



Comptroller of the Currency
Administrator of National Banks

Small Bank

Public Disclosure

November 30, 1998

Community Reinvestment Act Performance Evaluation

**Fidelity National Bank
Charter Number: 16516
215 South 8th Street
Medford, Wisconsin 54451**

**Office of the Comptroller of the Currency
Iron Mountain Field Office
P.O. Box 666
Iron Mountain, Michigan 49801**

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 Fidelity National Bank (FNB), Medford, Wisconsin, prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of November 30, 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.**

FNB's average loan-to-deposit ratio in both assessment areas is reasonable. A significant amount of FNB's commercial loans are made to small businesses and farms. However, only 49% of the number of commercial loans made during 1998 were to borrowers inside the assessment areas. This is attributed to the strong competition among financial institutions in the bank's assessment areas and the specialized business segments served by the bank. A majority of the bank's residential real estate loans are made within its assessment areas. FNB has a reasonable distribution of loans to borrowers of different income levels. The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.

DESCRIPTION OF INSTITUTION

FNB is headquartered in Medford, Wisconsin, approximately 40 miles northeast of Wausau, Wisconsin. FNB had total assets of \$69.5 million as of September 30, 1998. Loans comprise 74% of the bank's total assets. FNB's loan portfolio is broken down as follows: \$29.6 million (57% of total loans) in commercial; \$15.4 million (30%) in residential-related mortgage loans; \$3.8 million (7%) in consumer loans; and \$3 million (6%) in agricultural-related loans.

FNB operates two full-service branches in the state; one in Medford, and one in Appleton. The Appleton branch office is located in Outagamie County, approximately 120 miles southeast of Medford. FNB entered the Appleton market in November 1997. Due to the distance between Medford and Appleton, FNB has two assessment areas. FNB also operates three Automated Teller Machines; two in Medford and one in Appleton.

The bank has no legal impediments that would hinder meeting the needs of its assessment areas.

DESCRIPTION OF THE MEDFORD ASSESSMENT AREA

The Medford assessment area consists of eleven block numbering areas (BNAs)¹ in Taylor, Price, and Clark counties, and one census tract in Marathon County. Ten are middle-income tracts, which is defined as 80-119% of the 1990 State of Wisconsin non-metropolitan median family income of \$30,681. Two are moderate-income tracts, which is defined as 50-79% of the median family income. Based on 1990 census data, the population of this assessment area is 43,660. The population consists of 11,547 families, of which 2,375 (21%) are low-income; 2,487 (21%) moderate-income; 2,960 (26%) middle-income; and 3,725 (32%) upper-income.² Based on 1998 Housing and Urban Development (HUD) data, the weighted average median family income level in this assessment area is \$42,316. The weighted average median housing value in this assessment area is \$39,551.

The local economy is healthy and population growth is minimal. Major employers in the area include: Weather Shield, Hurd Windows, and Tombstone Pizza. According to the Department of Workforce Development (DWD) in Wisconsin, the unemployment rate in Taylor County is 3.2% as of October 1998. The unemployment rates for the other counties in this assessment area are as follows: Clark 4.0%, Marathon 2.6%, and Price 7.8%. The State unemployment rate is 3.4%.

There is strong competition among financial institutions in the area. FNB's larger competitors include: Mid-Wisconsin Bank and Time Federal Savings Bank. Additional competition comes from local credit unions, commercial banks, and savings institutions.

Both this assessment area, and the Appleton assessment area described below, meet the requirements of the Community Reinvestment Act and do not arbitrarily exclude low- or moderate-income geographies.

¹ Block numbering areas 9501, 9502, 9505, 9706, 9707, 9801 through 9806, and census tract 23.

² Based on the Housing and Urban Development 1998 estimate of the State of Wisconsin non-metropolitan area median family income.

