



## **PUBLIC DISCLOSURE**

June 17, 2013

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Bay View Federal Savings & Loan Association  
Charter Number 703571

3974 South Howell Avenue  
Milwaukee, WI 53207

Office of the Comptroller of the Currency  
Milwaukee Field Office  
1200 North Mayfair Road, Suite 200  
Wauwatosa, WI 53226

**NOTE:** This document is an evaluation of this 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. 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.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

Major factors supporting this institution's rating include:

- The loan-to-deposit ratio is reasonable given the bank's size, business strategy, and lending capacity.
- The majority of loans are originated inside the bank's assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.

**SCOPE OF EXAMINATION**

We evaluated Bay View Federal Savings & Loan Association's (Bay View) Community Reinvestment Act (CRA) performance under the Small Bank Lending Test. We reviewed data for the bank's primary loan product, home mortgage loans, to evaluate the bank's lending performance.

The evaluation period covers the period since the date of the previous CRA examination, May 7, 2008 to June 17, 2013. The Lending Test evaluated loans originated between January 1, 2011 and December 31, 2012. The institution's CRA performance was reviewed using full-scope, small institution examination procedures.

Prior to conducting this evaluation, we tested the accuracy of the bank's Home Mortgage Disclosure Act (HMDA) data for 2011 and 2012. We found the data to be accurate; therefore, we used all reported HMDA data for both years in our evaluation of home mortgage lending. Additionally, we obtained aggregate HMDA peer group data for the Lending Test.

**DESCRIPTION OF INSTITUTION**

Bay View is a federally chartered mutual thrift institution located in Milwaukee, Wisconsin. As of March 31, 2013, assets totaled approximately \$135 million. As of March 31, 2013, the bank had a total loan portfolio of \$72 million, representing 53 percent of total assets. Bay View is primarily a residential real estate lender and residential real estate loans make up approximately 60 percent of the total loan portfolio. The commercial portfolio is mainly comprised of \$15.5 million secured by multifamily residential properties and \$12.3 million secured by nonfarm nonresidential properties. Table 1 details the institution's loan portfolio.

At the last CRA exam, dated May 7, 2008, Bay View received an overall rating of “Satisfactory”.

<b>Loan Category</b>	<b>Amount (\$000's)</b>	<b>Percent of Total Loans</b>	<b>Percent of Total Assets</b>
Residential Real Estate	\$43,184	59.68%	31.87%
Commercial	\$29,116	40.24%	21.49%
Consumer	\$61	0.08%	0.05%
Agriculture	-0-	N/A	N/A
Total	\$72,361	100.00%	53.41%

Bay View has one office located on the south side of Milwaukee, which is located in a middle-income census tract. The office has nine employees including one lender. Bay View operates a drive-up window for its customers’ needs. Bay View offers traditional community bank loan products, but does not offer customer ATM cards or checking accounts. Bay View’s primary business strategy continues to be originating and servicing residential mortgage loans in its local community and providing basic deposit-related banking services to its customers. Bay View originates owner and non-owner occupied conventional first mortgage loans, commercial loans, home equity loans, and consumer-share loans. There are no impediments limiting the institution’s ability to help meet the credit needs of its local community, including those of low- and moderate-income families and neighborhoods, other than its one office location and limited lending personnel.

In recent years, Bay View worked with its surrounding community in several ways. Bay View participated in a financial literacy program for the local high school, donated to the local community center’s food and infant formula pantry, and donated to a local performing arts fund that provided scholarships to low-income students.

**DESCRIPTION OF ASSESSMENT AREA**

Bay View’s assessment area consists of the southeastern portion of Milwaukee County, which contains census tracts only within the Milwaukee-Waukesha-West Allis metropolitan statistical area (MSA). The number of census tracts within Bay View’s assessment area represents approximately 20 percent of the total number of tracts of the MSA. Given the institution’s asset size, available resources, and single office location, the designation of the entire Milwaukee-Waukesha-West Allis MSA as its assessment area would be too large for Bay View to reasonably serve. Based on the timing of the U.S. Census data collection, the 2000 U.S. Census data correlates with our review of 2011 data, while the 2010 U.S. Census data correlates with our review of 2012 data. The demographic data for the respective years are highlighted below. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

2011 (2000 U.S. Census Data)

According to the 2000 U.S. Census data, the assessment area consists of 83 census tracts: five (6 percent) are low-income, 16 (19 percent) are moderate-income, 60 (72 percent) are middle-income, and two (2 percent) are upper-income. The total population of the assessment area totaled 280,209 in 2011. The average median family income is \$51,528, and the HUD updated MSA median family income is \$72,300. The percentage of families below the poverty level is 6 percent. Owner-occupied units comprise 57.79 percent of total housing units. The 2011 annual unemployment rate for Milwaukee County is 9.0 percent compared to the state annual unemployment rate of 7.5 percent. Bay View’s assessment area is comprised of 27 percent of the census tracts within Milwaukee County.

