



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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## PUBLIC DISCLOSURE

February 09, 2011

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WoodTrust Bank, National Association  
Charter Number: 4639  
181 Second Street South  
Wisconsin Rapids, WI 54494

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.**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

The major factors supporting the institution's rating include:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the assessment areas.
- A substantial majority of loan originations are made within the bank's assessment areas.
- Borrower distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion among geographies of different income levels.
- The bank's community development performance through community development loans, qualified investments, and services demonstrates adequate responsiveness to community development needs in the assessment areas.

**SCOPE OF EXAMINATION**

We evaluated WoodTrust Bank's Community Reinvestment Act (CRA) performance under the Intermediate Small Bank Lending and Community Development Tests. In evaluating the bank's lending performance, we reviewed data for the bank's primary loan products: small business loans and home mortgage loans (including both purchase and refinance).

The evaluation covers the period from the date of the previous CRA examination of May 17, 2004 through February 9, 2011. The Lending Test evaluated home mortgage and small business lending from January 1, 2008 through December 31, 2010. The Community Development Test covered community development loans, investments, and services during the entire evaluation period. With the acquisition of the Wausau branch in late 2007, which is located in a Metropolitan Statistical Area (MSA), the bank became a Home Mortgage Disclosure Act (HMDA) reporter. We tested the accuracy of the bank's HMDA data for 2008, 2009, and 2010. The data was found to be accurate and therefore 2010 HMDA data, as well as sampling of HMDA data from 2008 and 2009 were used to complete the analysis. To evaluate small business lending, we used both data from bank reports as well as a random sample of business loans from the Wisconsin Rapids, Wisconsin assessment area and all business loans from the Wausau, Wisconsin assessment area. Since the majority of lending and deposit activity occurs in the Wisconsin Rapids assessment area, it received more weight in our analysis.

Our analysis included a full-scope evaluation of the bank's Wisconsin Rapids, Wisconsin assessment area, which represents the large majority of the bank's lending and customer deposits. Five of the bank's six branches are located in this assessment area. A limited scope evaluation was performed for the Wausau, Wisconsin MSA assessment area, where there is limited lending and only one branch is located there.

The analysis of the Lending Test was performed using the most recent available demographic data. Conclusions were based on home mortgage loans and small business loans in the Wisconsin Rapids assessment area. Equal weight was given to small business loans and home mortgage loans as these products represent a majority of the bank's lending activity.

We reviewed the bank's community development loans, investments, and services based on information provided by the bank. We took into account those that met the regulatory definition for community development in our analysis of the Community Development Test.

## **DESCRIPTION OF INSTITUTION**

WoodTrust Bank is a \$323 million financial institution headquartered in Wisconsin Rapids, Wisconsin. WoodTrust Bank is an intrastate bank with six offices and four automated teller machines (ATMs) that all accept deposits. The bank's offices are located throughout the two assessment areas; four in Wisconsin Rapids, one in Plover, and one in Wausau. Four out of the six branches offer full services, while the Wazeecha office and the Money Tree Motor Mall office do not offer loan services.

WoodTrust Bank is a wholly owned subsidiary of WoodTrust Financial Corporation, a one bank holding company. At the last CRA examination, WoodTrust Asset Management was identified as an affiliate. In 2008, WoodTrust Asset Management was merged into WoodTrust Bank. In 2007, the bank acquired its sixth branch in Wausau, WI (Marathon county), which is located in a MSA. The Wausau branch has \$2.9 million in total deposits.

The bank offers traditional community bank products and services and is primarily a business and home mortgage lender. Net loans represent 50% of total assets as of December 31, 2010. By dollar volume, the loan portfolio consists of commercial loans (63%), 1-4 family residential loans (20%), agriculture (15%), and consumer loans (2%). Tier 1 capital totaled \$31 million as of December 31, 2010.

The bank's business strategy is to meet the credit needs of its customers and remain an independent, privately owned institution. There are no legal or financial factors impeding the bank's ability to help meet the credit needs in its assessment areas. WoodTrust Bank was evaluated as a small bank and received a "Satisfactory" rating at its prior CRA examination dated May 17, 2004.

## **DESCRIPTION OF ASSESSMENT AREAS**

WoodTrust Bank has two assessment areas consisting of 31 census tracts. The Wisconsin Rapids assessment area includes all of Portage County, the southeastern portion of Wood County, and the northern portion of Adams County. The Wausau assessment area is in a MSA and includes the central northeastern portion of Marathon County. The assessment areas comply with regulatory requirements and do not arbitrarily exclude any low- or moderate-income geographies.

