



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

March 13, 1997

Community Reinvestment Act Performance Evaluation

**Heritage Bank, N.A.
Charter Number 749**

**One South Main Street
Janesville, WI 53545**

**Office of the Comptroller of the Currency
Rockford Duty Station
5804 Elaine Drive
Rockford, Illinois 61108**

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 **Heritage Bank, N.A.**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 13, 1997**. The agency evaluates performance in assessment area(s), 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 25.

Institution's CRA Rating: This institution is rated Satisfactory.

Overall, Heritage Bank, N.A.'s, performance under the CRA reflects an adequate response to the assessment area's credit needs. The level of qualified investments is adequate and the accessibility of services offered is reasonable.

The following table indicates the performance level of Heritage Bank, N.A., with respect to the lending, investment, and service tests during 1996:

Performance Levels	Heritage Bank, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory			
Low satisfactory	X	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.

The date of the last CRA examination was March 20, 1995, when the bank was rated "Satisfactory Record of Meeting Community Credit Needs."

Description of Institution

Heritage Bank, N.A. (HBNA), is a \$130 million bank headquartered in Janesville, Wisconsin. HBNA is wholly owned by Johnson International (JI), a seven bank holding company, consisting of three state banks, two national banks and two international banks located in Wisconsin, Illinois, Arizona, Cayman Islands, and Switzerland. JI also owns several non-bank subsidiaries. HBNA has four office locations in Janesville, and one in Madison. One automated teller machine (ATM) is located at each of two branch locations, one is at the main office, and there is one stand-alone ATM, all in Janesville. HBNA is a mid-sized bank when compared to other financial institutions in Rock and Dane Counties. HBNA's primary target markets in Janesville are small- and medium-sized businesses, and the residential loan market. The primary target market in Madison is small- or medium-sized businesses. They offer traditional bank products and services.

The Madison office was opened in July 1996, to expand into a new market area. The branch is located inside a commercial building located in the far north-east side of Madison.

There are no current impediments which would hamper HBNA's ability to meet the credit needs of its community. On December 31, 1996, HBNA had total equity capital of \$10,129,000, net income of \$845,000, \$72,691,000 in outstanding loans, and a loan-to-deposit ratio of 65%. Loans make up 56% of total assets. The loan portfolio consists of the following types of loans:

Type of Loans:	\$ (000's)	% of Total Loans
Residential Real Estate	\$31,181	43%
Commercial & Industrial	\$15,713	22%
Commercial Real Estate	\$20,911	29%
Consumer	\$3,084	4%
Construction & Development	\$1,764	2%
Agriculture	\$38	0%
Total	\$72,691	100%

HBNA does not specialize in agriculture and has a nominal amount of these types of loans.

HBNA has two assessment areas consisting of the central portion of Rock County which is part of the Janesville-Beloit Metropolitan Statistical Area (MSA), and all of Dane County which makes up the Madison MSA. The assessment area included in the Janesville-Beloit

MSA is primarily the city of Janesville and is based on the location of its offices and the majority of its loans. HBNA designated Dane County in its entirety as the second assessment area until they can better penetrate the Madison market. Both counties are in the state of Wisconsin.

The assessment area has a population of 428,669 per 1990 census data. Table 2 contains demographic information for the entire assessment area:

Table 2 Demographic Information						
Income Level:	# of Families	% of Total	# of Census Tracts	% of Total	# of Owner-Occupied Units	% of Owner-Occupied Units
Low Income	16,234	16%	6	6%	1,070	1%
Moderate Income	20,178	19%	17	17%	12,135	13%
Middle Income	29,207	28%	56	56%	60,247	64%
Upper Income	38,425	37%	21	21%	21,314	22%
Total	104,044	100%	100	100%	94,766	100%

Source: 1990 Census Data.

There are 172,166 housing units. Of this volume, 55% are owner-occupied, 43% are rental and 3% are vacant housing units. Of the rental units, approximately one-fourth consists of multi-family units. The median housing value is \$74,300.

The credit needs are identified as small- and medium-size business and affordable housing loans. These needs were identified through several community contacts with business, housing and government representatives conducted by the three banking regulators during the last 12 months, two of which were conducted during this examination.

