

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 **Liberty Bank, Milwaukee, Wisconsin** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **February 10, 1997**. 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**.

Liberty Bank generally promotes economic revitalization and growth, consistent with its size, financial capacity, location, and current economic conditions. The bank's efforts are primarily accomplished through the origination of small business, consumer and real estate loans. These efforts have yielded a reasonable loan to deposit ratio. In addition, the bank originates a substantial majority of its loans within the assessment area, and lending to borrowers of various income levels and businesses of different sizes is significant. The bank's main office and one branch are located in a low-income area; the location of these offices has contributed to significant lending activity in low- or moderate-income areas.

The following table indicates the performance level of **Liberty Bank, Milwaukee, Wisconsin** with respect to each of the five performance criteria.

| SMALL INSTITUTION ASSESSMENT CRITERIA | LIBERTY BANK 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 were received since the previous examination. | | |

DESCRIPTION OF INSTITUTION

Liberty Bank, with approximately \$42 million in assets as of December 31, 1997, is located in downtown Milwaukee, Wisconsin. The bank has three full-service branches: Whitefish Bay, Fox Point, (new since the previous examination) and West Lisbon Avenue in Milwaukee (located in a low- and moderate-income area).

The bank is a growing commercial and commercial real estate lender, with approximately 34% of its portfolio concentrated in these lending categories. The bank also offers and originates a wide array of open-end and closed-end consumer loan products, as evidenced by its 29% portfolio share. For a detailed description of the bank's strong local banking competition, refer to the Loan-to-Deposit Ratio discussion on Page 4.

DESCRIPTION OF ASSESSMENT AREA

Since the previous examination, the bank has redefined its assessment area to meet the requirements of the new CRA regulation. The assessment area consists of all 297 census tracts in Milwaukee County, and is located in the Milwaukee, Wisconsin Metropolitan Statistical Area (MSA).

According to the 1990 U.S. Census, the assessment area has a population of 959,275. Approximately 48%, or 143 census tracts within the assessment area are designated as either low- or moderate-income geographies. Similarly, 29% or 85 census tracts in the assessment area are designated as geographies with a concentration of 50% or more of minority residents. Approximately 73% of the county's residents are white, 20% are African-American, 4% are of Hispanic origin, 2% are Asian and 1% are American Indian. The median family income for the Milwaukee MSA is \$39,005. Approximately 25% of families within the assessment area are considered low-income, 20% are considered moderate-income, 25% are considered middle-income and 30% are considered upper-income.

The housing stock in the assessment area is approximately 50% owner-occupied and 46% renter-occupied. One-to-four family housing units represent 76% of the county's housing stock and has a median age of 39 years, slightly below the MSA's median housing stock age of 42 years.

Along with a strong service-industry economic base, Milwaukee County is home to a number of large manufacturing firms: Briggs & Stratton Corporation has 7,800 employees and manufactures gas engines; Allen-Bradley Company, Inc. Has 3,100 employees and produces industrial automation controls; Master Lock Company has 1,500 employees and manufactures locks and security systems; Miller Brewing Company has 1,300 employees; and Harley-Davidson, Inc. Has 1,000 employees and builds motorcycle engines. According to the Wisconsin Department of Labor, unemployment in Milwaukee County was 3.2%, slightly above the statewide average of 3.0% for December, 1996.

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 Act and the Fair Housing Act.

Loan-to-Deposit Ratio Analysis

The bank's average quarterly loan-to-deposit ratio since the previous examination is 72.54%. According to the December 31, 1996 Uniform Bank Performance Report (UBPR), the bank's loan-to-deposit ratio of 77% exceeded its peer group ratio of 67.34%. As illustrated in the following chart, the bank's loan-to-deposit ratio was compared to those of other competitors of similar asset size, according to the *McFadden American Financial Directory*:

