



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**April 28, 2003**

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

**The First National Bank of Stoughton  
Charter Number 5222**

**207 S. Forrest Street  
Stoughton, WI 53589**

**Comptroller of the Currency  
Milwaukee Field Office  
1200 N. 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.**

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

- The bank originates a substantial majority of loans inside its assessment area.
- The loan-to-deposit ratio is reasonable.
- The geographic distribution of loans reflects an adequate dispersion throughout the assessment area given the bank's size, financial condition and the credit needs of the assessment area.
- There is an adequate distribution of loans to individuals of different income levels, including low- and moderate-income levels, and businesses of different sizes.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Stoughton is a \$178 million bank with the main office located in downtown Stoughton, Wisconsin, a middle-income census tract. The bank's full-service branch is located approximately three miles from the main bank in a moderate-income census tract. The bank maintains three deposit-taking ATMs: one at each bank location and one at Point Plaza on Main Street in Stoughton. No bank branches have opened or closed since our last performance evaluation dated July 31, 1998. The bank is wholly owned by First National Bancorporation of Stoughton, Inc., a one-bank holding company located in Stoughton, Wisconsin. All financial information is as of December 31, 2002.

The First National Bank of Stoughton offers traditional community bank services with a net loan portfolio representing 65% of total assets. The bank is primarily a small business and residential real estate lender. The dollar value of the loan portfolio consists of approximately \$85 million in commercial loans (73%), \$26 million in residential real estate loans (22%) and \$6 million in consumer loans (5%).

The bank offers Small Business Administration (SBA) and Wisconsin Housing and Economic Development Authority (WHEDA) loans. Since December of 2000, the bank originated a total of \$401,000 in loans guaranteed in whole or in part by the SBA and \$183,000 in WHEDA loans.

There are no financial or legal impediments, which would hinder the bank's ability to help meet the credit needs of its assessment area.

The previous CRA examination dated July 31, 1998 resulted in a satisfactory CRA rating.

## **DESCRIPTION OF THE ASSESSMENT AREA**

The First National Bank of Stoughton's assessment area is comprised of 72 whole census tracts in central and southeastern Dane County. All of the census tracts are located within the Madison Metropolitan Statistical Area (MSA), which includes all of Dane County. Because of the bank's size and location, the entire MSA is not located in its assessment area. Fifty-eight (81%) of the census tracts are located in the City of Madison. The assessment area contains: five low-income

(7%), 16 moderate-income (22%), 35 middle-income (49%), 14 upper-income census tracts (19%) and two census tracts without an income designation. The two tracts without a designation are lakes in the City of Madison and make up 3% of the assessment area. The five low-income and all but two of the moderate-income census tracts are in the City of Madison. The assessment area meets the regulatory criteria and does not arbitrarily exclude low- or moderate-income geographies.

According to 1990 census data, the population in the bank's assessment area is 304,769, comprised of 70,228 families. The updated Housing and Urban Development (HUD) estimated median family income for the Madison MSA was \$67,100 in 2001 and \$71,300 in 2002. These amounts are used in the test of lending to borrowers of different incomes. The 1990 census median family income for the Madison MSA is \$41,529 and is used in the geographic distribution of loans test. A breakdown of family income levels in the assessment area show 11,654 low-income families (16%), 13,776 moderate-income families (20%), 19,790 middle-income families (28%), and 25,008 upper-income families (36%). Approximately 67% of the 11,654 low-income families are located in the City of Madison. Of the total low income families in the assessment area, 3,807, or 33% are below the poverty level.

1990 census data shows the median housing value within the assessment area as \$77,981. Of the 123,503 total housing units in the assessment area, 51% are owner-occupied. Additionally, within the low-income census tracts only 10% of the 9,645 total housing units in these tracts are owner-occupied. According to the South Central Wisconsin Multiple Listing Service the median housing value for Dane County in the first quarter of 2002 was \$170,000. Because of the University of Wisconsin-Madison, a majority of the housing units in the census tracts located in the City of Madison are rental units. Of the 100,041 total housing units in these census tracts, 52% are rental units. Within low-income census tracts, 88% of total housing units are rentals.

The local economy is characterized as generally stable and has not seen significant deterioration. The University of Wisconsin-Madison and the Madison School District are the major employers in the area. According to the Wisconsin Department for Workforce Development, the unemployment rate in the state of Wisconsin is 6.5% as of March 2003, while the Madison MSA's rate is much lower at 3.1%. These figures are not seasonally adjusted.

Competition among financial institutions in the area is strong. The bank's competitors within the City of Stoughton include a branch of a multi-state national bank and several state banks. In the Madison area, the majority of the competition experienced by the bank is from credit unions. In total deposits, The First National Bank of Stoughton, with a market share of 1.86%, ranks 17<sup>th</sup> out of the 43 FDIC-Insured Institutions with at least one branch located in Dane County. This is using June 30, 2002 Federal Deposit Insurance Corporation deposit market share data.

In conducting this assessment of the bank's performance, we contacted the City of Stoughton's Chamber of Commerce. The contact stated that local financial institutions are meeting the credit needs of the community and had only favorable comments concerning the bank's performance. The contact did not indicate any areas with specific credit needs.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio is reasonable given its size, financial condition and the credit needs of the assessment area. The First National Bank of Stoughton's average quarterly loan-to-deposit ratio since the last examination is 80%. The bank ranks 12<sup>th</sup> in its peer group of 15 banks with less than \$250 million in average assets located in Dane County. The average quarterly loan-to-deposit ratio for the peer banks is 86% and ranged from 43% to 110%. With average assets of \$164 million, The First National Bank of Stoughton has the third largest level of average assets compared to the peer group, which ranged in average assets from \$41 million to \$203 million.

