996 and has consistently outperformed its peer group. The bank's loan-to-deposit ratio exceeds the standards for satisfactory performance.

Lending in Assessment Area

In order to evaluate the bank's lending performance within its assessment area, all commercial, real estate, and consumer loans made during the period April 1, 1996 through September 30, 1996 were reviewed. The bank prepared a report of all such loans, which included census tract and borrower income information. This report was tested for accuracy during the examination and subsequently used for this analysis. The following chart summarizes this review.

Lending in the Assessment Area During the Period 4/01/96 - 9/30/96						
Loan Type	Total Loans in the Review Period		Loans in the Assessment Area		% Originated in the Assessment Area	
	#	\$	#	\$	#	\$
Commercial	135	17,381,544	108	15,305,109	80.0%	88.1%
Real Estate	36	2,906,528	31	2,430,828	86.1%	83.6%
Consumer	87	617,458	76	573,938	87.4%	93.0%
Total	258	20,905,530	215	18,309,875	83.3%	87.6%

As the preceding chart illustrates, 83.3% of the total number of loans and 87.6% of the total dollar amount of loans originated by the bank during the review period were made within the assessment area.

According to the bank's 1995 Home Mortgage Disclosure Act (HMDA) data, 72.1% (31 of 43) of the bank's loan originations were made within its assessment area.

The six-month loan samples and the 1995 HMDA data, as discussed above, demonstrate that the bank's level of lending within the assessment area exceeds the standards for satisfactory performance.

Lending Analysis Based Upon Borrower Income and Size of Business

The aforementioned report of the bank's small business, real estate, and consumer installment loans made during the period April 1, 1996 to September 30, 1996 was also used to evaluate the bank's performance under this assessment criterion. Small businesses are defined as those with annual revenues of \$1 million or less. During the six-month sample period, 131 loans were made to businesses, of which 118, or 90.1%, were to small businesses.

Real estate and consumer installment loans made during the six-month sample period were analyzed based on the borrowers' income, as reported on their loan applications. For this

purpose, a median income level of \$39,511 was used. The following chart summarizes this review.

Number of Real Estate and Consumer Installment Loans Made During the Period 4/1/96 - 9/30/96 By Borrower Income Level					
	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Real estate loans	4	7	5	20	36
Installment loans	15	7	13	9	44
Totals	19	14	18	29	80
% of Total	23.8%	17.5%	22.5%	36.2%	100.0%

The previous chart illustrates that the bank is making loans to borrowers of all income levels, including low- and moderate-income individuals.

The bank's 1995 HMDA data reveals that 19.4% (6 of 31) of loan originations were made to low- or moderate-income individuals.

The above analyses indicate that the bank's loan penetration among borrowers of different incomes and businesses of different sizes exceeds the standard for satisfactory performance.

Geographic Distribution of Loans

The bank's assessment area includes three moderate-income, 26 middle-income, and four upper-income census tracts. All loans made in the period April 1, 1996 through September 30, 1996 were geo-coded with census tract information, and the loans that were within the assessment area were analyzed further. The following chart summarizes loan activity within these census tracts.

Geographic Distribution of Loans Made Within the Assessment Area During the period 4/1/96 - 9/30/96 By Census Tract Income Level				
	Moderate- Income	Middle- Income	Upper- Income	Total
# of Census Tracts	3	26	4	33
# of Census Tracts With Loan Originations	3	24	4	31
# of Loans Made	14	164	37	215

As the preceding chart illustrates, the bank is making loans throughout its assessment area, including the three moderate-income geographies. This distribution indicates that the bank meets

the standards for satisfactory performance under this performance criterion.

Response to Complaints

No complaints have been received by the institution concerning its CRA performance; therefore, this criterion is not rated.