The largest cities are Janesville in Rock County, and Madison, the capitol city of the state of Wisconsin, in Dane County. The area's economy is stable. The unemployment rates are approximately 2.5% in Janesville and 1.3% in Madison. Major industries are services, retail trade, and manufacturing. The area's larger employers are General Motors Corporation, Mercy Health System in the Janesville area, and the State of Wisconsin and the University of Wisconsin in Madison. The market for financial services is strong. The financial institutions in this area are primarily small- to medium-size with total assets under \$300 million. However, there are a few branch locations of larger financial institutions headquartered elsewhere in the state.

According to the U.S. Census Bureau, a vast majority of establishments are small businesses. Approximately 9,326 (94%) of business establishments employ between one and forty-nine, 562 (6%) employ 50 to 499 and less than one percent employ 500 or more.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Overall, HBNA adequately meets the credit needs of its assessment area. A variety of residential and business loan products are offered. A substantial majority of loans are in central Rock County. At this time, there are few loans in Dane County due to the length of time the Madison office has been open. Overall, the geographic distribution of loans is reasonable, as is lending to borrowers of different incomes. There are a few community development loans.

As of December 31, 1996, HBNA's loan-to-deposit ratio was reasonable at 65%; however, this is below the average of other banks (73%) in the area. The low ratio is attributed to competition by other area financial institutions and a decline in the volume of smaller retail loans.

A sample of 417 residential and business loans totaling over \$45.7 million was reviewed to determine the extent of the bank's lending within its assessment area. Residential loan information maintained under the Home Mortgage Disclosure Act (HMDA) was used. Business loan data maintained under the CRA was also used. Table 3 shows HBNA's lending within the assessment area is high:

Type of Loan:	Total Loans Originated				Loans Originated within the Assessment Area			
	#	\$ (000's)	% of Total		#	\$ (000's)	% of Total Loans Originated	
			#	\$			#	\$
Residential	246	\$17,423	59%	38%	198	\$14,167	80%	81%
Business	171	\$28,277	41%	61%	149	\$23,427	87%	83%
Total	417	\$45,700	100%	99%	347	\$37,594	83%	87%

Source: 1996 HMDA - Loan Application Register (LAR).
1996 Small Business/Small Farm Data Collection Register.

Overall, a substantial majority of loans originated are within the assessment area.

Geographic Distribution of Loans:

Overall, HBNA's geographic distribution shows a reasonable penetration in the assessment area, particularly business loans. Table 4 shows the distribution of the number and dollar volume of loans compared to the characteristics of the assessment area:

Table 4 Loans By Income Level of Census Tract January 1, 1996 through December 31, 1996						
Income Level of Census Tract:	Residential Loans		Owner-Occupied Units in the Assessment Area	Business Loans		Census Tracts in the Assessment Area
	#	\$ (000's)	#	#	\$ (000's)	#
	% of Total	% of Total	% of Total	% of Total	% Total	% of Total
Low Income	2	\$107	1,070	14	\$2,184	6
	1%	1%	1%	9%	9%	6%
Moderate Income	17	\$839	12,135	26	\$3,639	17
	9%	6%	13%	17%	16%	17%
Middle Income	98	\$6,136	60,247	46	\$8,451	56
	49%	43%	64%	31%	36%	56%
Upper Income	81	\$7,085	21,314	63	\$9,153	21
	41%	50%	22%	42%	39%	21%
TOTAL	198	\$14,167	94,766	149	\$23,427	100
	100%	100%	100%	100%	100%	100%

Source: 1996 HMDA - LAR.
1996 Small Business/Small Farm Data Collection Register.

Residential: HBNA's residential lending is primarily in middle- and upper-income census tracts. The volume in upper-income census tracts is particularly high when compared to the volume of owner-occupied units in the same income category. Residential lending in low-income census tracts is reasonable, while lending in moderate-income census tracts is lower when compared to the volume of owner-occupied units.

Business: HBNA's business loans in low- or moderate-income census tracts are generally in line with the characteristics of the assessment area.

