



Comptroller of the Currency
Administrator of National Banks

Small Bank

Public Disclosure

April 15, 1998

Community Reinvestment Act Performance Evaluation

**The First National Bank of Hartford
Charter Number: 8671
116 West Sumner Street
Hartford, Wisconsin 53027-0106**

**Office of the Comptroller of the Currency
744 North 4th Street, Suite 626
Milwaukee, Wisconsin 53203**

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 **The First National Bank of Hartford** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **April 15, 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 **Outstanding Record of Meeting Community Credit Needs**.

The First National Bank of Hartford's (FNBH) average loan-to-deposit ratio is reasonable at 80.57%. A substantial majority of the bank's loans are made within its assessment area. FNBH has a good distribution of loans to low-income borrowers and an excellent record of lending to moderate-income borrowers, particularly in light of the relatively high cost of housing in its assessment area and in comparison to the overall average of all bank lending to low- and moderate-income borrowers in the area. A significant amount of FNBH's commercial loans are made to small businesses and the bank is an active agricultural lender. FNBH's commitment to local small businesses is also exemplified by its formation of a Community Development Corporation and continued involvement with a small business incubator located in the City of Hartford.

DESCRIPTION OF INSTITUTION

The First National Bank of Hartford (FNBH) has total assets of \$118.5 million as of December 31, 1997. Loans comprise \$75.2 million, or 63.5% of the bank's total assets. FNBH's loan portfolio is broken down as follows: \$34.1 million (45%) in commercial loans, \$30.8 million (41%) in residential-related loans, \$6.5 million (9%) in agricultural-related loans, \$2.8 million (4%) in consumer loans, and, \$1.0 million (1%) in other loans. The bank also operates a branch facility located in Slinger, Wisconsin. The branch is a full-service facility. FNBH also operates four Automated Teller Machines; two are located in Hartford and one each in Slinger and Richfield, Wisconsin. The bank has no legal impediments that would hinder meeting the needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

FNBH is located in Washington County approximately 30 miles northwest of Milwaukee, Wisconsin. The bank's main office is located in downtown Hartford. FNBH's assessment area consists of 11 census tracts (CT) in Washington County and one (1) CT in Waukesha County, as well as five (5) block numbering areas (BNA) in Dodge County.¹ The CT's in Washington and Waukesha Counties are situated in the Milwaukee-Waukesha Metropolitan Statistical Area (MSA). The five BNA's in Dodge County are not located in a MSA. According to 1990 census data, seven CT's and four BNA's are middle-income areas. The remaining five CT's and one BNA are upper-income. There are no low- or moderate-income CT's or BNA's in the bank's assessment area. FNBH's assessment area complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas. Based on 1997 Housing and Urban Development (HUD) data, the median family income level for the CT's and BNA's within the bank's assessment area is \$50,700 and \$39,600, respectively. Weighted average median housing *values* in the CT's and BNA's of the bank's assessment are \$90,251 and \$59,951, respectively. Based on multiple listing service data provided by a local Realtor, the average *price* of home sales in 1997 in the City of Hartford and Washington County is approximately \$120,000 and \$157,000, respectively.

The total population of the assessment area is 88,771 based on 1990 census data. The population consists of 24,143 families of which 2,304 (9.5%) are low-income, 3,827 (15.9%) moderate-income, 6,721 (27.8%) middle-income, and, 11,291 (46.8%) upper-income. The local economy is stable and possesses a diverse employment base. There is an emphasis on manufacturing, however. Major employers in the area include Quad Graphics, Incorporated; Broan Manufacturing Company, Incorporated; Signicast Corporation; Hartford Finishing and Steel Craft Corporation of Hartford. As of June 30, 1997, the Washington County unemployment rate was 2.5%, well below both national and state-wide unemployment rates.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio:

FNBH has a reasonable loan-to-deposit (LTD) ratio. FNBH's average LTD ratio is 80.57%, based upon the bank's quarterly performance since its December 21, 1995 CRA examination. The bank's LTD ratio ranks tenth among the 19 in its local peer group. The range of LTD ratio averages of FNBH's local peer group is 55.18% to 107.81% with an overall average of 80.81%. FNBH's local peer group for this analysis consists of all banks with total assets less than \$250 million in Washington, Ozaukee, Dodge and

¹ Census tracts in Washington County: 4201.01, 4301, 4401.01, 4401.02, 4402, 4501.01, 4501.02, 4601.01, 4601.02, 4701 and 4702.