DESCRIPTION OF THE APPLETON ASSESSMENT AREA

The Appleton assessment area consists of eight census tracts³ in Outagamie and Winnebago Counties. Four of the census tracts are middle-income, which is defined as 80-119% of the 1990 Appleton Metropolitan Statistical Area (MSA) median family income of \$37,202. The remaining four census tracts are upper-income, which is defined as 120% of the MSA median family income. The population of this area is 43,011. The population consists of 11,682 families of which 1,153 (10%) are low-income; 1,582 (14%) moderate-income; 3,176 (27%) middle-income; and 5,771 (49%) upper-income. Based upon 1998 Housing and Urban Development (HUD) data, the MSA median family income level in the assessment area is \$50,500. The weighted average median housing value in this assessment area is \$77,573.

The local economy is strong. Major employers include: Appleton Papers, Hillshire Farms, Miller Electric Mfg., St. Elizabeth Hospital, and Anchor Foods. DWD data indicates the October 1998 unemployment rate in Outagamie and Winnebago Counties to be 2.6%.

There is strong competition among financial institutions in this area. They include numerous commercial banks, credit unions, and savings institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio:

- FNB's loan-to-deposit ratios in the Medford and Appleton assessment areas are satisfactory.

FNB's average loan-to-deposit (LTD) ratio of the combined assessment area is 77%, based upon the bank's quarterly performance since its October 23, 1995, examination through September 30, 1998. The bank's LTD ratio in the Medford assessment area ranks ninth among the 12 banks in its local peer group. The range of LTD averages of the 12 local peer group banks is 68% to 90% with an overall average of 78%. FNB's peer group for this analysis consists of all commercial banks with total assets less than \$100 million in Taylor, Price, Clark, and Marathon Counties. A separate analysis of the Appleton assessment area LTD ratio would not be beneficial as the branch has only been open since November, 1997. The Appleton branch continues to grow in both loans and deposits with a LTD ratio of 60% as of October 1998. In 1998, FNB also sold approximately \$9.5 million of loans in the secondary market through November 30. Approximately 65% of the loans sold were originated in the Appleton branch with the remaining 35% originated by the Medford office. Had the bank not sold these loans, its LTD ratio would be even higher.

Lending in Assessment Area:

- FNB originates a majority of its residential real estate loans within its combined assessment areas. 49% of the number of commercial loans originated in 1998 are within its assessment areas.

A majority of the bank's residential real estate loans are made within the combined assessment areas. This conclusion is based upon a sample of 74 1-4 family residential mortgages originated or refinanced in 1998 through November 30, in both assessment areas. The results of our sample are illustrated in Table 1.

³ Census tracts 24, 110, 111.02, 111.01, 114, 115.02, 125 and 126.

TABLE 1								
Number of 1-4 Family Residential Loan Originations/Refinancings in 1998 through the end of November, in the Medford and Appleton Assessment Areas (AA)								
Appleton AA			Medford AA			Total Lending in AA's		
# In	# Out	% In	# In	# Out	% In	# In	# Out	% In
7	8	47%	50	9	85%	57	17	77%
Dollar Amount of 1-4 Family Residential Loan Originations/Refinancings in 1998 through the end of November, in the Medford and Appleton AA (000's)								
Appleton AA			Medford AA			Total Lending in AA's		
\$ In	\$ Out	% In	\$ In	\$ Out	% In	\$ In	\$ Out	% In
575	710	45%	3,173	825	79%	3,748	1,535	71%

A majority of the number and dollar amount of residential real estate loans originated in the Medford office are within that AA. Although slightly less than half of the dollar amount and number of residential loans are made within the Appleton AA, the performance is still satisfactory. This is based upon the fact that the majority of loans outside the Appleton AA are in census tracts adjoining the bank's AA, and the recent entry of the bank into this market.

Less than a majority of the bank's commercial loans are made within both assessment areas. This conclusion is based upon a review of all commercial loans made in 1998 through the end of November. Commercial lending is the largest loan category representing 57% of total loans as of September 30, 1998. The results of the review are illustrated in Table 2.

TABLE 2					
Dollar amount of Commercial Loans			Number of Commercial Loans		
\$ In	\$ Out	% In	# In	# Out	% In
4,561	7,996	36%	114	121	49%

The bank attributes the low dollar and number of commercial loans made inside the assessment areas to several factors. These include the strong relationship with logging equipment and trucking dealers located throughout the region, and the strong competition in the assessment areas among financial institutions.