### Lending in Assessment Area

The bank originates a substantial majority of loans inside its assessment area. This conclusion is based on an analysis of the original dollar amount and number of all commercial, residential real estate and consumer loans originated by the bank between January 1, 2000 and December 31, 2002. A comparison of zip code and census tract boundaries indicated they are similar; therefore, the location of borrowers with loans in the selected time period was determined using their zip code as a proxy for the census tract address. A report sorted by zip code and loan type was generated to complete the analysis. The following table illustrates the level of lending inside the bank's assessment area:

<b>Penetration of Lending Inside the Bank's Assessment Area January 2000 – December 2002 Loan Originations</b>		
	<b>% of Total Number of Loans Inside the Assessment Area</b>	<b>% of Total Dollar Amount of Loans Inside the Assessment Area</b>
Commercial Loans	88%	88%
Consumer Loans	85%	86%
Residential Real Estate Mortgages	89%	87%
Total	88%	88%

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

The bank's lending practices represent reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers, and businesses of different sizes. The bank's primary loan products, namely commercial and refinanced residential real estate loans were used in our sample and are depicted in the following tables. A sample of commercial loans located in the bank's assessment area indicates the following breakdown of annual revenues:

<b>Lending Distribution Based on Revenue Size of Businesses January 2000 – December 2002</b>			
<b>Revenue Size of Businesses Sampled (000's)</b>	<b>Bank Lending Distribution by Number of Loans</b>	<b>Percent</b>	<b>Percentage of Businesses in Each Revenue Category (census information)</b>
< \$100	6	30%	76%
\$100 - \$500	8	40%	
\$500 - < \$1,000	4	20%	
> or = \$1,000	2	10%	10%
Not reported	-	-	14%
<b>Totals:</b>	<b>20</b>	<b>100%</b>	<b>100%</b>

The table above shows 90% of the businesses sampled have revenues less than \$1 million. This exceeds the demographic data of the assessment area, where 76% of businesses have revenues less than \$1 million.

The following table is based on an analysis of 2001 and 2002 Home Mortgage Disclosure Act (HMDA) data for refinanced residential real estate loans for borrowers located in the bank's assessment area:

<b>Lending Distribution Based on Income Level of Refinanced Residential Real Estate Borrowers January 2000 – December 2002 Loan Originations</b>			
<b>Borrower Income Level</b>	<b>Bank Lending Distribution by Number of Loans</b>	<b>Bank Lending Distribution by Dollar Value of Loans</b>	<b>Percentage of Families in each Income Category (Census information)</b>
Low	6%	3%	16%
Moderate	20%	15%	20%
Middle	34%	31%	28%
Upper	37%	47%	36%
Not Applicable	3%	4%	-
<b>Totals</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

As shown above, 26% of the number and 18% of the dollar value of loans were made to low- and moderate-income borrowers, who make up 36% of the assessment area's families. The dollar value of loans for both low- and moderate-income borrowers is below the demographic characteristics of the assessment area. This is indicative of the smaller loans that are typically requested by borrowers in these income ranges. In addition, approximately one-third (33%) of the low-income families in the assessment area are below the poverty level. These families would not typically qualify for real estate mortgage loans. Of the total low-income families in the assessment area, approximately 77% reside in census tracts in the City of Madison. These low-income families have access to numerous other financial institutions. The bank's

performance is considered reasonable based on these factors.

### Geographic Distribution of Loans

The First National Bank of Stoughton has a reasonable dispersion of loans throughout its assessment area. Information from 2001 and 2002 HMDA data and our commercial lending sample was used for this analysis. Lending is evident in a majority of the assessment area (50 of the 72 census tracts). The 22 census tracts without lending are located in the City of Madison. Borrowers in these tracts have access to many financial institutions. The bank's lending in different census tract income categories is illustrated below:

<b>Geographic Distribution Based on Number and Dollar Amount of Loans Made in Assessment Area January 2000 – December 2002 Loan Originations</b>								
	<b>% of Number Originated in the Low-income census tract</b>	<b>% of Dollar Amount Originated in the Low-income census tract</b>	<b>% of Number Originated in the Moderate-income census tract</b>	<b>% of Dollar Amount Originated in the Moderate-income census tract</b>	<b>% of Number Originated in the Middle-income census tract</b>	<b>% of Dollar Amount Originated in the Middle-income census tract</b>	<b>% of Number Originated in the Upper-income census tract</b>	<b>% of Dollar Amount Originated in the Upper-income census tract</b>
<b>Commercial Loans</b>	5%	3%	25%	17%	60%	68%	10%	12%
<b>Percentage of Businesses in the Assessment Area (census information)</b>	5%		24%		54%		17%	
<b>Refinanced Real Estate Mortgages</b>	0%	0%	16%	14%	73%	72%	11%	14%
<b>Percentage of Owner-Occupied Housing in the Assessment Area (census information)</b>	2%		17%		61%		20%	
<b>Total Loans</b>	0%	2%	17%	17%	72%	68%	11%	13%

The bank's refinanced residential real estate mortgage lending is below the demographic characteristics of the assessment area. As discussed in the Description of Assessment Area section of this report, the percentage of owner-occupied housing units in these tracts is low, at 10% of total housing units. Based on this information the bank's performance is considered reasonable.

### **Responses to Complaints**

No complaints have been received by the bank or OCC relating to the bank's CRA performance since the previous evaluation.

### **Fair Lending Review**

An analysis of 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on analysis of this information (or absence of information), the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in conjunction with the previous CRA evaluation in 1998.