



Comptroller of the Currency
Administrator of National Banks

Small Bank

PUBLIC DISCLOSURE

July 31, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Stoughton
Charter Number: 5222
207 South Forrest Street
Stoughton, Wisconsin 53589-0427**

**Office of the Comptroller of the Currency
744 North 4th Street, Suite 626
Milwaukee, Wisconsin 53202**

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 of Stoughton** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 31, 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 (FNB) of Stoughton adequately meets community credit needs. FNB's average loan-to-deposit ratio is satisfactory at 84.07%. The bank's lending within its assessment area is reasonable as 84% of the volume and 74% of the dollar amount of new mortgage loans were extended within the bank's assessment area. FNB's loan distribution to borrowers of different incomes and businesses of different sizes is good. FNB's geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

First National Bank (FNB) had total assets of \$93 million, as of June 30, 1998. Loans comprise \$59 million (63%) of the bank's total assets. FNB's loan portfolio is broken down as follows: \$32 million in real estate loans (54%), \$22 million in commercial and agricultural loans (37%), and \$5 million in individual and other loans (9%). FNB's primary focus is commercial and residential lending. The bank has no legal impediments that would hinder meeting the needs of its assessment area.

FNB is located in downtown Stoughton. FNB has one branch office located at 3162 County Road B. The branch is located approximately three miles from the main bank and offers the same services. FNB also has four proprietary automated teller machines all located within the bank's assessment area.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area encompasses 10 census tracts (105, 106, 107, 119, 120, 121, 122, 123, 124 and 125) located in the southeast corner of Dane County Metropolitan Statistical Area (MSA) #4720. The assessment area includes the City of Stoughton. The median family income of the MSA is \$54,600 based upon 1997 estimated Housing and Urban Development (HUD) data. The population of the bank's assessment area is 52,806 based on the 1990 census data. Two of FNB's assessment area census tracts are considered moderate-income tracts. One census tract is considered upper-income. The remaining seven tracts are considered middle-income tracts. FNB's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- to moderate-income (LMI) areas.

The local economy is strong and diverse, with low unemployment and an increasing population base. Major employers in the area include: Stoughton trailers, Stoughton school district, and Nelson Industries. The city of Madison, located 17 miles northwest of Stoughton, provides employment for a significant portion of the assessment area's population and has a diverse economic base. Competition is strong and consists of banking offices of regional banks, as well as several savings and loans and credit unions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio:

FNB's average loan-to-deposit ratio is satisfactory. FNB's average loan-to-deposit ratio is 84.07%, based upon the bank's quarterly performance from its December 31, 1996 examination to June 30, 1998. The average range of loan-to-deposit ratios of the local peer group is 66.97% to 86.11%, with an average of 79.34%. FNB's local peer group (15 institutions) consists of all financial institutions with less than \$100 million in assets located in Dane county. The bank ranks 4th among the 15 peer institutions in average loan-to-deposit ratio. A factor that contributes to FNB's loan-to-deposit ratio when compared to peer averages is the volume of loans sold on the secondary market. In 1997, the bank sold \$4.8 million in the secondary market. For 1996 and 1995, the bank sold \$3.8 million and \$1.0 million, respectively, in the secondary market. Had the bank not sold these loans, its loan-to-deposit ratio would be higher.

Lending in the Assessment Area:

A majority of FNB's residential lending is within its assessment area. An analysis of the bank's 1997 Home Mortgage Disclosure Act (HMDA) Loan Application Register indicates that 84% of the loan volume and 74% of the dollar volume was originated within FNB's assessment area. A review of the 1996 HMDA Loan Application Register shows that 75% of the loan volume and 64% of the dollar volume was made within the assessment area. Approximately 37% of the bank's loan portfolio is residential real estate-related.

FNB's business lending within the assessment area is reasonable. An analysis of FNB's 1997 new and renewed loans report identified that 57% of new business loan volume was made within the assessment area. The dollar volume of business loans made within the assessment area during 1997 approximated 49%. The lower percentages of business loans in the assessment area is consistent with the bank's mix of corporate customers. FNB's larger corporate customers are located in or near the City of Madison which is not situated in the bank's assessment area.

Geographic Distribution of Loans:

FNB originates loans throughout the majority of its assessment area. Based upon an analysis of the bank's 1997 HMDA Loan Application Register, there is good dispersion within the block numbering areas that comprise the bank's assessment area. Our analysis indicates the following breakdown: 10 loans (22%) were extended in moderate-income block numbering areas, and 36 loans (78%) were extended in the middle-income block numbering areas within the bank's assessment area. The bank does not have any low-income census tracts in its assessment area.

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

FNB has a good distribution of loans to borrowers of different incomes. Table 1 includes an analysis of the 46 loans originated in 1997 as reported on the bank's HMDA Loan Application Register.

TABLE 1				
	Percentage of loans extended	% of \$ amount extended	% of population by income level	Ranges of incomes to be included in income group**
Low-income	18%	15%	14%	\$0 ≤ \$27,300
Mod-income	24%	23%	20%	\$27,301 ≤ \$43,680
Mid-income	30%	33%	31%	\$43,681 ≤ \$65,520
High-income	28%	29%	35%	>\$65,520
TOTALS	100%	100%	100%	

** Based upon updated 1997 HUD data showing median family income of \$54,600.

The bank extends loans of different sizes to small businesses. The bank's small business loan portfolio is distributed as follows:

TABLE 2				
	# Loans Extended	% of Total	\$ Loans Extended	% of Total
Original Amount Under \$100,000	240	68%	\$6,407M	27%
Original Amount \$100,000 - \$250,000	83	24%	\$9,397M	40%
Original Amount \$250,000 - \$1 million	30	8%	\$7,524M	33%

These figures were derived from the bank's June 30, 1998, Consolidated Reports of Condition. The majority of loans extended to businesses are small loans with 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. The bank has reasonable penetration to businesses of different sizes. The volume of business lending represents a significant portion of the bank's loan portfolio.

Other:

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.