<b>Table 2 - Demographic Data (2011) (Based on 2000 U.S. Census Data*)</b>	
<b>Demographic Data</b>	<b>2000 Census</b>
Population	280,209
Total Families	72,937
One-to Four-Family Units	97,661
Multi-family Units	26,445
% Owner-Occupied Units	57.79%
% Rental-Occupied Units	38.21%
% Vacant Housing Units	4.00%
HUD Estimated Median Family Income	\$72,300

2012 (2010 U.S. Census Data)

According to the 2010 U.S. Census data, the assessment area consists of 84 census tracts: seven (8 percent) are low-income, 18 (21 percent) are moderate-income, 54 (64 percent) are middle-income, and five (6 percent) are upper-income. The total population of the assessment area totaled 303,765 in 2012. The average median family income is \$63,098, and the HUD updated MSA median family income is \$73,200. The percentage of families below the poverty level is 8 percent. Owner-occupied units comprise 57.86 percent of total housing units. The 2012 annual unemployment rate for Milwaukee County is 8.4 percent compared to the state annual unemployment rate of 6.9 percent. Bay View’s assessment area is comprised of 28.28 percent of the census tracts within Milwaukee County.

<b>Table 3 - Demographic Data (2012) (Based on 2010 U.S. Census Data*)</b>	
<b>Demographic Data</b>	<b>2010 Census</b>
Population	303,765
Total Families	73,954
One-to Four-Family Units	103,394
Multi-family Units	28,779
% Owner-Occupied Units	57.86%
% Rental-Occupied Units	36.14%
% Vacant Housing Units	6.00%
HUD Estimated Median Family Income	\$73,200

Other financial institutions provide strong competition throughout Milwaukee County. There are 34 other institutions serving the needs of Milwaukee County. As of June 30, 2012, Bay View had a deposit market share of 0.27 percent.

The area surrounding the institution is developed predominantly with retail businesses and residential neighborhoods. The area economy is supported by these retail businesses. The institution is located and surrounded by middle-income census tracts, and the majority of low- and moderate-income census tracts are located in the northern portion of the assessment area.

During this evaluation, we contacted a representative from a local community center. Overall, the representative indicated that local financial institutions are satisfactorily meeting credit needs within the community.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **LENDING TEST**

#### **Loan-to-Deposit Ratio**

Bay View's loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The institution's quarterly LTD averaged 59.5 percent over the last 19 quarters. Within that timeframe, Bay View had a high LTD of 64.81 percent and a low LTD of 54.93 percent. As of March 31, 2013, Bay View's LTD is 62.80 percent. Bay View ranked last among a customized peer group of six similar sized institutions located within Milwaukee County. The peer group had assets ranging from \$59 million to \$421 million and average quarterly LTD ratios ranging from 84.78 percent to 93.85 percent. Since the last CRA examination, the institution's LTD average ratio demonstrates an increasing trend, and the institution historically has lower than peer loan-to-deposit ratios.

The institution's asset size, resources and capacity to lend, competitive environment in which the institution operates, and its primary residential retail lending strategy were taken into consideration when determining that Bay View's loan-to-deposit ratio is reasonable.

#### **Lending in Assessment Areas**

Bay View originates a majority of its loans to borrowers inside its assessment areas. The bank granted 126 HMDA reportable loans totaling \$21.8 million during the review period. Table 4 shows the number and dollar amount of mortgage loans originated inside and outside the bank's assessment area. Approximately 59 percent of loans originated in 2011 and 2012, by number, were made to individuals located within the bank's assessment areas.

<b>Table 4 - Lending in the Assessment Area (Dollars in thousands)</b>					
<b>Period By Year</b>	<b>In Assessment Area</b>		<b>Outside Assessment Area</b>		<b>Total HMDA Loans</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>
2011	35	52.24%	32	47.76%	67
2012	39	66.10%	20	33.90%	59
Total	74	58.73%	52	41.27%	126
	<b>\$ Amt</b>	<b>%</b>	<b>\$ Amt</b>	<b>%</b>	<b>\$ Amt</b>
2011	\$4,207	31.16%	\$9,293	68.84%	\$13,500
2012	\$3,777	45.50%	\$4,524	54.50%	\$8,301
Total	\$7,984	36.62%	13,817	63.38%	\$21,801

Source: 2011 & 2012 HMDA data

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

The distribution of borrowers reflects reasonable penetration among individuals of different income levels.

