

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 - Fennimore** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **September 30, 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.

The F&M Bank - Fennimore generally promotes economic revitalization and growth consistent with its size, financial capacity, location, and the current economic conditions of its assessment area. The bank provides this support through origination of real estate, small farm, small business, and various consumer loans. The extent of the bank's activities is evidenced by its consistently higher than peer loan-to-deposit ratio. The majority of the bank's loans are within the assessment area. Loans are well distributed among small businesses and small farms, as well as consumers of all income levels. The examination revealed no patterns or practices intended to discriminate or discourage applications from any protected class. No CRA-related complaints were received by the bank.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	F & M BANK -FENNIMORE 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.		
Response to Complaints	No CRA-related complaints have been received.		

DESCRIPTION OF INSTITUTION

The F&M Bank - Fennimore, with total assets of \$44.9 million as of June 30, 1996, is a subsidiary of F&M Bancorporation, Inc., a multi-bank holding company with \$944 million in assets as of December 31, 1995. F & M Bancorporation, Inc. has considerable control over the bank's policies and operations through centralization of functions. The following operations are centralized or coordinated by the holding company: investment management, internal audit, compliance, loan review, insurance, marketing, human resources, tax planning, and budgeting. Loan administration, cash management, and other daily operations are managed independently by bank management.

The bank provides traditional deposit and loan services to the assessment area through its main office in Fennimore. In addition to its standard loan products, the bank also offers federally-insured loan programs which include Farmers Home Administration (FmHA), Federal Housing Administration (FHA) Title One, Small Business Administration (SBA), and Wisconsin Housing and Economic Development Administration (WHEDA) programs.

The only competitor in Fennimore is a branch of Claire Bank-Platteville, a local savings and loan association headquartered in Platteville.

DESCRIPTION OF BANK'S ASSESSMENT AREA

The bank is located in Fennimore, Wisconsin, approximately 30 miles northwest of Platteville and 60 miles west of Madison. The total population is 2,400. The bank has defined its assessment area as seven contiguous block numbering areas (BNAs) in southwestern Wisconsin. These BNAs (9601, 9602, 9603, 9604, 9605, 9606, and 9607) are home to 27,043 persons, according to the 1990 U.S. Census data. The median family income for the assessment area is \$26,866, while the median family income for the State of Wisconsin is \$35,082. Low income families represent 20.6% of all families in the assessment area while moderate income families represent 22.8%. Minorities represent 0.6% of the population in the assessment area.

The housing stock of the assessment area is 65.3% owner-occupied, of which 83.2% consist of one-to-four family residences. The median housing age in the assessment area is 37 years with a median value of \$38,810, according to the 1990 U.S. Census data.

The local economy remains stable. Major employers in Fennimore include Ray-O-Vac and Southwestern Technical College employing 550 and 100 people, respectively; however, many of the residents commute 30 miles east to Dodgeville for employment at one of the area's largest employers, Land's End, which employs 7,000.

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 provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts.

Loan-to-Deposit Ratio Analysis

A review of the bank's June 30, 1996, Consolidated Report of Condition revealed a loan-to-deposit ratio of 90.05%. Review of the Consolidated Reports of Condition from March 31, 1995, through June 30, 1996, revealed that the bank had a six-quarter average net loan-to-deposit ratio of 84.97%. During this period net loans increased \$3.5 million, or 12.21%, while deposits increased \$2.4 million, or 7.03%.

Review of the most recent Uniform Bank Performance Report (UBPR), dated June 30, 1996, revealed the bank's net loan-to-deposit ratio was 89.01%, compared to a peer group ratio of 62.07%. This level of lending ranks the bank in the 97 percentile of its peer group. Analysis of the UBPR data from December 31, 1993, to June 30, 1996, revealed that the bank has consistently exceeded peers on the net loan-to-deposit ratio. On June 30, 1996, the bank exceeded peers by 26.94%, 6/30/95 by 21.82%, 12/31/95 by 20.26%, and on 12/31/94 by 23.08%.

The bank's loan-to-deposit ratio meets the standards for outstanding performance given the bank's capacity to lend, demographic data, economic conditions, and identified credit needs of the assessment area.

Lending in Assessment Area

A sample of real estate, installment, single payment, commercial, and agricultural loans for the six month period from March 31, 1996, through September 30, 1996, was reviewed to determine the bank's level of lending within the assessment area. The results of this review are displayed in the following chart.

LENDING IN ASSESSMENT AREA						
LOAN TYPE	TOTAL LOANS		IN ASSESSMENT AREA		% IN ASSESSMENT AREA	
	#	\$	#	\$	#	\$
Commercial	70	2,785,826	62	1,140,596	88.57	40.94
Agricultural	173	2,967,008	160	2,719,492	92.49	91.66
Mortgage	35	1,461,284	34	1,451,674	97.14	99.34
Installment	192	1,095,265	177	990,989	92.19	90.48
Single Payment	128	595,954	118	569,354	92.19	95.54
Total	618	9,725,156	565	7,253,420	91.42	74.58

As the preceding chart illustrates, 91.42% of the total number of loans and 74.58% of the total dollar amount of loans were made within the assessment area. The loan distribution within the assessment area exceeds the standards for a satisfactory performance.

Lending to Borrowers/Business of Different Incomes/Sizes

The bank’s small business, small farm, single-payment, installment and real estate loans, for the six month period from March 31, 1996 through September 30, 1996 were reviewed to determine the bank’s performance under this criteria. Analysis based on original loan amounts were used as proxies for income to determine the bank’s performance.

Small Business and Small Farm Loans

Small business loans are those with original amounts of \$1,000,000 or less, and small farm loans are those of \$500,000 or less. The following illustrate the bank’s level of small business and small farm lending. Sixty-seven of the 70 business loans reviewed were made to small businesses (95.71%), and 169 of the 173 farm loans reviewed were made to small farms (97.69%).

Real Estate Loans

Management prepared a report detailing consumer real estate loans originated during the assessment period, according to income level codes. Income level codes were based on the State of Wisconsin median income level of \$35,082. A review of 35 consumer real estate loans revealed 4 or 11.43% to low-income, 8 or 22.86% to moderate-income, 11 or 31.43% to middle-income, and 12 or 34.28% to upper-income.

Single Payment and Installment Loans

The bank does not consistently collect and record applicant income information for single-payment and installment loans. As a result, an analysis was conducted using loan amount as a proxy for borrower income, to determine the bank's performance with respect to consumer loan originations. Loan amounts of \$1,000 or less were used as an income proxy as a loan of this size is characteristic of loan requests made by low and moderate income borrowers. Thirty-nine (30.47%) of the 128 single-payment loans reviewed were for \$1,000 or less. Twenty-five (13.02%) of the 192 installment loans reviewed were for \$1,000 or less. The analysis of the bank's lending to borrowers of different income levels and businesses of different sizes revealed that the bank exceeds the standards for a satisfactory performance.

Geographic Distribution of Loans

The bank's assessment area consist of seven middle income-designated BNA's. There are no designated low- or moderate-income geographies located within the assessment area, therefore, this criterion is not rated.

Response to Complaints

There were no complaints received by the institution regarding its CRA performance.