

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 Community Reinvestment Act (CRA) performance of **M&I Bank of Menomonee Falls, Menomonee Falls, Wisconsin**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **August 4, 1997**. The agency evaluates performance in the assessment area, as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. 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**.

M&I Bank of Menomonee Falls generally promotes economic revitalization and growth, consistent with its size, financial capacity, location, and assessment area's current economic conditions. The bank's loan-to-deposit ratio is considered reasonable in comparison to local competitors. A significant majority of its loans are within its assessment area and are reasonably distributed among borrowers of different income levels and businesses of different sizes. Although the bank has no low- or moderate-income census tracts within its assessment area, the bank's lending activity penetrates a majority of the census tracts in its assessment area.

Although the bank's participation in qualified community development loans and investments was minimal, a review of the local economic conditions and interviews with community representatives revealed that there are few opportunities available for the financial institutions in the assessment area to participate in qualified community development loans and investments. The bank provides an adequate level of services that are available to all segments of the community.

The following table shows the performance level of **M&I Bank of Menomonee Falls, Menomonee Falls, Wisconsin**, with respect to the lending, investment and service tests. Based on the component test ratings for large banks, the assigned composite rating is Satisfactory.

LARGE INSTITUTION PERFORMANCE CRITERIA	M&I BANK OF MENOMONEE FALLS		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		
Low Satisfactory		X	X
Needs to Improve			
Substantial Noncompliance			

*Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF M&I BANK OF MENOMONEE FALLS= ASSESSMENT AREA

The bank's assessment area includes 40 census tracts, of which 25, 9, and 6, are in Waukesha, Washington and Milwaukee Counties, respectively. The entire assessment area is contained within the Milwaukee Metropolitan Statistical Area (MSA). There are no low- or moderate-income census tracts or block numbering areas (BNAs) within the bank's assessment area.

According to 1990 census data, the assessment area's population is 206,290 and includes 194,842 (94.5%) Whites and 11,448 (5.5%) minorities. The minority population includes 3.3% Black, 1.0% Hispanic, 1.0% Asian, and 0.2% Native American.

The median family income of the assessment area is \$47,445, which compares to \$39,005 and \$35,082, for the Milwaukee MSA and the State of Wisconsin, respectively. There are a total of 57,354 families in the assessment area, including 8.7% low-income, 14.1% moderate-income, 26.0% middle-income and 51.1% upper-income families.

There are 76,756 housing units in the assessment area, of which 70.7% (54,273) are owner-occupied, 26.1% (20,051) are rental units and 3.2% (2,432) are vacant. Single-family residences represent 71.2% and two-four family residences represent 7.2% of the total housing units available. The housing stock in the assessment area has a median value of \$92,526. The median gross monthly rent for the assessment area is \$523, which compares to the MSA and State of Wisconsin of \$447 and \$399 median rents, respectively.

Employment opportunities in the area include those at service, wholesale and retail firms and manufacturers. The following charts details the larger manufacturing employers in the area and the unemployment rates for the State of Wisconsin and the counties within the assessment area.

Major Employers in Assessment Area			
Employer	Location	# of Employees	Type of Business
GE Medical Systems	Waukesha	2,858	medical equipment
Quad Graphics Inc.	Sussex Pewaukee	2,000 853	commercial printing
Waukesha Engine	Waukesha	940	natural gas engines
Generac Corp.	Waukesha	800	generator sets
Briggs and Stratton Corp.	Menomonee Falls	750	lawn/garden equipment
Milwaukee Electric Tool Corp.	Brookfield	700	electric/portable tools
Custom Products Corp.	Menomonee Falls	650	general machine shop
Hein-Werner Corp.	Waukesha	585	engine repair equipment
Beatrice Cheese Inc.	Waukesha	525	cheese processing
RTE Power Products	Waukesha	520	electrical transformers
Magnetek Electric Inc.	Waukesha	515	power transformers
Hydrite Chemical Co.	Brookfield	500	industrial chemicals
Bradley Corp.	Menomonee Falls	500	washroom accessories
Wacker Corp.	Menomonee Falls	500	construction equipment
Wisconsin Centrifugal	Waukesha	500	centrifugal machine parts

Unemployment Rates for July of 1996 and 1997				
Year/Location	State	Waukesha County	Washington County	Milwaukee County
1996	3.4	2.3	2.4	4.3
1997	3.7	2.7	2.6	4.9

Community representatives interviewed during the examination stated that housing and business development in the assessment area is strong. The area has experienced tremendous growth over the past several years, and the community representatives expect this growth to continue.

