



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

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Community Reinvestment Act Performance Evaluation

**First National Bank in Manitowoc
Charter Number: 4975**

**402 North 8th Street
Manitowoc, Wisconsin 54221**

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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.

TABLE OF CONTENTS

General Information	1
Description of Institution and Assessment Area	2
Conclusions with Respect to Performance Tests	4
Lending	4
Investment	9
Service	9
Fair Lending Results	10
Appendix	
Scope of Examination	11
Definitions	12

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 in Manitowoc prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 9, 1998**. 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 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 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated **Satisfactory record of meeting community credit needs**.

The First National Bank of Manitowoc has an adequate geographic distribution of loans within the assessment area and to borrowers of different income levels. Services are accessible to all portions of the assessment area. The level of qualified investments is adequate given the opportunities available.

The following chart indicates the performance level of **First National Bank in Manitowoc** with respect to the lending, investment, and service tests.

First National Bank, Manitowoc Performance Tests			
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		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

Description of Institution and Assessment Areas

First National Bank of Manitowoc is wholly owned by First Manitowoc Banc Corporation, a one bank holding company. The bank has its main office in Manitowoc, Wisconsin and serves communities in Manitowoc and Brown Counties, Wisconsin. Manitowoc County is located approximately 30 miles southeast of Green Bay and 80 miles north of Milwaukee. Manitowoc is the largest city in the county, population 33,546 per 1990 U.S. Census data. Brown County includes Green Bay, Wisconsin and surrounding communities. Green Bay is the largest city in the county, population 68,778 per 1990 U.S. Census data.

The bank has two assessment areas (AA's). One AA includes all of Manitowoc County, Wisconsin, which is comprised of 15 middle-income census tracts (79%) and 4 upper-income census tracts (21%). There are no low- or moderate income census tracts in Manitowoc. The income levels of the geographies are based on the 1990 US Census Median Family Income for Manitowoc County, which is \$30,290. The family breakdown in the AA by income levels is 13% low income families, 17% moderate income families, 27% middle income families, and 43% upper income families. The income levels of individuals are based on updated information from the Department of Housing and Urban Development (HUD). The 1997 HUD Updated Median Income for the Manitowoc non-Metropolitan Statistical Area (MSA) is \$39,600. The majority of FNB's residential mortgage lending is done in this AA.

Based on 1990 Census data, there are a total of 31,843 housing units in the Manitowoc assessment area. Owner occupied units comprise 69% of the total housing units; 26% are rental units. The median housing value is \$49,879.

The second AA includes portions of Brown County, Wisconsin, which is comprised of one low-income census tract (6%), 6 moderate-income census tracts (33%), 7 middle income census tracts (39%), and 4 upper-income census tracts (22%). The census tracts for Brown County are as follows: 9, 10, 11, 12, 13, 14, 16, 17, 18.01, 18.02, 20.01, 20.02, 20.03, 207.01, 208, 209, 210, and 212. The income levels of the geographies are based on the 1990 US Census Median Family Income for Brown County, which is \$37,121. The family breakdown in the assessment area by income levels is 18% low income families, 18% moderate income families, 27% middle income families, and 37% upper income families. The income levels of individuals are based on updated information from the Department of Housing and Urban Development (HUD). The 1997 HUD Updated Median Income for the Brown County MSA is

\$47,700. Based upon 1996 and 1997 HMDA data FNB received only 9 reportable mortgage applications from this AA.

Based on 1990 Census data, there are a total of 27,291 housing units in the Brown County AA. Owner occupied units comprise 58% of the total housing units; 39% are rental units. The median housing value is \$59,995.

Major industries within the assessment areas include manufacturing, services, and retail trade. The economy is stable with some areas of growth. The unemployment rate (3.6%) is below the national average.

First National Bank Manitowoc has 9 offices located in its AA's, as well as three ATMs. The bank's main office is located in downtown Manitowoc. Branch offices are located at Custer Street in Manitowoc, and in Francis Creek, Mishicot, Kiel, Bellevue, Two Rivers, St. Nazianz, and Newton. Two ATM's are located in the Manitowoc offices with the third in Bellevue.