Loans by Borrower Characteristics:

Overall, lending to borrowers of different incomes is reasonable considering the characteristics of the assessment area.

Residential Loans: Table 5 compares the volume of residential loans made to borrowers of different income levels to the percentage of families living within the assessment area:

Table 5 Mortgage Loan Distribution by Borrower Income Level January 1, 1996 through December 31, 1996					
Borrower Income as a % of MSA Median Family Income:	#	\$ (000's)	% of Total		Assessment Area Characteristics
			#	\$	% of Families
Low Income	9	\$275	5%	2%	16%
Moderate Income	20	\$712	10%	5%	19%
Middle Income	67	\$4,145	34%	29%	28%
Upper Income	100	\$8,898	50%	63%	37%
NA	2	\$137	1%	1%	N/A
TOTAL	198	\$14,167	100%	100%	100%

Source: 1996 HMDA - LAR.

NA - Information is not available.

Table 5 shows that HBNA lends primarily to middle- or upper-income borrowers. Lending to low- or moderate-income borrowers is low when compared to the characteristics of the assessment area. Of housing units in low- or moderate-income areas, 1% and 13%, respectively, are owner-occupied units. In addition, 30% of low- or moderate-income families live in low- or moderate-income census tracts.

Small Business Loans: HBNA's lending to small businesses is reasonable. Table 6 shows the volume of small business loans, and the volume of loans to businesses with annual revenues of less than \$1 million:

Table 6 Business Loans by Loan Size and by Revenue Size January 1, 1996 through December 31, 1996				
Loan Size:	Small Business			
	#	\$ (000's)	% of Total	
			#	\$
Less than \$100,000	91	\$3,476	61%	15%
\$100,001 - \$250,000	32	\$4,561	21%	19%
Greater than \$250,000	26	\$15,390	17%	67%
Total Loans	149	\$23,427	100%	100%
Total Loans to Businesses with Annual Revenues of Less than \$1 Million	103	\$13,505		
As a % of Total Loans	69%	58%		

Source: 1996 Small Business/Small Farm Data Collection Register.

Table 6 reflects that a majority of business loans are small loans. Sixty-one percent of the number and 15% of the dollar volume of business loans are in amounts of less than \$100,000. The table also shows a majority of loans are to businesses with annual revenues of less than \$1 million. These results support the bank's primary business focus.

Community Development Loans:

In 1996, HBNA originated a few community development loans. Community development loans are those that do not meet the definition of residential or small business but do meet the definition of community development. HBNA originated two community development loans totaling \$77,250, one of which is considered innovative and complex. These loans were to the following organizations:

- Goshen Children's Home, Inc., (\$75,000) is a not-for-profit organization who will maintain a home for displaced boys from very-low income families. The project is considered innovative as it is the first housing project of this nature in the local community. The loan was made in conjunction with funds from the City of Janesville Community Development Block Grant. A subsidy is also part of the financing and is discussed under the Investment section of this Performance Evaluation.
- Rock County Habitat for Humanity (\$2,250) is an organization engaged in affordable housing rehabilitation and construction for low-income individuals.

Flexible Lending Products:

HBNA offers flexible lending products in conjunction with: the Small Business Administration; the City of Janesville Economic Development Revolving Loan Fund; the Wisconsin Veterans Administration; Freddie Mac; and, the Wisconsin Housing and Economic Development Authority. Various internal residential loan programs offer low-down payment requirements, up to 97% loan-to-value, and 30 years maximum financing.

INVESTMENT TEST

HBNA has an adequate amount of qualified investments in the assessment area. In 1996, total qualified investments totaled approximately \$60,000.

Through the Affordable Housing Program (AHP), in conjunction with the Federal Home Loan Bank of Chicago, HBNA provided a \$40,000 subsidy, to build a home for boys removed from their homes by court order. The AHP is a subsidy fund designed to assist in the development of affordable housing for low- or moderate-income households.

In conjunction with the Wisconsin Power & Light's Energy Improvement loan program, NBNA is able to offer needy individuals low interest rate loans for heating, air conditioning

and insulation purposes. One loan totaling \$2,300 was originated in 1996.