## **Area Receiving Full-Scope Review**

### Wisconsin Rapids Assessment Area

Based on the 2000 census data, the Wisconsin Rapids assessment area has a population of 113,930 and includes 23 census tracts. Of these tracts, one is designated as moderate-income (4%), seventeen are middle-income (74%), and five are upper-income (22%). No census tracts are designated as low-income. One census tract in Adams County and thirteen census tracts in Wood County have been designated as “Distressed Middle-Income Nonmetropolitan Tracts” due to population loss. The bank’s main office and three of its branches in the Wisconsin Rapids assessment area are located in census tracts designated as “distressed.”

The 2010 weighted average HUD updated median family income is \$58,600. Owner-occupied housing represents 68% of housing stock. There are 3,770 (or 9%) of households below the poverty level. The local economy is stable to improving and is driven by the local paper mills, the cranberry industry, government, education, hospitals, and the retail sector. U.S. Department of Labor Statistics shows the following county unemployment rates (not seasonally adjusted) as of December 2010: Adams 10.8%, Portage 5.8%, and Wood 7.1%. The state unemployment rate is 7.1%.

Competition is strong in this assessment area with twenty six FDIC-insured financial institutions having offices in the area. Competition includes offices of large national and regional banking companies as well as smaller financial institutions. WoodTrust Bank has the third largest deposit market share with 7.94% in this assessment area. The largest two banks account for 33% of the market share.

In conducting this assessment, we contacted a representative of a local community organization. The individual stated that financial institutions are meeting the credit needs of the community.

## **Area Receiving Limited-Scope Review**

### Wausau Assessment Area

Based on the 2000 census data, the Wausau assessment area has a population of 32,237 and includes 8 census tracts. Of these tracts, five are designated as moderate-income (63%) and three are middle-income (37%). No census tracts are identified as low-income or upper-income. The Wausau branch is located in a moderate-income census tract.

The 2010 weighted average HUD updated median family income is \$67,200. Owner-occupied housing represents 56% of housing stock. There are 1,400 (or 11%) of households below the poverty level. The local economy is starting to recover, albeit slowly. Employment in the area is centered on industries related to paper making, healthcare, and manufacturing. U.S. Department of Labor Statistics shows the unemployment rate for Marathon County as of December 31, 2010 at 7.1%, which is the same as the state unemployment rate.

Competition is also strong in the Wausau assessment area with twenty five FDIC-insured financial institutions having offices in the area. Competition includes offices of large national and regional banking companies as well as smaller financial institutions. Five large banks dominate the deposit market in this county with 63% of the market share. WoodTrust Bank is ranked twenty fourth with 0.09% of the deposit market share. The Wausau branch focuses on

trust and asset management operations, with new loans and deposits generated primarily from referrals. Management indicated that with the number of competitors and well established banks in this market, it is difficult to attract new customers.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

**LENDING TEST**

The bank’s performance under the lending test is Satisfactory.

**Loan-to-Deposit Ratio**

WoodTrust Bank’s loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and credit needs of its assessment areas. WoodTrust Bank’s average quarterly loan-to-deposit ratio from June 30, 2004 through December 31, 2010 is 70%.

WoodTrust Bank’s quarterly loan-to-deposit ratio over the designated time period is reasonable when compared to all national and state chartered institutions within the bank’s assessment areas. The average loan-to-deposit ratio for the 20 banks headquartered in the assessment areas over the same time period is 83%. The loan-to-deposit ratios for all financial institutions ranged from 38% to 104%. Asset sized ranged from \$59 million to \$956 million.

Additionally, WoodTrust Bank originates home mortgage loans that are immediately sold into the secondary market. In 2009, WoodTrust Bank sold 394 loans totaling \$52.6 million. In 2010, 258 loans were sold totaling \$34 million. These loans are not reflected in the loan-to-deposit ratio calculation.

**Lending in Assessment Area**

WoodTrust Bank originates a substantial majority of its loans to borrowers within the assessment areas. A review of the bank’s primary loan products shows that 89% by number and 95% by dollar were originated to businesses and individuals located within the bank’s assessment areas.