Census tract in Waukesha County: 2034.01

Block numbering areas in Dodge County: 9601, 9613 through 9616

Waukesha counties. A factor not considered in FNBH's loan-to-deposit ratio is the volume of loans sold on the secondary market. The dollar amount of loans sold in the secondary market in 1997 and 1996 totaled \$5.6 million. Had the bank not sold these loans, its LTD ratio would be higher.

Lending in Assessment Area:

A substantial majority of the bank's loans are made within its assessment area. Our analysis of the bank's 1996 Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR) indicates that 91% of the number of loans and 90% of the dollar amount of loans were extended within the bank's assessment area. Based on the bank's 1997 HMDA-LAR, 91% of the number of loans and 90% of the dollar amount of loans were extended in the bank's assessment area.

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

FNBH's overall distribution of loans to borrowers of different income levels in its assessment area is good. Tables 1 and 2 below reflect FNBH's mortgage lending performance in the Milwaukee-Waukesha MSA portion of its assessment area in 1996 and 1997:

Table 1 - 1996 Loan Distribution by Borrower Income Level in Milwaukee - Waukesha MSA Portion of FNBH's Assessment Area						
Income Category	# Loans Extended	% Loans Extended	\$ Loans Extended*	% Loans Extended	% of Population by Income Level	Ranges of Incomes in Income Category
Low-income	5	8%	210	4%	9%	<\$24,350
Moderate-income	13	22%	938	19%	16%	\$24,350<\$38,960
Middle-income	18	31%	1,539	32%	28%	\$38,960<\$58,440
Upper-income	23	39%	2,225	45%	47%	\$58,440 & above
	59	100%	4,912	100%	100%	

* Dollar amount in thousands
 Source: 1996 HMDA-LAR

Table 2 - 1997 Loan Distribution by Borrower Income Level in Milwaukee - Waukesha MSA Portion of FNBH's Assessment Area						
Income Category	# Loans Extended	% Loans Extended	\$ Loans Extended*	% Loans Extended	% of Population by Income Level	Ranges of Incomes in Income Category
Low-income	4	5%	220	3%	9%	<\$25,350
Moderate-income	13	18%	647	9%	16%	\$25,350<\$40,560
Middle-income	26	35%	2,373	33%	29%	\$40,560<\$60,840
Upper-income	30	41%	3,927	54%	46%	\$60,840 & above
N/A**	1	1%	71	1%	0%	
	74	100%	7,238	100%	100%	

* Dollar amount in thousands
 ** Income information not available
 Source: 1997 HMDA-LAR

Considering the weighted average median value of housing in the MSA-portion of the assessment area and recent home sale prices (refer to the section entitled Description of Assessment Area), FNBH has a good record of lending to low-income individuals and an excellent record of lending to moderate-income individuals. Furthermore, FNBH's lending to low- and moderate-income individuals compares very favorably to the performance of other financial institutions who extended mortgage-related loans within

the MSA portion of the bank's assessment area. Based on 1996 HMDA information for all banks that originated loans within FNBH's assessment area, the distribution of mortgage loans by income level is as follows: 2.4% to low-income individuals, 10.0% to moderate-income individuals, 29.1% to middle-income individuals, and, 46.4% to upper income individuals. Income information was not available for 12.1% of the number of loans extended. The percentage of dollars loaned to low- and moderate-income individuals is indicative of the smaller dollar loans persons in those income ranges typically demand or can afford.