HBNA made nine other grants and donations to organizations whose missions include community development totaling just over \$17,440. These organizations included Forward Janesville, United Way, and the Rock County Habitat for Humanity.

SERVICE TEST

HBNA’s delivery systems are reasonably accessible among various categories of census tracts. Alternative delivery systems are reasonably available to the bank’s customers.

Accessibility of Delivery Systems:

HBNA’s delivery systems are reasonably accessible in Rock County. There is only one branch in Dane County, located in a middle-income census tract, and it is not readily accessible to the other categories of census tracts. Table 7 shows the distribution of branches by the income level of the census tract:

Table 7 Distribution of Delivery Systems			
Income Level of Census Tract:	# of Branches	% of Total	Distribution of Census Tracts in the Assessment Area
Low-Income	1	20%	6%
Moderate-Income	0	0%	17%
Middle-Income	3	60%	56%
Upper-Income	1	20%	21%
TOTAL	5	100%	100%

Source: HBNA’s Internal Records.

Branch hours are reasonable and are convenient to bank customers. All branches offer consistent products and services. The Wright Road branch was opened in 1995 due to loan growth in the surrounding area. The Madison branch was opened in July 1996, primarily to expand the bank’s trade area. No branches have been closed since the last CRA examination.

Alternative Delivery Systems:

The bank operates four proprietary ATMs of which one serves a low-income census tract in downtown Janesville. The remaining three are located in middle-income census tracts.

The Automated Account Access is a telephone response system available 24 hours a day. This system offers access to checking, savings, and money market accounts. Through this system, a bank customer can transfer funds among deposit accounts, verify deposit account

balances, inquire about deposit transaction activity, and, obtain balance, credit availability and other information on a Personal Reserve account and home equity line of credit.

The Telephone Banking Center offers banking services during normal business hours, 8:30 a.m. through 5:00 p.m. Through this service, a bank customer can: inquire about account types and service charges, existing deposit and loans accounts; establish automatic transfers; place or remove stop payments; freeze accounts for stolen or lost checks; order checks and deposit tickets; transfer funds; and, open an additional account.

Monthly maintenance and activity fees on the Classic checking account are waived for employees of companies who also maintain a business relationship account with HBNA.

HBNA offers courier service to its business customers in Madison.

The bank has an Internet home page. Currently, mortgage lending and background information on the bank is available. An on-screen calculator for determining loan payments and home affordability is also available.

Community Development Services:

HBNA provided an adequate level of community development services. In 1996, HBNA's services included providing credit counseling, financial services and technical assistance as follows:

- **The Home Buyer's Workshop** - In conjunction with two other banks and the City of Janesville's Community Development Department, HBNA sponsored and six employees assisted with six workshop training sessions. The workshop was designed to educate individuals, particularly low-income individuals, regarding home ownership.
- **Personal Economic Program** - Students of all ages were presented information about banking financial products and services, establishing credit, and budgeting.
- **Budget Checking Account** - This low-cost account is offered to students, seniors, and individuals who write less than 15 checks per month. A low monthly fee of \$3.50 is assessed and the first 15 checks per month are free. After 15 checks are written, there is a charge of .75 per check. The monthly fee is waived for students and individuals over the age of 65.
- **Home Buyers Savings Account** - This account is offered to first-time home buyers who want to save for a down payment and/or closing costs. There is a \$100 minimum opening deposit requirement and no withdrawal fee if the proceeds are used for a home loan at HBNA.

- Four bank employees are active in organizations whose missions are to assist in economic development or provide housing to low-income individuals. These organizations include Forward Janesville, an economic development organization, and the Rock County Habitat for Humanity, an organization engaged in affordable rehabilitation and construction for low-income individuals.

FAIR LENDING REVIEW

No violations of substantive provisions of antidiscrimination laws and regulations were identified. HBNA's fair lending policies, procedures, training programs and internal assessment efforts have been effective.

METROPOLITAN STATISTICAL AREAS

Conclusions with Respect to Performance Tests in MSA 3620 - Janesville-Beloit, WI

Description of Institution’s Operations in MSA 3620:

Deposit and lending services are consistently offered throughout this assessment area. HBNA has four offices and four ATMs. The primary business focus for this area is small- and medium-size businesses and residential real estate.

