



Comptroller of the Currency
Administrator of National Banks

Small Bank

Public Disclosure

November 30, 1998

Community Reinvestment Act Performance Evaluation

**First National Bank - Fox Valley
Charter Number: 3724
161 Main Street
P.O. Box 339
Menasha, Wisconsin 54952-0339**

**Office of the Comptroller of the Currency
Iron Mountain Field Office
P.O. Box 666
Iron Mountain, Michigan**

Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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 operation 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 First National Bank - Fox Valley, Menasha, Wisconsin prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of November 30, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating: This institution is rated **Satisfactory Record of Meeting Community Credit Needs**.

First National Bank-Fox Valley's (FNBFV) average loan-to-deposit ratio is satisfactory. A majority of the bank's loans are made within its assessment area. FNBFV has a reasonable distribution of loans to borrowers of different income levels and an excellent record of lending to businesses of different sizes. The bank's geographic distribution of loans within its assessment area is satisfactory.

DESCRIPTION OF INSTITUTION

FNBFV is headquartered in Menasha, Wisconsin, approximately 95 miles north of Milwaukee. FNBFV is 96.9% owned by First Menasha Bancshares, Inc., a one-bank holding company. FNBFV has total assets of \$75.4 million as of September 30, 1998. Loans comprise \$46.9 million, or 62.2%, of the bank's total assets. FNBFV's loan portfolio is broken down as follows: \$28.9 million (62% of total loans) in commercial loans; \$9.7 million (21%) in residential-related mortgage loans; and \$8.2 million (17%) in consumer loans. Management's business strategy has been to focus on small business lending, including loans to start-up businesses. The bank is not an active agricultural lender as the need for this type of credit is being met by specialized lenders in the area.

FNBFV operates one full-service branch in Neenah, Wisconsin. The Neenah branch is located in Winnebago county, approximately five miles southwest of the main office. The branch, open since 1992, offers the same services as the main office and keeps essentially the same hours. FNBFV also operates three Automated Teller Machines (ATM's). Two of the ATM's have deposit-taking capabilities and all are located within Winnebago County.

The bank has no legal impediments that would hinder meeting the needs of its assessment area.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

FNBFV's assessment area (AA) consists of 39 census tracts (CTs)¹; 17 in Winnebago County, 20 in Outagamie County², and two in Calumet County³. All of the CTs in FNBFV's assessment area are within the 84-CT Appleton-Oshkosh-Neenah Metropolitan Statistical Area (MSA). Of the bank's 39 CT assessment area, none are low-income tracts; two CT's in Outagamie County (101.00 and 103.00) and one CT (29.00) in Winnebago County are moderate-income tracts, 30 CTs are considered middle-income and six CTs are considered upper-income tracts. Low-income tracts have income levels between 0% and 49% of the median family income level for the area. Moderate-income tracts have income levels between 50% and 79% of the median family income of the area; middle-income tracts have income levels between 80% and 119% of the median family income of the area; and upper-income tracts have income levels of 120% or more of the median family income level of the area. The median family income level of the area, based on 1990 State of Wisconsin metropolitan area census data, is \$37,202. The bank's main office is located in moderate-income census tract 29.00. FNBFV's assessment area meets the requirements of the Community Reinvestment Act and does not arbitrarily exclude low- or moderate-income geographies. Based on 1990 census data, the population of the assessment area is 151,223. The population consists of 41,099 families, of which 5,480 (13.3%) are low-income families, 6,900 (16.8%) are moderate-income families, 11,935 (29.1%) are middle-income families, and 16,784 (40.8%) are upper-income families.⁴ Based on 1998 Housing and Urban Development (HUD) data, the median family income level in this assessment area is \$50,500. Weighted average median housing value in this assessment area is \$66,478. Statistics from the Wisconsin REALTORS Association of Northeast Wisconsin indicate the median price

¹ Winnebago County CT's in the AA are 23.00 through 25.00, 26.01, 26.02, 27.00, 28.98, 29.00, 30.98, 31.98, 32.00 through 36.00, 37.01 and 37.02.

² Outagamie County CT's in the AA are 101.00 through 105.00, 106.01, 106.02, 107.00 through 110.00, 111.01, 111.02, 112.00 through 114.00, 115.01, 115.02, 125.00 and 126.00.

³ Calumet County CT's in the AA are 203.01 and 203.02.

⁴ Based on 1990 census data.

of housing in the Fox Valley area was \$92,400 in the first quarter of 1997.