DESCRIPTION OF INSTITUTION

M&I Bank of Menomonee Falls, with total assets of \$272.3 million as of June 30, 1997, is a subsidiary of Marshall and Ilsley Corporation, a multi-bank holding company. The bank's main office is located in Menomonee Falls, Wisconsin, which is just northwest of Milwaukee. The bank operates five offices; two in Menomonee Falls, and one each in Germantown, Richfield and Sussex. The bank operates four automated teller machines (ATMs). Three of the ATMs are located in Menomonee Falls, one is located at each of the two branches and one is located at Community Memorial Hospital; the fourth ATM is located at the Germantown branch office.

Bank competitors include: Associated Bank Milwaukee, with branches in Brookfield, Menomonee Falls, Sussex, and Waukesha; Bank One Milwaukee, N.A., with branches in Brookfield and Waukesha; Firststar Bank Milwaukee, N.A., with branches in Brookfield, Menomonee Falls, Sussex and Waukesha; Guaranty Bank, S.S.B., with branches in Brookfield, and Menomonee Falls; and West Bend Savings Bank, West Bend.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

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

LENDING TEST

The bank's loan portfolio was reviewed to evaluate the bank's lending volume, geographic distribution of loans, the distribution of lending by borrower income characteristics, community development lending and the use of innovative and flexible lending practices.

Lending Volume

Review of the bank's March 31, 1997, Consolidated Report of Condition revealed a net loan-to-deposit ratio of 72.82%, and a net loan-to-asset ratio of 64.97%. The distribution, by loan type, is as follows:

LOAN TYPE	DOLLAR AMOUNT OUTSTANDING (000's)	PERCENT OF TOTAL LOANS
REAL ESTATE		
Construction		
Residential (1-4)	9,279	5.39
Commercial	59,114	34.30
Multi-family	37,689	21.87
CONSUMER	2,127	1.23
Open-end Credit		
All Other	1,646	0.96
COMMERCIAL AND INDUSTRIAL	8,535	4.95
AGRICULTURAL	52,552	30.5
STATE AND POLITICAL	111	0.06
OBLIGATIONS		
OTHER	277	0.16
	1,007	0.58

Review of the loan portfolio reveals the bank is primarily a commercial/industrial lender, which comprises 52.37% of the portfolio, followed by 1-4 family residential real estate and consumer lending which comprise 34.30% and 5.91%, respectively of the bank's loan portfolio.

According to the Uniform Bank Performance Report (UBPR), dated March 31, 1997, the bank's performance compared to peer is illustrated in the following chart:

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	6.50	4.95
1 - 4 Family Residential	33.64	28.77
Home Equity	6.57	2.09
Other Real Estate	23.03	26.28
Farmland	0.00	0.49
Multi-family	1.31	1.40
Commercial	21.71	22.47
TOTAL REAL ESTATE LOANS	63.16	66.26
LOANS TO INDIVIDUALS	5.91	10.53
CREDIT CARD LOANS	0.99	0.45
COMMERCIAL & INDUSTRIAL LOANS	30.22	16.62
AGRICULTURAL LOANS	0.07	0.24
MUNICIPAL LOANS	0.17	0.18
OTHER LOANS*	0.47	0.23
*Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

BANK NET LOAN/LEASE TO DEPOSIT RATIO	PEER NET LOAN/LEASE TO DEPOSIT RATIO

71.93	70.61
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The bank's average loan-to-deposit ratio for the eight quarters ending March 31, 1997, was 69.14%. Eight quarter average loan-to-deposit ratios for the bank and a sample of its local competitors are illustrated in the following chart:

Institution	Asset Size(000's)	LTD%
M&I Bank of Menomonee Falls	\$265,346	69.14
Associated Bank Milwaukee	\$725,655	81.09
Bank One, Milwaukee, N.A.	\$8,963,396	125.03
Firststar Bank Milwaukee, N.A.	\$8,075,291	87.21
Guaranty Bank, S.S.B.	\$461,569	113.13
West Bend Saving Bank	\$187,697	94.00

Although not included in its loan portfolio, the bank refers mortgage loans to M&I Mortgage Corp. (MIMC). For the period from January 1, 1996, through June 30, 1997, the bank referred mortgage loans totaling over \$26 million.

Lending in Assessment Area

The bank's analysis of new business lending for 1996, and HMDA-reportable lending from January 1995 through June 1997 were used to evaluate the bank's lending within its assessment area. The review included 552 total business loans from 1996, and 228 HMDA-reportable loans from 1995, 439 from 1996, and 205 from 1997. MIMC HMDA-reportable activity is considered in the analysis of the bank's performance due to the bank's capacity, acting as an agent for MIMC. The following chart illustrates the loans originated in the bank's assessment area:

Business Loans and HMDA Reportable Loans in Assessment Area						
Number / Percent of Total						
Loan Type	1995		1996		1997(through 6/30 97)	
Business	N/A	N/A	424	76.80%	N/A	N/A
HMDA Loans	222	77.08%	334	76.08%	149	72.68%
Total	222	77.08%	758	76.49%	149	72.68%

N/A indicates not available

Geographic Distribution

The bank originated business loans in 30 of 40 census tracts in its assessment area in 1996. The HMDA data for 1995, 1996, and 1997, revealed lending activity in 28 of 40, 29 of 40, and 26 of 40 census tracts, respectively. Management indicated that census tracts not penetrated are being

served by affiliated banks; the assessment areas of several of the affiliate branches overlap. Those census tracts without activity are in proximity to the branches of affiliate banks.