Description of MSA 3620:

This assessment area consists primarily of the city of Janesville and surrounding areas. The local economy is stable. Major industries are services, manufacturing and retail trade. The primary employer is General Motors Corporation, employing about 5,500. The market for financial services is strong as there are several financial institutions in the immediate area.

According to the U.S. Census Bureau, a vast majority of establishments are small businesses. Approximately 2,037 (94%) of business establishments employ between one and forty-nine, 119 (5%) employ 50 to 499, and one percent employ 500 or more.

The population is 61,584 per 1990 census data. Table 8 contains demographic information for the bank’s assessment area in MSA 3620:

Table 8 Demographic Information						
Income Level:	# of Families	% of Total	# of Census Tracts	% of Total	# of Owner-Occupied Units	% of Owner-Occupied Units
Low-Income	2,454	15%	1	7%	76	0%
Moderate-Income	2,965	18%	2	14%	1,315	8%
Middle-Income	4,472	27%	8	57%	9,251	58%
Upper-Income	6,807	41%	3	21%	5,303	33%
Total	16,698	100%	14	100%	15,945	100%

Source: U. S. Census Data.

Although not shown in the table, the Janesville-Beloit MSA median family income is \$44,600. There are 24,315 housing units in the assessment area. Of this volume, 65% are owner-occupied, 32% are rental and 3% are vacant housing units. Of the rental units, approximately 11% consist of multi-family units.

Following is a discussion of the performance tests with respect to this assessment area.

LENDING TEST

HBNA's overall lending in this assessment area is adequate.

Geographic Distribution of Loans:

Overall, HBNA's geographic distribution shows a reasonable penetration in the assessment area. Table 9 show the distribution of HBNA's loans among various categories of census tracts. The number and dollar volume of loans is compared to the characteristics of the assessment area:

Table 9 Loans By Income Level of Census Tract January 1, 1996 through December 31, 1996						
Income Level of Census Tract:	Residential Loans		Owner- Occupied Units in the Assessment Area	Business Loans		Census Tracts in the Assessment Area
	#	\$ (000's)	#	#	\$ (000's)	#
	% of Total	% of Total	% of Total	% of Total	% of Total	% of Total
Low Income	2	\$107	76	14	\$2,184	1
	1%	1%	0%	12%	16%	7%
Moderate Income	15	\$728	1,315	17	\$2,400	2
	8%	5%	8%	15%	18%	14%
Middle Income	95	\$5,928	9,251	35	\$4,096	8
	49%	43%	58%	30%	30%	57%
Upper Income	81	\$7,085	5,303	49	\$4,801	3
	42%	51%	33%	43%	36%	21%
TOTAL	193	\$13,848	15,945	115	\$13,481	14
	100%	100%	100%	100%	100%	100%

Source: 1996 HMDA - LAR.

1996 Small Business/Small Farm Data Collection Register.

Residential: The volume of loans in low- or moderate-income census tracts is in proportion to the owner-occupied characteristics of the assessment area.

Business: HBNA's business loans in low- or moderate-income census tracts is good when compared to the characteristics of the assessment area.

Loans by Borrower Characteristics:

Residential Loans: Table 10 compares the volume of residential loans made to borrowers of different income levels to the percentage of families living within the assessment area:

Table 10 Residential Loan Distribution by Borrower Income Level January 1, 1996 through December 31, 1996					
Borrower Income as a % of MSA Median Family Income:	#	\$ (000's)	% of Total		Assessment Area Characteristics
			#	\$	% of Families
Low Income	9	\$275	5%	2%	15%
Moderate Income	19	\$679	10%	5%	18%
Middle Income	66	\$4,084	34%	29%	27%
Upper Income	97	\$8,673	50%	63%	41%
Income Not Available	2	\$137	1%	1%	-
TOTAL	193	\$13,848	100%	100%	100%

Source: 1996 HMDA - LAR.

Table 10 shows that HBNA lends primarily to middle- or upper-income borrowers. Residential lending to low- or moderate-income borrowers is low when compared to the characteristics of the assessment area.