Tables 3 and 4 reflect FNBH's mortgage-related lending activities in the BNA portions of its assessment area:

Table 3 - 1996 Loan Distribution by Borrower Income Level in the Non-MSA Portion of FNBH's Assessment Area						
Income Category	# Loans Extended	% Loans Extended	\$ Loans Extended*	% Loans Extended	% of Population by Income Level	Ranges of Incomes in Income Category
Low-income	0	0%	0	0%	11%	<\$18,850
Moderate-income	0	0%	0	0%	15%	\$18,850<\$30,160
Middle-income	13	50%	869	37%	25%	\$30,160<\$45,240
Upper-income	13	50%	1,478	63%	49%	\$45,240 & above
	26	100%	2,347	100%	100%	

* Dollar amount in thousands

Source: 1996 HMDA-LAR

Table 4 - 1997 Loan Distribution by Borrower Income Level in the Non-MSA Portion of FNBH's Assessment Area						
Income Category	# Loans Extended	% Loans Extended	\$ Loans Extended*	% Loans Extended	% of Population by Income Level	Ranges of Incomes in Income Category
Low-income	1	5%	60	3%	11%	<\$19,800
Moderate-income	0	0%	0	0%	15%	\$19,800<\$31,680
Middle-income	9	43%	697	37%	25%	\$31,680<\$47,520
Upper-income	11	52%	1,153	60%	49%	\$47,520 & above
	21	100%	1,910	100%	100%	

* Dollar amount in thousands

Source: 1997 HMDA-LAR

Based on HMDA data for *all* lenders making at least one loan in the BNA portion of FNBH's assessment area, only 6 and 21 loans were extended to low- and moderate-income applicants, respectively. Also, FNBH does not have a branch situated in the BNA portion of its assessment area. The credit needs of this portion of the assessment area are primarily being met by financial institutions with offices in these BNA's.

The bank extends a significant number of loans to small businesses. Table 5 represents business loans of \$1 million or less originated by the bank in 1996 and 1997:

TABLE 5				
	# of Loans Originated	% of Total	\$ (000's) of Loans Extended	% of Total
Original Amount Under \$100,000	252	84%	\$5,599	33%
Original Amount \$100,000-\$250,000	31	10%	\$5,004	30%
Original Amount \$250,000-\$1 million	16	6%	\$6,358	37%

The figures from Table 5 were obtained from an internally prepared management report. A substantial majority of loans extended to businesses are in original amounts under \$100,000. Furthermore, the total dollar amount extended to small businesses is similar to that extended to larger businesses. This is a proxy analysis for small business lending as loans under \$100,000 are typically extended to smaller businesses.

FNBH is also an active agricultural lender. Based on June 30, 1997 Call Report information, FNBH has the third largest agricultural-related portfolio among the 19 banks in its local peer group.² The majority of agricultural loan originations from January 1, 1996 through April 1, 1998 were to small farms, as indicated by Table 6:

TABLE 6				
	# Loans Extended	% of Total	\$(000's) Loans Extended	% of Total
Original Amount Less than \$100,000	53	75%	\$1,022	26%
Original Amount \$100,000-\$250,000	18	25%	\$2,885	74%
Original Amount \$250,000-\$500,000	0	0%	\$0	0%

The figures from Table 6 were derived from an internally prepared management report. This is a proxy analysis for small farm lending as loans less than \$100,000 are typically extended to smaller farms.

FNBH has also been instrumental in the development and ongoing activities of a small business incubator known as the Innovation Center. FNBH, through its wholly-owned subsidiary Hartford Community Development Corporation (HCDC), has invested in a partnership with the Hartford Area Development Corporation (HADC) in 1990 to construct and manage the Innovation Center (IC). FNBH participates in the mortgage loan that constructed the IC and invested additional monies in 1993 and 1994 to support current operations. Further financial contributions have not been necessary over the past several years as the IC has been profitable, however, HCDC contributes financial expertise to HADC on a continuing basis. The IC provides affordable and flexible manufacturing space as well as support services to local

² For purposes of this analysis, FNBH's local peer group consists of all banks with total assets of less than \$250 million located in Washington, Dodge, Waukesha and Ozaukee Counties.

small businesses or start-up businesses. The goal of the IC is to give small businesses an opportunity to grow and prosper and eventually “graduate” to independent facilities. The IC is currently 100% leased and has housed 20 different businesses throughout its history.

Geographic Distribution of Loans

All of FNBH’s CT’s and BNA’s are considered either middle- or upper-income geographies. An analysis of the geographic distribution of the bank’s loans within its assessment area would not provide meaningful information.

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

The bank has received a minimal amount of consumer complaints since its last CRA examination. None of the complaints were CRA-related and all were handled in a timely manner. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.