The Appleton-Oshkosh-Neenah MSA has been one of the fastest growing areas in the state due primarily to a strong local economy. According to the State of Wisconsin Department of Workforce Development (DWD), the seasonally-adjusted unemployment rate in the Appleton-Oshkosh-Neenah MSA was 2.6% as of September 30, 1998. This compares favorably to the state unemployment rate of 3.4%. The local economic base is diverse; however, the primary economic activity is centered in paper and paper-related product manufacturing. Also contributing to the strong local economy are companies engaged in plastics, printing and graphics arts, machinery, metals, electronics and food processing. Major employers in the Appleton-Oshkosh-Neenah MSA include paper product manufacturers Kimberly-Clark Corporation, Wisconsin Tissue Mills, and Appleton Papers; computer products manufacturer Plexus Corporation; cast metal products manufacturer Neenah Foundry Company; and health care provider Theda Clark Regional Medical Center.

There is strong competition among financial institutions in the area. FNBFV competitors include independent community banks, separately-chartered banks of larger holding companies, branches of larger, regional institutions, and other non-bank financial institutions. Based on Home Mortgage Disclosure Act (HMDA) data, over 80 banks and non-bank institutions made at least one residential-related loan in FNBFV's assessment area in 1997.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio:

- FNBFV's average loan-to-deposit ratio is satisfactory.

FNBFV's average loan-to-deposit (LTD) ratio is 71.07%, based upon quarterly performance since its May 30, 1995 examination through June 30, 1998. The bank's average LTD during the rating period ranks last among 10 banks in a local peer group. The range of LTD averages of the 10 local peer group banks is 71.07% to 99.58%, with an overall average of 82.16%. FNBFV's local peer group for this analysis consists of all banks with total assets greater than \$30 million and less than \$125 million located in Winnebago, Outagamie and Calumet Counties. Although low in comparison to the local peer bank group, FNBFV has sold approximately \$41 million of loans in the secondary market since the bank's previous CRA examination. FNBFV's LTD ratio would be higher had it not sold these loans.

Lending in Assessment Area:

- FNBFV originates a majority of its loans within its assessment area.

The number and dollar amount of loans extended within FNBFV's assessment area is good. Table 1 illustrates the number and dollar volume of residential-related loans originated or refinanced by the bank in and out of its assessment area in 1997 through September 30, 1998:

TABLE 1					
Number and Dollar* Volume of Residential-Related Loans Made In and Out of FNBFV's Assessment Area in 1997 Through September 30, 1998					
1997			Through September 30, 1998		
# In	# Out	% In	# In	# Out	% In
42	9	82.4%	28	7	80%
\$ In	\$ Out	% In	\$ In	\$ Out	% In
1,834	386	82.6%	1,097	406	73%

* Dollar Amount in Thousands

Source: 1997 information: Home Mortgage Disclosure Act-Loan Application Register

Year-to-date 1998 information: Bank-prepared Home Mortgage Disclosure Act data

A sample of commercial loans was also chosen for this analysis as this segment represents the largest portion of the bank's portfolio. The sample consisted of 50 commercial loans originated throughout 1997 and 1998. Based on the sample selected, Table 2 indicates that a significant majority of commercial lending during this time period was made within the bank's assessment area:

TABLE 2					
Number and Dollar Volume of Commercial Loans Made In and Out of FNBFV's Assessment Area in 1997 and 1998*					
# In	# Out	% In	\$ In**	\$ Out	% In
44	6	88.0%	4,368	620	87.6%

Source: Management-prepared reports

* Based on sample of 50 commercial loans originated in 1997 and 1998

** Dollar amount in thousands

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

- FNBFV's overall distribution of loans to borrowers of different income levels is reasonable. The bank has an excellent record of lending to businesses of different sizes.

Tables 3 and 4 below illustrate the bank's record of 1-4 family home purchase, refinance and home improvement loans to borrowers of different income levels within its assessment area. The information is based on Home Mortgage Disclosure Act (HMDA) data for residential-related lending in 1997 and the first nine months of 1998.

Income Category	# Loans Extended	% Loans Extended	\$ Loans Extended*	% Loans Extended	% of Families by Income Level**	Ranges of Incomes in Category***
Low-income	1	2.4%	5	0.3%	13.3%	<\$23,800
Moderate-income	3	7.1%	162	8.8%	16.8%	\$23,800<\$38,080
Middle-income	12	28.6%	414	22.6%	29.1%	\$38,080<\$57,120
Upper-income	24	57.1%	1,244	67.8%	40.8%	\$57,120 & above
N/A****	2	4.8%	9	0.5%	N/A	
Total	42	100%	1,834	100%	100%	