Small Business Loans: HBNA's lending to small businesses is adequate. Table 11 shows the volume of small business loans and the volume of loans to businesses with annual revenues of less than \$1 million:

Table 11 Business Loans by Loan Size and by Revenue Size January 1, 1996 through December 31, 1996				
Loan Size:	Small Business			
	#	\$ (000's)	% of Total	
			#	\$
Less than \$100,000	77	\$2,931	67%	22%
\$100,001 - \$250,000	25	\$3,390	22%	25%
Greater than \$250,000	13	\$7,160	11%	53%
Total Loans	115	\$13,481	100%	100%
Total Loans to Businesses with Annual Revenues of Less than \$1 Million	78	\$6,845		
As a % of Total Loans	68%	51%		

Source: 1996 Small Business/Small Farm Data Collection Register.

Table 11 reflects that a majority of business loans are small dollar loans. In addition, a majority of the number of loans are to businesses with annual revenues less than \$1 million.

INVESTMENT TEST

All of HBNA's qualified investments are in this assessment area. For a detailed listing, see the **Bank Rating - Investment Test** section of this Performance Evaluation.

SERVICE TEST

Table 12 shows retail banking services are reasonably accessible to various categories of census tracts:

Table 12 Distribution of Delivery Systems			
Income Level of Census Tract:	# of Branch	% of Total	Distribution of Census Tracts in the Assessment Area
Low-Income	1	25%	7%
Moderate-Income	0	0%	14%
Middle-Income	2	50%	57%
Upper-Income	1	25%	22%
TOTAL	4	100%	100%

Source: HBNA's Internal Records.

Alternative delivery systems are reasonably available to bank customers. HBNA owns and operates four ATMs in Janesville, one of which is located in a low-income census tract. For a detailed listing of other alternative delivery systems and community development services, see the **Bank Rating - Service Test** section of this Performance Evaluation.

Conclusions with Respect to Performance Tests in MSA 4720 - Madison, WI

Description of Institution's Operations in MSA 4720:

In July 1996, HBNA opened a branch in Madison, a new market area for the bank. HBNA designated the MSA in its entirety as the second assessment area until they can better penetrate the Madison market. The branch is located in a commercial building in the far north-east side of Madison. Services offered are consistent with other branch locations with the added service of international banking. HBNA also offers a courier service for its business customers. Currently, there are very few depositors and loans originated are business loans. The primary business focus in this area is small- and medium-size businesses.

Description of MSA 4720:

The largest city is Madison, the capitol city of Wisconsin. The local economy is good. The unemployment rate is low at 1.3%. Major industries are government, services and retail trade. Primary employers are the State of Wisconsin and the University of Wisconsin. The market for financial services is strong as there are many financial institutions and several mortgage companies in the immediate area.

According to the U. S. Census Bureau, a vast majority of establishments are small businesses. Approximately 7,289 (94%) of business establishments employ between one and forty-nine, 443 (5%) employ 50 to 499 and 31, less than 1%, employ 500 or more.

The population is 367,085. Table 13 contains other demographic information for the Madison MSA:

Income Level:	# of Families	% of Total	# of Census Tracts	% of Total	# of Owner-Occupied Units	% of Total
Low Income	13,780	16%	5	6%	991	1%
Moderate Income	17,213	20%	15	17%	10,820	14%
Middle Income	24,735	28%	48	56%	51,000	65%
Upper Income	31,618	36%	18	21%	16,010	20%
Total	87,346	100%	86	100%	78,821	100%

Source: 1990 U.S. Census Data.

Although not shown in the Table, the Madison MSA median family income is \$52,900. There are 147,851 housing units in the assessment area. Of this volume, 53% are owner-occupied, 44% are rental and 3% are vacant housing units. Of the rental units, 27% consist of

multi-family units. This large percentage is due to a demand for such housing for students attending the University of Wisconsin.

Following is a discussion of the performance tests with respect to this assessment area.

LENDING TEST

HBNA’s overall lending in the Madison MSA is adequate considering the length of time in this market area.