There are no impediments which would hamper FNB's ability to meet the credit needs of its community. However, competition with other financial institutions who serve this AA, including branches of regional and multinational banks, is strong. As of December 31, 1997, the bank had total average assets of \$319,381,000 and a return on average assets (ROAA) of 1.30%. Net loans represented 66% of average assets with earning assets accounting for 94% of average assets. The loan portfolio is comprised of 64% real estate loans, 26% commercial and industrial loans, 6% installment loans, 3% agricultural loans, and 1% municipal loans.

Conclusions with Respect to Performance Tests

Lending Test

Overall, FNB's loan activity demonstrates:

- ▶ a good responsiveness to assessment area credit needs;
- ▶ a substantial majority of loans were made in the institutions's assessment area;
- ▶ an adequate geographic distribution of loans inside the assessment area;
- ▶ an adequate distribution of loans among borrowers of different income levels;
- ▶ a good distribution of loans among businesses and farms of different sizes, including very small businesses and farms;
- ▶ an adequate level of community development loans; and
- ▶ use of flexible lending practices to help serve assessment area credit needs.

Performance Criteria

Lending Activity - FNB's lending levels reflect good responsiveness to AA credit needs. In 1996, FNB ranked first with respect to the market share percentage (23%) of all home mortgage loans originated in Manitowoc County. There were a total of 86 lenders that reported home mortgage loans in Manitowoc County. In 1996 and 1997, FNB originated 635 mortgage loans (\$37.6 million) in their AA. FNB is also the leader with respect to small business lending. Based upon 1996 loan origination data, FNB is the largest small business lender in the Manitowoc AA. In addition, based upon June 30 1997, call report data, FNB ranks first with respect to the number of commercial loans outstanding under \$100M in Manitowoc County.

FNB's loan-to-deposit ratio averaged 85.70% between June 30, 1995 and December 31, 1997. This is the eighth highest loan-to-deposit ratio of all twelve banks in FNB's combined AA. The range of average loan-to-deposit ratios amongst banks in FNB's combined AA is 69% to 99%. The loan to deposit ratio for the bank's national peer group, consisting of banks of similar size, averaged 75% during the same time period. It should be noted that in 1996 and 1997 FNB sold \$10.1million and \$14.2 million, respectively, in real estate mortgages to the secondary market, which decreased its loan-to-deposit ratio.

Assessment Area Concentration - A high percentage of loans were originated within the bank's combined AA. 1996 and 1997 HMDA data shows that 92% of the number and 90% of the dollar volume of the mortgage lending was done in the bank's combined AA. The 1996 small business register shows 99% of the number and 99% of the dollar volume of small business loans were made in the bank's combined AA.

Borrower Characteristics - Overall, the distribution of FNB's home mortgage, small business, and small farm loans based on borrower characteristics in the AA is adequate. This is based on the distribution of loans to low-, moderate-, middle-, and upper-income individuals in the AA, as well as loans to small businesses and farms of different sizes.

Small Business and Small Farm Lending

The distribution of FNB's small business and small farm loans based on borrower characteristics in the AA is good. Tables 1 & 2 show that a majority of FNB's loans to small businesses and small farms originated in their AA's are made to businesses or farms with revenues of less than \$1 million. The distribution demonstrates that the bank is offering product lines consistent with the business demographics and needs of the community.

Table 1				
Loans to Small Business and Small Farms in Assessment Area with Revenues less than \$1 million in 1996				
Type of Loan	Number	% of Total	\$ Amount (000's)	% of Total
Small Business Loans	517	75%	20,245	78%
Small Farm Loans	171	25%	5,551	22%
Total	688	100%	25,796	100%

Source: Small Business/Small Farm Data Collection Register 1996

Table 2				
Loans to Small Business and Small Farms in Assessment Area with Revenues less than \$1 million in 1997				
Type of Loan	Number	% of Total	\$ Amount (000's)	% of Total
Small Business Loans	535	74%	26,192	81%
Small Farm Loans	184	26%	6,207	19%
Total	719	100%	32,399	100%

Source: Small Business/Small Farm Data Collection Register 1997

Tables 3 & 4 summarize FNB's small business and small farm lending by varying loan amounts in their AA. The new CRA regulation assumes that loan size generally correlates with the size of the business or farm borrower. The following table shows that 90% of total small business and farm loans originated have loan amounts less than \$100,000. The analysis demonstrates that FNB is meeting the credit needs of small businesses and farms by making loans in small dollar amounts. Based upon 1996 data, FNB is the largest small business lender in the Manitowoc AA.