Source: 1997 HMDA data

* Dollar amount in thousands

** Based on 1990 census data

*** Based on HUD estimate of 1997 Median Family Income in the Appleton-Oshkosh-Neenah MSA

**** Income information not available

Income Category	# Loans Extended	% Loans Extended	\$ Loans Extended*	% Loans Extended	% of Families By Income Level**	Ranges of Incomes in Category***
Low-income	2	7.1%	39	3.6%	13.3%	<\$25,250
Moderate-income	4	14.3%	158	14.6%	16.8%	\$25,250<\$40,400
Middle-income	7	25.0%	363	33.5%	29.1%	\$40,400<\$60,600
Upper-income	15	53.6%	523	48.3%	40.8%	\$60,600 & above
Total	28	100%	1,083	100%	100%	

Source: Bank prepared HMDA data

* Dollar amount in thousands

** Based on 1990 census data

*** Based on HUD estimate of the 1998 Median Family Income in the Appleton-Oshkosh-Neenah MSA

The data for 1997 indicates loan distribution does not approximate the income characteristics of the assessment area; however, the distribution of loans in 1998 approximates the income characteristics of the assessment area. Also, the percentage of dollars loaned to low- and moderate-income individuals is indicative of the smaller dollar loans that are typically made in those income range. Based on HMDA data, the bank's level of lending to low- and moderate-income borrowers can also be compared to the lending pattern of all lenders in the assessment area. In 1997, 5.1% of all originations in the assessment area were to low-income borrowers while 18.2% of all originations were to moderate-income borrowers. FNBFV's originations to low- and moderate-income borrowers in 1997 as a percentage of total originations was 2.4% and 7.1% respectively. Market data for 1998 is not available at this time. Management attributes the lower level of lending to low- and moderate-income borrowers in 1997 to a number of factors. The bank has not actively participated in area-wide advertisements listing interest rates offered by various local institutions. Significant competition has also impacted the overall level of mortgage lending at the bank. HMDA data also indicates that management is approving most applications; only four mortgage-related applications have been denied by management in 1997 and year-to-date 1998.

In 1998 the bank contributed \$100 to the Cap Services Home Buyers Assistance Project. This project

provides matching funds to eligible first-time low- and moderate-income home buyers for down payments and closing costs to purchase their first home.

Table 5 represents commercial loan originations from 1997 through October 31, 1998. The figures from Table 5 were derived from management-prepared reports:

	# of Loan Originations	% of Total	\$(000's) of Loan Originations	% of Total
Original Amount Under \$100,000	154	73.7%	\$4,493	25.2%
Original Amount \$100,000-\$250,000	40	19.1%	\$6,029	33.8%
Original Amount \$250,000-\$1 million	15	7.2%	\$7,330	41.0%

A majority of loans originated to businesses are in original amounts under \$100,000. This is a proxy analysis for small business lending as loans under \$100,000 are typically extended to smaller businesses. In addition to originations, the bank has refinanced and/or renewed a significant number of loans to businesses, a majority of which have outstanding balances of less than \$100,000. The bank's commitment to business lending is further demonstrated by comparing FNBFV's percent of commercial loans to total loans to a local peer bank group. The local peer group used in this comparison is the same as that used in the earlier loan-to-deposit ratio comparison. As of June 30, 1998, FNBFV's commercial loan portfolio equaled 60% of total loans. The commercial loan portfolio of the local peer group averaged 27% of total loans on that date.

In July of 1995, the bank participated with six other lenders in a \$1.3 million loan to United Community Services, Incorporated of Neenah, Wisconsin. The project is for long-term cost efficient space for non-profit organizations serving low- and moderate-income individuals. FNBFV was not the lead bank, but did participate in an amount of \$150,000. The project is located within the bank's assessment area.

The bank is not an active agriculture lender. There are specialized agricultural lenders in the area that meet the demand for this type of credit.

Geographic Distribution of Loans

- FNBFV has a satisfactory distribution of loans.

FNBFV has no low-income census tracts and only three moderate-income census tracts in its assessment area. The bank's main office is located in moderate-income census tract 29.00 in Winnebago County. An analysis of HMDA data indicates mortgage-related loan activity in CT 29.00 is consistent with other nearby middle- and upper-income CTs in the assessment area. FNBFV has also extended a number of commercial loans within this census tract. The bank originated only one mortgage-related loan from January 1, 1997 through September 30, 1998 in the other two moderate-income CTs in its assessment area, 101.00 and 103.00 in Outagamie county. However, these census tracts, are primarily served by institutions located in Appleton as these CTs are located near downtown Appleton. The loan penetration level in these CTs is consistent with other CTs located further from the bank's main office.

Response to Consumer Complaints and Compliance with Fair Lending Laws and Regulations

The bank has received no CRA-related complaints since its last CRA examination. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.