



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 14, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank in Viroqua
Charter Number 14058**

**101 South Main Street, P.O. Box 471
Viroqua, Wisconsin 54665**

**Office of the Comptroller of the Currency
Eau Claire Office of the Minneapolis-South Field Office
P.O. Box 8187, Eau Claire, Wisconsin 54702-8187**

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 Community Reinvestment Act (CRA) performance of **First National Bank in Viroqua** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, between April 19, 1995, and November 14, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **satisfactory record of meeting community credit needs.**

First National Bank in Viroqua has a strong record of meeting small farm and small business credit needs in its assessment area.

The following table indicates the performance level of First National Bank in Viroqua with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK IN VIROQUA 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 complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

First National Bank in Viroqua (FNB) is a \$47 million community bank located in a small agricultural community in southwestern Wisconsin. Both the main office (in the City of Viroqua) and the full-service branch facility (in the Village of Viola) are in middle income geographies. The bank also provides a full-service automated teller machine (ATM) at a Viroqua convenience store and a cash dispensing ATM at a Viola convenience store. FNB offers a variety of conventional and government-sponsored loan products suited to community credit needs. Its \$29 million loan portfolio mainly consists of agricultural (40%) and commercial (23%) loans. Residential (20%), consumer (12%) and municipal (5%) loans comprise the balance of the portfolio. There are no financial, legal, or other factors which impede the bank's ability to meet its CRA obligations.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area includes all block numbering areas (BNA) in Vernon County (BNA #9601 through #9607) as well as the northern parts of Richland (BNA #9701, #9702) and Crawford (BNA #9801, #9802) Counties. The assessment area complies with regulatory requirements.

Key demographic information for this assessment area follows. Unless noted otherwise, 1990 census data is the source of the data.

- o Four of the eleven BNAs (36%) are moderate income; seven (64%) are middle income.
- o The population is 38,133.
- o The Department of Housing and Urban Development's 1997 estimate of median family income is \$39,600 for nonmetropolitan areas in the State of Wisconsin. Of the 10,511 families in the assessment area, 24% are low income, 22% are moderate income, 25% are middle income and 29% are upper income.
- o The median housing value is \$39,882; and 68% of residences are owner-occupied.

The economy is characterized as stable with modest growth. Unemployment levels tend to be higher than state average, but lower than national average. Agriculture dominates the local economy. According to a 1996 report by the University of Wisconsin-Extension, Vernon County has the third highest percentage of farm-related jobs (43%) of all counties in the State of Wisconsin. Dairy farming is the primary agribusiness. Retail businesses and light manufacturing are also present. A significant portion (>25%) of nonfarm employees work outside the county. Many commute the 35 miles to the City of LaCrosse where employers offer higher wages, on average, and more opportunity for professional/managerial jobs.

DESCRIPTION OF ASSESSMENT AREA (Continued)

Land prices are on the rise. Demand has been spurred by urban farmers (who live in larger cities and hire someone to manage the farm), hunters and an immigration of Amish farmers from Ohio and Iowa. In addition, a new "Waldorf" school recently opened in Viroqua. There is reportedly a waiting list of up to 400 families who would move into the area to gain access to the school.

Competition among financial institutions is strong. Competing banks, savings institutions and credit unions total more than 20 in Vernon, Richland and Crawford Counties. Farm Credit Services competes for agricultural loans. And the Rural and Economic Community Development Service (formerly part of the Farmers Home Administration) competes for low and moderate income housing loans.

Community contacts conducted by regulators within the last 18 months include a government agency contact, a community development organization and a community group. Community credit needs include agricultural, small business, multifamily housing and consumer loans. Local financial institutions, including FNB, offer a variety of credit products to meet these needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB's loan to deposit ratio is reasonable. Since the previous CRA examination, dated April 19, 1995, the bank's average quarterly loan to deposit ratio is 69%. This ratio is slightly lower than the average loan to deposit ratio of 72% for 12 similarly situated banks.¹ Individually, the similarly situated banks' average quarterly loan to deposit ratios ranged from 57% to 85%. FNB's loan to deposit ratio doesn't include secondary market loan sales (\$896,000 since January 1, 1996) or local commercial loan participations sold (\$1 million). If these loans were not sold, the bank's loan to deposit ratio would approximate 73%. In addition, the bank has financed two community development loans totaling 349,000.

FNB originates a substantial majority of its loans in its assessment area. Bank management monitors the location of outstanding loans by block numbering area. Approximately 88% (by dollar volume) of outstanding loans were in the assessment area as of September 30, 1997. This is a conservative proxy for the location of loan originations because, in general, FNB is selling local loans and buying nonlocal loans. In addition, the volume of loan sales/purchases is not significant. A sample of 1997 residential real estate loan transactions also supports bank performance in this area. Of 32 loan originations, 30 (94%) were in the assessment area.

¹Defined as national or state chartered banks with total assets less than \$250 million located in the Wisconsin Counties of Vernon, Crawford, or Richland, or Houston County, Minnesota, or Allamakee County, Iowa; with agricultural loans greater than 15% of total loans, and commercial loans greater than 20% of total loans, and residential loans greater than 10% of total loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

The distribution of credit among businesses of different income levels is very good. Based on our knowledge of the bank's loan portfolio and management discussions, all but five commercial loan customers, and all agricultural loan customers, in the assessment area are considered small businesses.² Approximately, 91% of commercial loans (by number), and 100% of agricultural loans, are to small businesses. We also looked at loan size as a proxy of FNB's willingness to make small business loans. The June 30, 1997, call report, shows substantially all outstanding commercial and agricultural loans had origination amounts less than \$100,000.

FNB's distribution of credit among borrowers of different income levels is reasonable in the residential mortgage portfolio, even though penetration in the low income category is less than market demographics. Management tracks the borrower income distribution of all outstanding consumer loans. This information is depicted in the table below. As previously mentioned, outstandings are a reasonable proxy for loan originations because FNB does not sell or purchase a significant volume of consumer loans. The table also reflects the results of our sample of 1997 home loan originations.

Income Distribution of FNB's Consumer Loan Borrowers									
Borrower Income Characteristics	Assessment Area Demographics	Outstanding Residential Mortgage Loan Products as of 9/30/97				Sample of 1997 Mortgage Loan Originations		Other Outstanding Consumer Loan Products as of 9/30/97	
		\$ (000s)	%	#	%	#	%	\$(000s)	%
Low	24%	\$496	9%	29	15%	3	9%	\$784	27%
Moderate	22%	\$1,195	22%	50	27%	6	19%	\$841	28%
Middle	25%	\$1,198	23%	51	27%	4	13%	\$647	22%
Upper	29%	\$2,447	46%	58	31%	19	59%	\$675	23%
Total	100%	\$5,336	100%	188	100%	32	100%	\$2,947	100%

The lack of home loan penetration in the low income sector is partially attributable to the fact that the cost of a home is prohibitive to low income families with limited resources. Bank management also indicates that many low/moderate income home buyers are using the government-sponsored loan programs offered by the Rural Economic and Community Development Service. Bank performance in the nonmortgage consumer loan portfolio supports this claim.

²Defined as non-farm businesses with revenues less than \$1 million and farms with revenues less than \$500,000.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

The geographic distribution of credit reflects a reasonable dispersion of lending throughout the assessment area. As previously mentioned, four (36%) of the 11 census tracts in the assessment area are moderate income. As of September 30, 1997, bank management reports show that 34% (by dollar volume) of all outstanding loans are in moderate income tracts.

Examiners did not identify any instances of illegal discrimination or discouragement during the concurrent compliance review.