Table 3				
Small Business & Small Farm Loans by Loan Amount at Origination in 1996				
Origination Amount	Count	%of Total	\$ Amount (000's)	%of Total
Less than \$100,000	778	90%	19,783	52%
Between \$100,000 and \$250,000	63	7%	9,980	26%
Greater than \$250,000	20	3%	8,217	22%
Total	861	100%	37,980	100%

Source: Small Business/Small Farm Data Collection Register

Table 4				
Small Business & Small Farm Loans by Loan Amount at Origination in 1997				
Origination Amount	Count	%of Total	\$ Amount (000's)	%of Total
Less than \$100,000	922	86%	23,154	34%
Between \$100,000 and \$250,000	105	10%	16,903	25%
Greater than \$250,000	50	4%	27,777	41%
Total	1,077	100%	67,834	100%

Source: Small Business/Small Farm Data Collection Register

Home Mortgage Loans

The level of mortgage loans extended to low- and moderate-income individuals in FNB's combined AA is adequate in relation to the percentage of low- and moderate-income families residing in the combined AA. The following table reflects lending to borrowers of different incomes by the number and dollar amount in comparison to the demographic income levels of the individuals in the combined AA's.

Borrower Type	% of Families in AA	#	%	\$	%
Low-Income	11%	37	6%	1,433	4%
Moderate-Income	25%	124	20%	5,478	15%
Middle-Income	39%	172	28%	9,349	26%
Upper-Income	25%	281	46%	19,830	55%
Total	100%	614	100%	36,090	100%

Geographic Distribution - The geographic distribution of loans reflects good penetration in the Manitowoc County AA. Loans are well disbursed throughout this area. There are no low- or moderate-income census tracts in this AA. The Brown County AA is the only area where the bank has not had a significant volume of HMDA reportable mortgage loans. This is shown by FNB having made no loans in the seven low- to moderate-income census tracts, and only nine total HMDA reportable loans from 1996 and 1997 in the Brown County AA. The bank believes the lower volume in this area is due to competition from other financial institutions in the area and because the bank is relatively new to this area (1995).

Home Mortgage Loans

The following table shows the amount of lending FNB has done in different income level census tracts. The low- and moderate-income level census tracts are in the Brown County AA where the bank has little HMDA reportable lending.

Orig/Purchases	# of Loans in the AA by Census Tract	Percent of Total Loans in the AA by Census Tract	% of Census Tracts in AA	Dollar of Loans in the AA (000's) by Tract	Percent of Total
Low-Income Tracts	0	0%	3%	0	0%
Moderate-Income Tracts	7	1%	16%	249	1%
Middle-Income Tracts	494	78%	59%	26,824	71%
Upper-Income Tracts	134	21%	22%	10,538	28%

Table 6					
Geographic Distribution of HMDA Loans - 1996 & 1997 Combined Assessment Area					
Total	635	100%	100%	37,611	100%

Small Business and Farm Loans

FNB’s geographic distribution of small business and small farm loans reflects adequate penetration throughout the AA. Tables 7 & 8 illustrate the number and dollar amount of small business and small farm loans that were originated in low-, moderate-, middle-, and upper-income census tracts in the bank’s AA. The low- and moderate-income census tracts are in the Brown County AA.

Table 7				
Geographic Distribution of Small Business and Small Farm Loans - 1996				
Originations/Purchases	# of Loans in the AA	Percent of Total	Dollar of Loans in the AA (000's)	Percent of Total
Low-Income Tracts	2	0%	576	1%
Moderate-Income Tracts	5	1%	226	0%
Middle-Income Tracts	659	95%	56,603	94%
Upper-Income Tracts	28	4%	3,171	5%
Total	694	100%	60,576	100%

Source: Small Business and Small Farm Data Collection Register

Table 8				
Geographic Distribution of Small Business and Small Farm Loans - 1997				
Originations/Purchases	# of Loans in the AA	Percent of Total	Dollar of Loans in the AA (000's)	Percent of Total
Low-Income Tracts	3	0%	1,920	3%
Moderate-Income Tracts	8	1%	395	1%
Middle-Income Tracts	900	87%	46,805	83%
Upper-Income Tracts	128	12%	7,494	13%
Total	1,039	100%	56,614	100%

Source: Small Business and Small Farm Data Collection Register

Community Development Lending - Community development loans are those, except for multifamily dwellings, that do not meet the definition of home mortgage, small business, or small farm loans, but do meet the community development definition as stated in the CRA regulation (12 CFR 25.12(h)). Community development loans’ primary purpose must fall into one of the following three categories: affordable housing for low- to moderate-income individuals, community services targeted toward low- or moderate-income individuals, or activities that promote economic development by financing small businesses or small farms. All loans that were extended that fall within the definition have already been considered in other parts of the lending test.