Geographic Distribution of Loans :

Overall, HBNA’s geographic distribution shows a reasonable penetration considering the length of time the branch has been open. Table 14 shows the distribution of HBNA’s loans by number and dollar volume and is compared to the characteristics of the assessment area:

<p align="center">Table 14 Loans By Income Level of Census Tract January 1, 1996 through December 31, 1996</p>						
Income Level of Census Tract:	Residential Loans		Owner-Occupied Units in the Assessment Area	Business Loans		Census Tracts in the Assessment Area
	#	\$ (000's)	#	#	\$ (000's)	#
	% of Total	% of Total	% of Total	% of Total	% of Total	% of Total
Low Income	0	\$0	991	0	\$0	5
	0%	0%	1%	0%	0%	6%
Moderate Income	2	\$111	10,820	9	\$1,239	15
	40%	35%	14%	26%	12%	17%
Middle Income	3	\$208	51,000	11	\$4,355	48
	60%	65%	65%	32%	44%	56%
Upper Income	0	\$0	16,010	14	\$4,352	18
	0%	0%	20%	41%	44%	21%
TOTAL	5	\$319	78,821	34	\$9,946	86
	100%	100%	100%	100%	100%	100%

Source: 1996 HMDA - LAR.
 1996 Small Business/Small Farm Data Collection Register.

Residential: HBNA has made a few residential loans in this assessment area.

Business: The bank's primary business focus is small- to medium-size businesses. The volume of business loans is adequate considering the branch was opened in mid-1996.

Loans by Borrower Characteristics:

Residential Loans: Table 15 compares the volume of residential loans made to borrowers of different income levels to the percentage of families living within the assessment area:

Table 15 Residential Loan Distribution by Borrower Income Level January 1, 1996 through December 31, 1996					
Borrower Income as a % of MSA Median Family Income:	#	\$ (000's)	% of Total		% of Families in the Assessment Area
			#	\$	
Low Income	0	\$0	0%	0%	16%
Moderate Income	1	\$33	20%	10%	20%
Middle Income	1	\$61	20%	19%	28%
Upper Income	3	\$225	60%	71%	36%
TOTAL	5	\$319	100%	100%	100%

Source: 1996 HMDA -LAR.

Table 15 shows that HBNA has made a few loans in this assessment area.

Small Business Loans: HBNA's lending to small businesses is adequate. Table 16 shows the volume of small business loans, and the volume of loans to businesses with annual revenues of less than \$1 million:

Table 16 Business Loans by Loan Size and by Revenue Size January 1, 1996 through December 31, 1996				
Loan Size:	Small Business			
	#	\$ (000's)	% of Total	
			#	\$
Less than \$100,000	14	\$545	41%	5%
\$100,001 - \$250,000	7	\$1,171	21%	12%
Greater than \$250,000	13	\$8,230	38%	83%
Total Loans	34	\$9,946	100%	100%
Total Loans to Businesses with Annual Revenues of Less than \$1 Million	24	\$6,660		
As a % of Total Loans	71%	67%		

Source: 1996 Small Business/Small Farm Data Collection Register.

Table 16 shows an adequate dollar volume of loans are to businesses with annual revenues of less than \$1,000,000. This is generally consistent with the bank's business focus in this assessment area.

INVESTMENT TEST

Currently, the bank does not have any qualified investments in this assessment area.

SERVICE TEST

Table 20 shows that retail banking services are not reasonably accessible to most categories of census tracts in this assessment area:

Table 17 Distribution of Delivery Systems			
Income Level of Census Tract:	# of Branches	% of Total	Distribution of Census Tracts in the Assessment Area
Low-Income	0	0%	6%
Moderate-Income	0	0%	17%
Middle-Income	1	100%	61%
Upper-Income	0	0%	16%
TOTAL	1	100%	100%

Source: HBNA's Internal Records.

HBNA only recently opened a branch in this assessment area. This branch is located in a middle-income census tract.

Alternative delivery systems are reasonably available to bank customers. HBNA does not currently operate ATMs in this assessment area. For a detailed listing of other alternative delivery systems and community development services, see the **Bank Rating-Service Test** section of this Performance Evaluation.