

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-Hilbert, Hilbert, 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 Satisfactory.

The bank has an adequate loan-to-deposit ratio and the majority of its loans are made within the assessment area. Loan penetration among individuals of different income levels, and businesses and farms of different sizes is strong. The examination loan sample and interviews conducted with bank personnel and community representatives revealed no evidence of prohibited discriminatory lending practices, or policies intended to discourage credit applications.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	F&M BANK-HILBERT 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 Complaints	No CRA-related complaints have been received during the review period.		

DESCRIPTION OF INSTITUTION

F&M Bank-Hilbert, with \$28 million in total assets as of June 30, 1996, is wholly owned by F&M Bancorporation, Inc., a multi-bank holding company with total assets of \$944 million as of December 31, 1995. The bank, which became a member of the Federal Reserve system on September 1, 1995, was previously examined by the Federal Deposit Insurance Corporation (FDIC) on December 1, 1993. The bank's main office is located in Hilbert, Wisconsin, with two additional full-service branch offices located in Forest Junction and Potter, Wisconsin. The bank's main office is approximately 90 miles northeast of Milwaukee, Wisconsin and 30 miles east of Appleton, Wisconsin. The bank does not currently face any legal impediments that could affect its CRA performance.

From its three offices, the bank offers a variety of deposit products and services, as well as residential, agricultural, commercial, real estate, and consumer loans. The bank is predominantly a real estate lender. Based upon information contained in the June 30, 1996 Uniform Bank Performance Report (UBPR), 46.99% of the bank's loan portfolio is in real estate, followed by commercial and industrial loans (25.26%), and agricultural loans (15.46%).

The bank's main office and two branch offices are located in towns which have no other financial institutions. State Bank of Chilton and Calumet County Bank, financial institutions located in the towns of Chilton and Brillion, are the bank's main competitors. The bank also receives competition from La Tec Credit Union (Chilton) and Best Advantage Credit Union (Brillion).

DESCRIPTION OF BANK'S ASSESSMENT AREA

The bank's assessment area consist of five census tracts located in the northeast corner of Calumet County (201, 202, 203.02 and 205) and a small portion of Brown County (215). Calumet County is included in the Appleton-Oshkosh-Neenah Metropolitan Statistical Area (MSA) #0460 and Brown County is part of the Green Bay MSA #3080. The assessment area includes the towns of Hilbert, Potter Village, Forest Junction, Chilton, Brillion, and Sherwood Village. The median family income for the assessment area is \$37,984. The breakdown of families in the assessment area, by income level, is as follows: low-income - 748 or 13.3%; moderate-income - 1,059 or 18.8%; middle-income - 1,877 or 33.4%; upper-income - 1,941 (34.5%). All five census tracts in the assessment area are designated as middle-income.

According to 1990 U.S. Census Data, the assessment area has a total population of 20,969: White - 20,713 (98.8%); Black - 4 (0.00%); Asian - 47 (0.20%); individuals of Hispanic Origin - 108 (0.50%); and American Indian - 97 (0.50%). The assessment area has a total of 7,438 housing units, of which 5,881 or 79.1% are owner-occupied and 1,229 or 16.5% are renter units. The median value of the assessment area's housing stock is \$61,263,

compared to approximately \$62,000 for the two MSAs and the state. The median age of the housing stock in the assessment area is 27 years.

Employment and economic growth is primarily related to manufacturing and dairy farming. Major employers in Hilbert, Potter, Chilton, and Brillion include the following:

Major Employers			
Name	Location	Number of Employees	Type Business
Thiel Cheese, Inc.	Hilbert	25	Cheese Processing
Gruett-s	Potter	35	Farm machinery
Hernke Foods, Inc.	Hilbert	75	Cheese processing
The Foley Company	Chilton	160	Aluminum housewares & cookware
Kaytee Products, Inc.	Chilton	300	Bird seeds & pet foods
Ariens Company	Brillion	900	Snow throwers & riding mowers