Borrower Characteristics

The bank’s analysis of 1996 business lending; and 1995, 1996, and preliminary 1997 (through June 30, 1997) HMDA data was reviewed to assess the bank’s lending to businesses of different sizes and borrowers of different income levels. The bank made 424 business loans for amounts below \$1 million in the assessment area during 1996, of which 264 (62.3%) were to small businesses, based upon revenue size. The following chart illustrates MIMC and the bank’s HMDA-reportable lending to borrowers of different income levels:

Originations for M&I Bank of Menomonee Falls and MIMC in Assessment Area							
Applicant Income	1995		1996		1997 (year-to-date)		Total / %
Low- (<50%)	8	3.6%	5	1.7%	6	4.0%	19/2.7%
Moderate- (50%-80%)	30	13.5%	44	13.1%	22	14.8%	96/13.6%
Middle- (80%-120%)	87	39.2%	103	30.7%	52	34.9%	242/34.3%
Upper- (>120%)	97	43.7%	182	54.5%	69	46.3%	348/49.4%
Total	222	100.0%	334	100.0%	149	100.0%	705/100.0%

As the preceding chart illustrates the bank’s total HMDA-related lending during the review period to low- or moderate-income individuals is 2.7% and 13.6%, respectively. This activity is generally consistent with the population of low- and moderate-income families in the assessment area which represents 22.8% of the total families based upon 1990 census data, and the high cost of housing within the assessment area.

Community Development Lending

Discussions with bank management and interviews conducted with community representatives, along with a review of the demographic data of the assessment area, indicated that there are limited opportunities for the bank to participate in qualified community development loans. There are no low- or moderate-income census tracts within the bank’s assessment area, or areas designated as such, by any government agency, municipality or community development organization. However, the bank has originated 8 Small Business Administration (SBA), and 5 Veterans Administration (VA) loans totaling \$1,953,084 and \$493,646, respectively. The bank also participates in loan programs administered by Habitat for Humanity, an organization that serves to assist low- or moderate-income individuals to become homeowners. The bank currently has one outstanding loan totaling \$50,000, under a Habitat for Humanity program.

Innovative or Flexible Lending Practices

While there are no low- or moderate-income census tracts within the bank's assessment area, the bank provides innovative products and has flexible lending practices designed to assist and meet the credit needs of low- or moderate-income individuals. The bank participates in the M&I Neighborhood Home Loan Program (NHLP). The program offers an applicant access to several types of loans, including three year ARMs, five year balloons and 30 year fixed rate mortgages. The program requirements allow 97% and 95% loan-to-values (LTV) for single family and 2-4 family dwellings, respectively. The bank has had limited opportunities to utilize this program due to the high price of homes in its assessment area, but it is available to any applicant who qualifies.

The bank has two home equity line of credit (HELC) products targeted to low- and moderate-income individuals. The first product is a 100% LTV home equity line. A borrower can access this line at the time of closing for minor repairs associated with purchasing a home, or to obtain additional monies to increase the down payment. The second product works similar to conventional HELCs; however, a feature was added that allows a consumer to convert all or a portion of the line into a fixed rate installment loan with a term of up to five years. This option can be exercised more than once during the term of the HELC.

The bank also participates in a program sponsored by the Wisconsin Housing and Economic Development Authority (WHEDA). This program is the HOME program, which provides mortgage loans to low- or moderate-income individuals and families. In 1996 the bank originated 10 mortgages totaling \$710,513 through WHEDA. In addition, the bank funded two loans for a total of \$392,450, in conjunction with the Milwaukee Economic Development Committee (MEDC). This loan program is targeted to small businesses, primarily for the creation of jobs, primarily in low- and moderate-income areas.

CONCLUSION

The bank's overall lending performance is considered *high satisfactory*. The bank's loan-to-deposit ratio is consistent with that of its peers and although lower than its local competitors, is considered adequate. A significant majority of the bank's lending activity is within its assessment area. Lending to borrowers of different incomes and businesses of different sizes was reasonable, considering the high median family income level within the assessment area.

INVESTMENT TEST

The bank's investment portfolio, donations, and programs that contribute to community development were reviewed. Investments were also reviewed for innovativeness and responsiveness to the community development needs within the bank's assessment area. There was minimal qualified investment activity. Interviews with bank management and community representatives revealed that there are limited opportunities for the bank to participate in qualified investments within its assessment area.