| Loan-to-Deposit Ratio of Liberty Bank's Competition | | | | |
|--|--------------------------------------|----------------------------------|--------------------------------|--------------------|
| Bank Name | Asset Size (in thousands) | LTD Ratio Spring 1996 | LTD Ratio Fall 1996 | Average LTD |
| Reliance Savings Bank | \$38,115 | 104% | 127% | 115.5% |
| Lincoln Savings Bank | \$124,133 | 78% | 80% | 79% |
| North Milwaukee State Bank | \$35,570 | 60% | 62% | 61% |
| Mitchell Bank | \$89,911 | 65% | 64% | 64.5% |
| Layton State Bank | \$56,890 | 47% | 46% | 46.5% |
| Milwaukee Western Bank | \$96,953 | 61% | 69% | 65% |
| Associated Bank Milwaukee | \$681,317 | 76% | 84% | 80% |
| Continental Savings Bank | \$144,605 | 96% | 91% | 93.5% |
| Bay View Federal Savings and Loan | \$79,195 | 27% | 29% | 28% |
| Guaranty Bank, S.S.B. | \$421,330 | 114% | 110% | 112% |
| Kilbourn State Bank | \$98,841 | 77% | 74% | 75.5% |
| Park Bank | \$340,042 | 73% | 77% | 75% |
| Liberty Bank | \$42,909 | | | 72.54% |

As the chart illustrates, the bank compares favorably with its competitors, given its size.

Management stated that it is progressing towards a targeted average loan-to-deposit ratio of 75% to 80%. Considering the bank's size and financial condition, strong local competition and lending opportunities available in the assessment area, the institution's loan-to-deposit ratio exceeds the standards for satisfactory performance.

Lending in Assessment Area

The bank's assessment area contains all 297 census tracts in Milwaukee County, including 76 low income census tracts and 67 moderate income census tracts. The examination loan sample, 1995 Home Mortgage Disclosures Act (HMDA) data, preliminary 1996 HMDA data and a three month loan sample (excluding indirect installment loans) were reviewed to determine the bank's level of lending in its assessment area.

A review of the loan sample revealed the following geographic distribution:

| LOAN TYPE | TOTAL SAMPLED | WITHIN THE LOCAL ASSESSMENT AREA | PERCENT OF TOTAL |
|-------------------------------|----------------------|---|-------------------------|
| Direct Consumer Installment | 20 | 13 | 65 |
| Indirect Consumer Installment | 10 | 7 | 70 |
| Overdraft Protection | 10 | 10 | 100 |
| Home Equity | 10 | 7 | 70 |
| Real Estate | 15 | 9 | 60 |
| Commercial | 13 | 13 | 100 |
| Total | 78 | 59 | 75.64 |

The bank's 1995 HMDA disclosure revealed that 82 of 87 applications or 94.25%, and 73 of 78 originations or 93.59% were from within the bank's assessment area. The bank's preliminary 1996 HMDA data revealed that 83.78% (62/74) originations were from within the assessment area. A three-month sample comprised of 152 originated loans revealed that 107, or 70.39% originated within the bank's assessment area. The bank's level of lending within the assessment area meets the standards for satisfactory performance.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

| 1995 HMDA Activity of Liberty Bank by Income | | | | |
|---|---------|---------|---------|----------|
| Low- and Moderate-Income Applicants (< 80% of MSA Median Family Inc.) | | | | |
| Product Class | # Apps | # Origs | % Origd | \$ Origd |
| Conventional | 1 | 1 | 100.00 | 110 |
| Refinancing | 2 | 2 | 100.00 | 16 |
| Home Improvement | 46 | 39 | 84.78 | 449 |
| Overall | 49 | 43 | 87.76 | 575 |
| % of Grand Total | 59.76 | 58.90 | | 22.75 |
| L-M Populn./% L-M | 376,320 | 39.23 | | |
| Total Population | 959,275 | | | |
| Middle Income Applicants (80 to 120% of MSA Median Family Income) | | | | |
| Conventional | 0 | 0 | 0.00 | 0 |
| Refinancing | 1 | 1 | 100.00 | 13 |
| Home Improvement | 19 | 18 | 94.74 | 203 |
| Overall | 20 | 19 | 95.00 | 216 |
| % of Grand Total | 24.39 | 26.39 | | 8.54 |
| High Income Applicants (> 121% of MSA Median Family Income) | | | | |
| Conventional | 1 | 1 | 100.00 | 508 |
| Refinancing | 3 | 3 | 100.00 | 1,088 |
| Home Improvement | 9 | 8 | 88.89 | 141 |
| Overall | 13 | 12 | 92.31 | 1,737 |
| % of Grand Total | 15.85 | 16.67 | | 68.71 |
| Grand Totals | | | | |
| Conventional | 2 | 2 | 100.00 | 618 |
| Refinancing | 6 | 6 | 100.00 | 1,117 |
| Home Improvement | 74 | 65 | 87.84 | 793 |
| Grand Total | 82 | 73 | 89.02 | 2,528 |

* % Denied = # Denied divided by the total number denied by product.