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 Report of Condition over the most recent six quarters, beginning March 31, 1995, revealed an average loan-to-deposit ratio of 74.67%. While there are no other financial institutions in the towns where the bank's offices are located (Hilbert, Potter, and Forest Junction), competition is provided by the State Bank of Chilton and Calumet County Bank (Brillion). F&M Bank-Hilbert's loan-to-deposit ratio is slightly above its competition. According to information contained in the Fall 1995 and Spring 1996 editions of *McFadden American Financial Directory*, the average loan-to-deposit ratios for the State Bank of Chilton and Calumet County Bank are 70.25% and 69.63%, respectively. Based upon the bank's size, financial condition, and the assessment area's credit needs, the bank's loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance.

Lending in Assessment Area

A sample of the bank's loan originations for the six-month period ending September 30, 1996 was used to determine the extent of lending within the assessment area. A review of this sample revealed that the bank originated a total of 423 loans (of all types), of which 256 or 60.52% were made within the assessment area. The loan sample revealed the following level of lending within the assessment area:

LOAN TYPE	TOTAL SAMPLED	WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Real Estate	17	16	94.12
Agriculture	61	40	65.57
Commercial	212	89	41.98
Installment	124	105	84.68
Personal Lines of Credit	8	6	75.00
Home Equity Lines of Credit	1	0	0.00
Totals	423	256	60.52

As the preceding chart illustrates, commercial and installment loans were the dominant products within the assessment area at 89 and 105 loans, respectively. However, a large number of commercial loans (123/58.02%) were made outside the assessment area. This is attributed to the bank's business relationship with Gruett, Inc., an implement dealer with manufacturing capabilities. The bank provides direct financing to purchasers of Gruett's farm equipment; the majority of these borrowers reside outside the bank's assessment area. Review of the six-month examination loan sample indicates that the majority of the bank's loans and other lending-related activities are conducted within the assessment area and supports a satisfactory rating under this criterion.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Review of the six-month examination loan sample revealed that 19.70% (26 of 132) of the bank's installment loans (21) and personal lines of credit (5) were in amounts of \$1,500 or less. The average loan amount, by loan product, was as follows: real estate - \$55,000; installment loans - \$6,645; and personal lines of credit - \$4,250. In addition to the six-month examination loan sample, the bank's 1995 Home Mortgage Disclosure Act (HMDA) data was reviewed. In 1995, the bank originated a total of 24 HMDA-related loans. The following chart shows the distribution of these loans to borrowers of different income levels:

Loan	Low/Moderate-Income	Middle-Income	Upper-Income
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Type	Borrower Number\%	Borrower Number\%	Borrower Number\%	Totals Number/%
Purchase Mortgage	4\16.67	5\20.83	1\4.17	10\41.67
Refinance	1\4.17	1\4.17	2\8.32	4\16.66
Home Improvement	5\20.83	4\16.67	1\4.17	10\41.67
Totals	10\41.67	10\41.67	4\16.66	24\100.0

As the preceding chart illustrates, the highest number of loans was to low- or moderate-income, and middle-income borrowers, with each segment receiving a total of 10 loans (41.67%).

A six-month sample of commercial and agricultural loans was reviewed to assess the level of lending to businesses and farms of different sizes. The bank made 212 commercial loans (totaling \$4.8 million), of which 62 loans (29.24%) were to businesses with annual gross revenues of \$1.0 million or less. The average amount of commercial loans was \$22,663. F&M Bank-Hilbert made 61 agricultural loans (totaling \$764,679), of which 52 loans (85.25%) were to farms with annual gross revenues of \$500,000 or less. The average amount of agricultural loans was \$12,535.

The six-month loan sample and 1995 HMDA data revealed a strong loan penetration among individuals of different income levels, and businesses and farms of different sizes indicating that the bank's performance under this criterion exceeds the standards for satisfactory performance.

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 Substantiated Complaints

No CRA-related complaints were received by the institution during the review period.