Based on the reported 2011 and 2012 data, Bay View’s percentage of home mortgage lending to low-income individuals was 13.51 percent and lending to moderate-income individuals was 5.41 percent. Home mortgage lending to low-income individuals exceeded the 2011 aggregate HMDA peer data of 11.85 percent, while the home mortgage lending to moderate-income individuals significantly fell below the 2011 aggregate HMDA peer data of 22.45 percent.

However, given that the institution originated 58.11 percent of its 2011 and 2012 loans without collecting updated income information (income reported on the HMDA LAR as NA), it is difficult to appropriately assess and determine if these loans were made to low- or moderate-income borrowers. These loans are reported in the following tables as “Income NA.”

<b>Table 5 - Distribution of Residential Mortgage Loans By Borrower Income Level in the Assessment Area (Dollars in thousands)</b>								
<b>Borrower Income Level</b>	<b>2011</b>		<b>2012</b>		<b>Review Period 1/1/2011 – 12/31/2012</b>		<b>Aggregate 2011</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>% by #</b>	
Low	4	11.43%	6	15.38%	10	13.51%	11.85%	
Moderate	1	2.86%	3	7.69%	4	5.41%	22.45%	
Middle	0	0.00%	5	12.82%	5	6.76%	27.77%	
Upper	7	20.00%	5	12.82%	12	16.22%	29.84%	
Income NA	23	65.71%	20	51.28%	43	58.11%	8.09%	
Total	35	100.00%	39	100.00%	74	100.00%	100.00%	
	<b>By \$ Amount</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>% by \$</b>
Low	\$245	5.82%	\$628	16.63%	\$873	10.93%	6.68%	
Moderate	\$17	0.40%	\$271	7.18%	\$288	3.61%	16.85%	
Middle	\$0	0.00%	\$448	11.86%	\$448	5.61%	24.82%	
Upper	\$752	17.87%	\$423	11.20%	\$1,175	14.72%	32.28%	
Income NA	\$3,193	75.90%	\$2,007	53.14%	\$5,200	65.13%	19.37%	
Total	\$4,207	100.00%	\$3,777	100.00%	\$7,984	100.00%	100.00%	

Source: 2011 & 2012 HMDA data and 2011 Peer Mortgage Data (Aggregate)

## Geographic Distribution of Loans

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. A review was performed to determine the reasonableness of the institution's geographic distribution of HMDA loans within the assessment area, particularly Bay View's lending in low- and moderate-income areas.

Bay View originated 5.41 percent of its loans in low-income census tracts and 24.32 percent of its loans in moderate-income census tracts during 2011 and 2012. The amount of loans Bay View originated in 2011 and 2012, by number and amount, significantly exceed the 2011 HMDA aggregate data for lenders making loans within the assessment area. Table 6 shows Bay View's distribution of loans by geography income level in more detail.

Geography Income Level	2011		2012		Review Period 1/1/2011– 12/31/2012		Aggregate 2011
	#	%	#	%	#	%	% by #
<b>By Number</b>							
Low	3	8.57%	1	2.56%	4	5.41%	0.75%
Moderate	9	25.71%	9	23.08%	18	24.32%	8.90%
Middle	23	65.71%	27	69.23%	50	67.57%	82.01%
Upper	0	0.00%	2	5.13%	2	2.70%	8.34%
Total	35	100.0%	39	100.0%	74	100.00%	100.00%
<b>By \$ Amount</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>% by \$</b>
Low	\$219	5.21%	\$78	2.07%	\$297	3.72%	0.62%
Moderate	\$1,559	37.06%	\$610	16.15%	\$2,169	27.17%	6.41%
Middle	\$2,429	57.74%	\$2,813	74.48%	\$5,242	65.66%	82.27%
Upper	\$0	0.00%	\$276	7.31%	\$276	3.46%	10.70%
Total	\$4,207	100.0%	\$3,777	100.0%	\$7,984	100.00%	100.0%

Source: 2011 & 2012 HMDA data and 2011 Peer Mortgage Data (Aggregate)

## Responses to Complaints

The bank has not received any CRA-related complaints since the last examination.

## FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Pursuant to 12 CFR 195.28(c), in determining a Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.