<b>Lending in the Assessment Area</b>										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgages	80	94.12%	5	5.88%	85	\$11,128	93.52%	\$771	6.48%	\$11,899
Commercial Loans	77	84.62%	14	15.38%	91	\$26,976	95.65%	\$1,226	4.35%	\$28,202
Totals	157	89.20%	19	10.80%	176	\$38,104	95.02%	\$1,997	4.98%	\$40,101

Source: Home Mortgage Disclosure Act Data and bank records (verified by examiners)

**Lending to Borrowers of Different Incomes and to Business of Different Sizes**

The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

Wisconsin Rapids Assessment Area

WoodTrust Bank’s distribution of home mortgage loans to low-and moderate-income borrowers in the Wisconsin Rapids assessment area is reasonable. The bank originated 5.47% of its mortgage loans to low-income borrowers and 18.18% to moderate-income borrowers. This is comparable to the demographics in the table below. Our evaluation gives consideration to the percentage of households living below the poverty level (9%). The bank originated a few loans for which income information was not reported (“Unavailable” in the table).

<b>Borrower Distribution of Home Mortgage Loans</b>									
Borrower Income Level	Low		Moderate		Middle		Upper		Unavailable
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of Number of Loans
% of Total	13.02%	5.47%	16.85%	18.18%	25.35%	25.45%	44.78%	45.45%	5.45%

Source: Home Mortgage Disclosure Act Data and U.S. Census Demographic Data

Borrower distribution of business loans in the Wisconsin Rapids assessment area shows reasonable penetration. The percentage of business loans originated by the bank to small businesses (those with revenues of \$1 million or less) is comparable to the demographics. By number, the percentage of small business loans originated is 72.85%. By dollar, the percentage of small business loans originated is 67.91%.

<b>Borrower Distribution to Businesses</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	79.83%	3.78%	16.39%	100%
% of Bank Loans in AA by #	72.85%	22.86%	4.29%	100%
% of Bank Loans in AA by \$	67.91%	30.09%	2.00%	100%

Source: Small Business Loan Data (verified by examiners) and U.S. Census Demographic Data

**Geographic Distribution of Loans**

The geographic distribution of loans reflects reasonable dispersion among geographies of different income levels.

Wisconsin Rapids Assessment Area

The geographic distribution of home mortgage loans in the Wisconsin Rapids assessment area shows reasonable dispersion among geographies of different income levels. As shown in the

following table, the bank originated 7.27% of its home mortgage loans in the moderate-income census tract, which compares favorably to the demographic comparator.

Geographic Distribution of Home Mortgage Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
% of Total	0.00%	0.00%	3.05%	7.27%	68.81%	50.91%	28.14%	41.82%

Source: Home Mortgage Disclosure Act Data and U.S. Census Demographic Data

The geographic distribution of business loans in the Wisconsin Rapids assessment area shows reasonable dispersion throughout the bank’s assessment area. As shown in the table below, the bank originated 7.14% of its business loans in the moderate-income census tract. This exceeds the demographic, which shows only 2.94% of assessment area businesses are located in that tract.

Geographic Distribution of Business Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
% of Total	0.00%	0.00%	2.94%	7.14%	69.41%	65.72%	27.65%	27.14%

Source: Small Business Loan Data (verified by examiners) and U.S. Census Demographic Data

**Area Receiving Limited-Scope Review**

Based on a limited-scope review, the bank’s performance under the Lending Test in the Wausau assessment area is not consistent with the bank’s overall performance. The bank concentrates on trust and asset management operations in this area. In addition, there is strong competition for loan products in the Wausau assessment area.

**Responses to Complaints**

The bank has not received any complaints regarding its CRA performance since the last CRA examination.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the Community Development Test is rated Satisfactory. Community development performance through community development loans, qualified investments, and services demonstrates adequate responsiveness to community development needs in the assessment areas.

### **Number and Amount of Community Development Loans**

WoodTrust Bank originated three community development loans totaling \$4.875 million during the evaluation period. A loan to purchase an assisted living facility in Portage County was originated under the Small Business Association's 504 loan program. Two loans were made to a business for the purchase of two 8-plex apartment buildings and a 48-unit apartment complex also in Portage County. Rents are targeted to low- and moderate-income (LMI) families to provide affordable housing.

Although not included as community development loans, WoodTrust Bank also participates in the following loan programs that target or primarily benefit LMI individuals. These loans were included under the Lending Test discussed earlier.