Innovative or Flexible Lending Practices - FNB demonstrates flexibility in helping to meet special credit needs of the community by offering several government-funded or -guaranteed loan products and other programs to benefit its assessment areas. These loan numbers and dollar amounts of loans originated under these programs have already been accounted for in the lending test. The following are some examples of programs FNB has been involved with since or prior examination. The bank's flexible lending programs are summarized as follows:

Two Rivers First Time Home buyer Program - This program is geared toward increasing first time, single-family home ownership. Under the program, the borrower would be given a no-interest, deferred loan for the raw land and improvements. The loan would be repaid when the house is sold. The program is geared toward lower income individuals based upon maximum income restrictions. This program was developed in January 1998. The bank has received three applications under this program. However, due to the newness of the program no loans have been closed to date.

Housing Cost Reduction Initiative (HCRI) grant from the city of Manitowoc - This program assists low- and moderate-income renters in becoming first-time home buyers. The city of Manitowoc provides the grant to cover closing costs, down payments, and to reduce interest rates. The bank has committed to make 10 loans totaling \$400,000 under this program. During 1997 the bank made 3 loans totaling \$106,850.

Small Business Administration (SBA) Loans - FNB became a preferred SBA lender in December 1997 which gives the bank authority to make SBA guaranteed loans without the SBA's prior approval. FNB originated 22 SBA loans in 1997 totaling \$5,909,000. Based upon the SBA's analysis of Wisconsin lending activity from October 1, 1996 to September 30, 1997, FNB is the largest SBA lender in the bank's AA.

WHEDA Linked Deposit Program - This program offers reduced interest rates to new and existing businesses owned and controlled by women or minority group members. Loan proceeds must be used to either purchase or improve land or buildings or purchase equipment or machinery. In 1997 FNB originated 3 loans totaling \$730,000.

WHEDA Home Program - This is a first-time home buyer program that provides below-market fixed interest rates and requires a lower down payment than conventional mortgages. In 1997 FNB originated 8 loans totaling \$442,250.

WHEDA Credit Relief Outreach Program (CROP) - This program provides farmers working capital for crop input expenses. The loan amount is limited to \$20,000 and is 90% guaranteed by WHEDA. FNB originated 6 loans totaling \$86,000 in 1997.

Farm Services Administration - This program offers 90% guaranteed agricultural loans to aid farmers. FNB originated 6 loans totaling \$499,763 in 1997.

Petroleum Environmental Clean-up Fund Act (PECFA) - This program provides interim financing for petroleum contamination removal. After the project is successfully completed, loans are repaid from the State of Wisconsin funds. FNB originated 5 loans for \$270,000 in 1997.

Affordable Green Bay 2/1 Mortgage Program - In 1996, the bank participated in forming a new loan program called Affordable Green Bay 2/1 Mortgage Program. This program is open to any first time home buyer whose income does not exceed 80% of the county median income, and purchase a home in a target area in Brown County. It requires only 2% of the sale price as down

payment. The remaining 1% of the down payment plus closing costs are provided through the program, which offers a second mortgage at zero interest and payments of \$25 per month. The bank has not extended any loans under this program to date.

Neighborloan program in Green Bay - In 1997, the bank helped create the Neighborloan. This program is designed to encourage middle and upper income people to purchase homes in low/moderate income areas by providing a zero interest second mortgage for improvements to the home. The bank would hold a first mortgage for the purchase, with Neighborhood Housing Services holding the second mortgage. FNB has not made any loans under this program to date.

Investment Test

The level of qualified investments and grants is limited, but considered adequate given the level of opportunity in their AA. Based on discussions with bank management and reviews of other local financial institution public evaluations, there is a low level of opportunity for qualified community development investments in the bank's assessment area. Going forward, the bank is encouraged to be innovative and responsive to available opportunities for qualified investments and grants that benefit its AA.