Degree to Which Investments are not Provided by Private Investors

A review of the bank’s internal files revealed an adequate level of donations and grants to various community non-profit organization in the assessment area, primarily for operating expenses. The community groups assisted were economic development or general health and human development organizations, including the Greater Menomonee Falls Committee, Waukesha Economic Development Corp., United Way, and Lutheran Social Services.

Responsiveness to Available Opportunities

The bank’s current level of qualified investments, reflects the limited available opportunities for the bank. Discussions with bank management and community representatives, and review of the bank’s overall lending performance indicated that the bank is responsive to the community development needs of the community.

CONCLUSION

The bank’s performance under the investment test is considered *low satisfactory*. The bank has an adequate level of investment considering the limited available opportunities in the assessment area.

SERVICE TEST

The institution’s systems for delivering retail banking and community development services were reviewed for accessibility, innovation and responsiveness to the needs of the community, along with the different methods for delivering these services. Discussions with bank management and community representatives revealed that opportunities for the bank to participate in qualified community development services have been limited due to the demographic composition of the bank’s assessment area.

Retail Banking Services

M&I Bank of Menomonee Falls is a full-service bank operating four branches and four ATMs. The bank provides a variety of deposit and lending services to consumers, organizations, businesses and government entities. All branches provide deposit services and accept applications for all types of loan products. The following chart illustrates the bank’s branches and drive-up facilities and the hours of operation:

Branch Location	Hours of Service	Days of Service
Menomonee Falls-	9:00 am - 5:00 pm	Monday-Thursday

Lobby	9:00 am - 6:00 pm	Friday
Drive-up	9:00 am - 12:00 pm 7:30 am - 7:00 pm 9:00 am - 12:00 pm	Saturday Monday-Friday Saturday
<u>Sussex-</u> Lobby	9:00 am - 5:00 pm 9:00 am - 6:00 pm 9:00 am - 12:00 pm	Monday-Thursday Friday Saturday
Drive-up	8:30 am - 6:00 pm 9:00 am - 12:00 pm	Monday-Friday Saturday
<u>Germantown-</u> Lobby	9:00 am - 5:00 pm 9:00 am - 6:00 pm 9:00 am - 12:00 pm	Monday-Thursday Friday Saturday
Drive-up	8:30 am - 6:00 pm 8:30 am - 7:00 pm 9:00 am - 12:00 pm	Monday-Thursday Friday Saturday
<u>Richfield-</u> Lobby	9:00 am - 5:00 pm 9:00 am - 6:00 pm 9:00 am - 12:00 pm	Monday-Thursday Friday Saturday
Drive-up	8:30 am - 6:00 pm 9:00 am - 12:00 pm	Monday-Friday Saturday
<u>Menomonee Falls-</u> Super Saver	10:00 am - 7:00 pm 9:00 am - 3:00 pm 10:00 am - 2:00 pm	Monday-Friday Saturday Sunday

Alternative Systems for Delivering Retail Banking Services

The bank offers several options to make banking services accessible to all individuals within the assessment area. In addition to the bank’s offices and ATMs, banking services can be accessed through several electronic resources. Individuals can open accounts, apply for a loan, pay bills, and make balance transfers using either the bank’s Internet Banking Program, telephone banking or the bank-by-mail program.

Community Development Services

The bank provides community development services and support for many organization throughout its assessment area. The services and support are provided through employee involvement in these organizations. The bank’s commercial loan officers provide expertise to community development organizations in the assessment area, such as the Greater Menomonee Falls Committee, Menomonee Falls Chamber of Commerce and Industry, Waukesha Economic Development Corporation and the Wisconsin Business Retention and Expansion Study. All of these organizations focus on business development, and attraction and retention of businesses in the area, for the primary purpose of job creation and retention. Many of the businesses served by these organizations are small businesses. Discussions with management indicated that bank employees are encouraged to participate in local community organizations and understand the importance of the community groups in the assessment area. All employees are allowed to attend

community group meetings during work hours. However, because many of the meetings are held after working hours, bank employees usually attend the meetings on their own personal time.

The bank conducts an annual home buyers seminar to help individuals prepare for owning a home and qualifying for a loan. The purpose of the seminar is to inform individuals about the process of obtaining a mortgage loan and the overall process of purchasing a home. The bank's mortgage loan officers, an accountant from a local firm and an area realtor present the seminar.

CONCLUSION

The bank's performance under the service test is considered *low satisfactory*. The bank's system of delivering services makes all products and services accessible to all portions of the assessment area. Although involvement in community development services is minimal, the bank offers alternative systems for delivering bank products and services that are responsive to the needs of the community. Discussions with bank management and community representatives revealed that there are few community development service opportunities available in the assessment area.