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

- A significant number of loans are extended to small businesses. Commercial or business lending represents the largest portion of FNB's loan portfolio.
- FNB's overall distribution of loans to borrowers of different income levels in its assessment areas is satisfactory.

Table 3 represents outstanding commercial and small business loans of \$1 million or less as of June 30, 1998.

TABLE 3 - Commercial and Small Business Loans Outstanding as of June 30, 1998				
	# of Loans Outstanding	% of Total	\$(000's) of Loans Outstanding	% of Total
Original Amount Under \$100,000	400	81%	\$8,489	35%
Original Amount \$100,000-\$250,000	76	15%	\$10,697	44%
Original Amount \$250,000-\$1 million	18	4%	\$5,231	21%

The figures from Table 3 were derived from the bank's June 30, 1998, Consolidated Report of Condition. A substantial majority of loans extended to commercial and small businesses are in original amounts under \$100,000. This is a proxy analysis for small business and farm lending as loans under \$100,000 are typically extended to smaller businesses and farms.

FNB is the tenth highest rated bank with assets under \$100 million in the state in terms of small business lending. This rank is according to a Small Business Administration (SBA) report titled "Small Business Lending in the United States, 1997 Edition". This is the most current report available at the time of this analysis. Variables utilized in this analysis include: the ratio of small business loans to total assets, the ratio of small business loans to total business loans, the dollar value of small business loans, and the number of small business loans. FNB is also one of twenty banks of all sizes throughout the state that are characterized as "Small Business Friendly" by the SBA in the same report.

A sample of 74 1-4 family residential mortgage loans was used to test the bank's distribution of loans to borrowers of different income levels. The sample represents a majority of residential real estate mortgages originated in 1998. Tables 4 and 5 below reflect the results of the sample.

TABLE 4 - 1998 Loan Distribution by Borrower Income Level in the Medford Assessment Area						
Income Category	# Loans Extended	% Loans Extended	\$ Loans Extended *	% Loans Extended	% of Families by Income Level **	Ranges of Incomes in Income Category
Low-income	2	4%	54	1%	21%	<\$21,158
Moderate-income	12	20%	509	13%	21%	\$21,159<\$33,430
Middle-income	18	30%	904	23%	26%	\$33,431<\$50,778
Upper-income	27	46%	2,531	63%	32%	\$50,779 & above
	59	100%	3,998	100%	100%	

* Dollar amount in thousands

** Based on 1990 census data

TABLE 5 - 1998 Loan Distribution by Borrower Income Level in the Appleton Assessment Area						
Income Category	# Loans Extended	% Loans Extended	\$ Loans Extended *	% Loans Extended	% of Families by Income Level **	Ranges of Incomes in Income Category
Low-income	0	0%	0	0%	10%	<\$25,250
Moderate-income	1	7%	65	5%	14%	\$25,250<\$40,399
Middle-income	5	33%	412	32%	27%	\$40,400<\$60,599
Upper-income	9	60%	808	63%	49%	\$60,600 & above
	15	100%	1,285	100%	100%	

* Dollar amount in thousands

** Based on 1990 census data

The number of loans to low- and moderate-income borrowers represents 24% of FNB’s lending activity in the Medford AA and 7% in the Appleton AA. These levels are considered reasonable given the demographics of the two AA’s.

Geographic Distribution of Loans

- FNB has a satisfactory distribution of loans.

The only moderate-income BNAs in FNB’s assessment areas are BNA 9502 and BNA 9803 located in the Medford assessment area. These two BNAs are on the outskirts of the bank’s Medford AA. Nevertheless, the bank originated two loans in BNA 9502. This penetration level is consistent with other BNAs on the outskirts of the assessment areas that are either middle- or upper-income areas.

As all BNA’s in the Appleton assessment area are middle- or upper-income, an analysis of the geographic distribution of the loans within this assessment area would not provide any meaningful information.

Response to Consumer Complaints and Compliance with Fair Lending Laws and Regulations

The bank has received no CRA-related complaints since its last CRA examination. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.