From April 26, 1995 to December 31, 1997 FNB had \$33,805 in qualified grants, in the form of donations. \$25,140 to the United Way, \$10,665 to Habitat for Humanity, \$3,000 to Affordable Green Bay 2/1 Mortgage, and \$750 to other causes. The United Way contributes to local charities in Washington County, several of which specifically provide services for low-income individuals. These services include subsidized child care for low-income families and homeless assistance. Habitat for Humanity provides housing for low- and moderate-income individuals. The Affordable Green Bay 2/1 Mortgage program provides low- and moderate-income first time home buyers down payment and closing cost assistance.

Service Test

Overall, FNB's services demonstrate:

- ▶ delivery systems that are accessible to essentially all portions of their AA;
- ▶ a record of opening and closing branches that has improved the accessibility of its delivery systems;
- ▶ business hours and services that are convenient for its customers; and
- ▶ an adequate level of community services.

Retail Banking Services

Given the bank's size and financial capacity, delivery systems are accessible to essentially all portions of FNB's AA, including low- and moderate-income individuals. FNB operates 9 full service offices and 3 ATMs. All of the branches are in middle- or upper-income census tracts.

FNB's record of opening and closing offices has improved the accessibility of its delivery systems in its assessment area, which includes low- and moderate-income individuals. The bank's branch in Bellevue which opened in 1995, services one low-income and seven moderate-income census tracts. FNB has not closed any branch offices.

Branch hours are reasonable and convenient to all customers. All of the branches that have drive-up facilities are open late on Fridays (until 6 PM), and have Saturday morning hours. FNB has a wide variety of products and services that are offered consistently at all branches.

FNB offers all customers access to the following alternative delivery services:

- ATM cards (proprietary and nonproprietary),
- Telebank, 24 hour banking by phone (no cost),
- banking by mail.

Community Development Services

FNB provides an adequate level of community development services. These services help to meet the financial service needs of the community, and provide community members (especially low- and moderate-income individuals) with information, education and counseling regarding credit and financial services. Below are examples of community development services provided by the bank:

Seminars - The bank periodically holds home buyers seminars for all members of its community, but especially geared to low- and moderate-income individuals. The seminar discusses the basics of buying a home, and qualifications for the WHEDA program, conventional programs, and other government assisted programs. Additionally, the bank periodically performs personal money management seminars.

Financial Aid - The bank periodically participates in financial aid seminars at local high schools. They provide information on federal student loan programs and financial aid workbooks. Information is also provided regarding other bank products and how they work.

In addition to the above, many of FNB's employees are actively involved in various small business related community groups. Periodically, they will represent the bank by making a financial services or credit related presentation to these groups.

Fair Lending Review

No violations of the substantive provisions of the antidiscrimination laws and regulations (ECOA, FHA, or HMDA) were identified. FNB's fair lending policies, procedures, training programs, and internal assessment efforts have been effective in assisting lenders in these issues.

Appendix A: Scope of Examination

The following table reflects the scope of the examination. Lending products reviewed, FNB's assessment areas, and the time period covered are listed.

Scope of Examination

Time Period Reviewed	January 1, 1996 through December 31, 1997		
Financial institution FNB, Manitowoc, WI	Products reviewed Mortgage Loans reported on FNB's HMDA-LAR, Small business, Small farm, and Other Small Business loans.		
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Exam	Branches Visited	Other Information
Manitowoc County (non-MSA area), There are 19 census tracts in Manitowoc County.	On-Site	Main Office	See "Description of Assessment Area"
Brown County (non-MSA area) only the following census tracts: 9, 10, 11, 12, 13, 14, 16, 17, 18.01, 18.02, 20.01, 20.02, 20.03, 207.01, 208, 209, 210, and 212.	On-Site	None	See "Description of Assessment Area"

Definitions

Low-Income means an individual income that is less than 50% of the area median income, or a median family income (MFI) that is less than 50%, in the case of a geography.

Moderate-Income means an individual income that is at least 50% and less than 80% of the area median income, or a MFI that is at least 50% and less than 80%, in the case of a geography.

Middle-Income means an individual income that is at least 80% and less than 120% of the area median income, or a MFI that is at least 80% and less than 120%, in the case of a geography.

Upper-Income means an individual income that is 120% or more of the area median income, or a MFI that is 120% or more, in the case of a geography.

Geography means a census tract or block numbering area.