The bank's 1995 HMDA activity shows that approximately 59% of all reported originations within the bank's assessment area were to low- and moderate income individuals. A review of the bank's preliminary 1996 HMDA data revealed that 7 of 74 originated loans were to low income individuals, and 15 loans were to moderate income individuals. Approximately 30% of the bank's 1996 HMDA-related originations were to low- or moderate-income borrowers, a decrease from 1995 HMDA activity. Management stated that the decrease resulted from a decline in referrals from local home improvement dealers.

A three-month extended sample of loans originated within the bank's assessment area, for which income information was available, revealed that 12.5% (7/56) of total loans were to low income individuals and 28.57% (16/56) of total loans were to moderate income

individuals. Accordingly, approximately 41% of the total number of loans sampled were to low- or moderate-income borrowers.

The bank's small business loans were reviewed to assess the bank's performance under this criterion. Small businesses are defined as those with annual revenues of \$1 million or less. All 20 loans reviewed during the examination were to small businesses. In addition to conventional commercial credit products, the bank offers loans through the Small Business Administration (SBA). Since the previous examination, the bank has originated eight SBA loans totaling \$984,544. The bank's entire SBA portfolio consists of 16 loans totaling more than \$1.5 million.

Geographic Distribution of Loans

The bank's 1995 and preliminary 1996 HMDA data and a three-month loan sample were reviewed to determine the bank's geographic distribution of loans to low- and moderate income geographies.

| Liberty Bank's 1995 HMDA Activity in Census Tracts Located in Milwaukee County Using 1990 Census Tract Definitions | | | | | |
|---|--------------------|-------------------|--------------------------------|----------------------------|--------------------------------|
| Type of Census Tract | # of Census Tracts | % of Total Tracts | # of Tracts With Bank Activity | % of Bank's Total Activity | % of Tracts With Bank Activity |
| Low- & Moderate | 143 | 48.15 | 40 | 60.61 | 27.97 |
| Other | 154 | 51.85 | 26 | 39.39 | 16.88 |
| Total Tracts | 297 | 100.00 | 66 | 100.00 | 22.22 |

The preceding chart illustrates that although the bank has recorded lending activity in only 22% of the census tracts in the assessment area, it had activity in almost 28% of low- and moderate-income census tracts.

| 1995 Originations ¹ by Census Tract Income to Assessment Area Aggregate by Total Originations | | | | |
|--|--------------|------------------|----------------------------|------------------|
| Census Tract Income Classification | Liberty Bank | | Assessment Area Aggregate* | |
| | # of Origs | % of Total Origs | # of Origs | % of Total Origs |
| < 80% (L & M) | 48 | 65.75 | 4,904 | 25.93 |
| 80 to 119% | 19 | 26.03 | 10,670 | 56.42 |
| > 120% | 6 | 8.22 | 3,339 | 17.65 |
| Total Originations | 73 | 100.00 | 18,913 | 100.00 |

¹Origination rates were based on the number of loans originated in a particular income category relative to the total number of loans originated during the reporting year.

As shown in the preceding chart, more than 65% of the bank's 1995 HMDA-reportable loan originations were in low- and moderate-income census tracts. This compares favorably to the 26% penetration level for the aggregate. The bank's preliminary 1996 HMDA data revealed that approximately 28% of reported loans (21/74) were to borrowers in low income geographies and approximately 27% of reported loans (20/74) were to borrowers in moderate income geographies.

| Liberty Bank's Extended Three Month Loan Sample Activity in Census Tracts Located in Milwaukee County Using 1990 Census Tract Definitions | | | | |
|---|--------------------|-------------------|-----------------------------------|------------------------------|
| Type of Census Tract | # of Census Tracts | % of Total Tracts | # of Loans Reported by Tract Type | % of Reported Loans by Tract |
| Low Income | 76 | 25.59 | 19 | 17.76 |
| Moderate Income | 67 | 22.56 | 25 | 23.36 |
| Other | 154 | 51.85 | 63 | 58.88 |
| Total Tracts | 297 | 100.00 | 107 | 100.00 |

The preceding chart illustrates that approximately 41% of the sampled loans were in low- and moderate-income geographies. Management attributed the strong loan distribution in low- and moderate-income geographies, in part, to the fact that the bank's West Lisbon Avenue branch is located in a low income geography.

Response to Complaints

No CRA-related complaints were received by the institution since the previous examination.