Down Payment Plus through Wisconsin Partnership for Housing Development provides subsidies of up to \$6,000 per household. The subsidies may be used for down payment and closing cost assistance as well as for home buyer counseling or rehabilitation costs. Household income may not exceed 80% of the area median income. Total loans originated under this program were thirteen totaling \$51,800.

Wisconsin Housing and Economic Development Authority (WHEDA) HOME Program is a first-time home buyer program that provides low, fixed rate mortgage products, allows for a lower down payment than conventional mortgage programs, and provides homebuyer education. This program primarily benefits LMI borrowers. Total loans originated under this program were eighteen totaling \$1.2 million.

C-Cap provides loans for down payment, closing costs, and home rehabilitation assistance programs. This program is for LMI borrowers whose income is below 80% of the county median family income. Total loans originated under this program were two totaling \$17,000.

WoodTrust Bank's performance in this area, with consideration given to available opportunities, reflects adequate responsiveness to the communities' needs.

### **Number and Amount of Qualified Investments**

During the evaluation period, WoodTrust Bank made qualified investments, in the form of donations, totaling \$397 thousand to seventeen organizations. These donations supported job skills training for LMI individuals, small business development activities, and social service organizations that provide services benefiting LMI families.

Included in the total above is a \$90,000 donation over the evaluation period to the Community



Foundation of South Wood County to support their participation in a workforce development partnership sponsored by the National Fund for Workforce Solutions (NFWS). Workforce Central is a local, rural site supported by the NFWS and is only one of 22 sites nationwide. The purposes of Workforce Central is to train and upgrade the skill sets of incumbent, returning, dislocated, and prospective workers to match the needs of current and future employers in the area. These services primarily benefit LMI individuals.

WoodTrust Bank also made contributions to a private foundation over the evaluation period. The donations that meet the definition of community development were considered in the total qualified investments noted above.

The level of investments reflects adequate responsiveness to the communities' needs.

### **Extent to Which the Bank Provides Community Development Services**

The bank provides an adequate level of community development services through its branches and products. WoodTrust Bank offers a full range of consumer and commercial banking products and services at a majority of its branches. WoodTrust Bank offers low cost deposit products and free online banking. The main office and three branches in the Wisconsin Rapids assessment area are located in census tracts designated as "Distressed Middle-Income Nonmetropolitan Tracts." In addition, the Wausau branch is located in a moderate income census tract. The bank participates in a variety of economic development and affordable housing finance programs, such as the SBA 504 loan program, the Wisconsin Housing and Economic Development Authority loan funds and other flexible financing programs. These programs either promote economic development by helping small businesses expand and create jobs, or they provide financing and other support, such as lower down payments for LMI individuals to purchase homes.

WoodTrust Bank employees are involved in a variety of community development services that reflect adequate responsiveness to the communities' needs. Many of the bank's employees are involved with organizations that promote economic development or provide services for LMI individuals. Although not a comprehensive list, some examples of community development services include:

A bank officer served as a board member for the Community Foundation of South Wood County. This organization provides grants to nonprofit organizations to help promote economic development. The foundation has worked hand and hand with Workforce Central as discussed earlier.

A bank employee serves on a council at Workforce Central. The purpose of Workforce Central is to train and upgrade the skill sets of incumbent, returning, dislocated, and prospective workers to match the needs of the current and future employers in the area. These services primarily benefit LMI individuals by providing job training.

A bank employee works as a family mentor with United Way Project Step-Up, which is a community initiative sponsored by the United Way of Marathon County. The goal of this program is to help low-income working families achieve financial stability and independence through mentoring and education. The families that enroll in this program all have income at or below 200% of the federal poverty guideline.

A bank employee serves as board member for the South Wood County and Woodson YMCAs. The YMCA Strong Kids Campaign raises funds that are used for children of low income families, allowing them to take advantage of programs and facilities.

An employee serves on the City of Wisconsin Rapids Industrial Development Committee. This organization offers a revolving loan fund to support business development and small businesses in the Wisconsin Rapids assessment area.

### **Responsiveness to Community Development Needs**

Given available opportunities, the bank's performance in meeting community development needs reflects adequate responsiveness to the needs of its communities.

### **Area Receiving Limited-Scope Review**

Based on a limited-scope review, the bank's performance under the Community Development Test in the Wausau assessment area is not inconsistent with the bank's overall performance.

### **Fair Lending or Other Illegal Credit Practices Review**

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