



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**January 5, 2004**

# **COMMUNITY REINVESTMENT ACT (CRA) PERFORMANCE EVALUATION**

**The First National Bank of Hartford  
Charter Number: 8671**

**116 North Sumner Street  
Hartford, WI 53027**

**Comptroller of the Currency  
Milwaukee Field Office  
1200 North Mayfair Road, Suite 200  
Milwaukee, 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 has a reasonable distribution of loans to individuals of different income levels and businesses of different sizes.
- The loan-to-deposit ratio is reasonable.
- A substantial majority of loans are originated inside the bank's assessment area.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Hartford (FNB-Hartford) is a \$135 million bank with \$19 million in tier one capital. The main office is located in Hartford, WI, in a middle-income census tract (CT). The bank operates one full-service branch in Slinger, WI in a middle-income CT. The bank also maintains two deposit-taking ATMs at the main office and branch and two cash-dispensing ATMs located at a hospital and a gas/convenience store in Hartford (all in middle-income CTs). The bank is 100% owned by FNB Hartford Bancorp, Inc., a one-bank holding company with \$135 million in total assets located in Hartford, WI.

The bank offers traditional community bank products and services with a net loan portfolio representing 52% of total assets. The bank is primarily a commercial and residential real estate lender, with a loan portfolio that consists of (by dollar value) 66% commercial loans, 31% residential real estate loans, and 3% consumer loans. Financial information is as of June 30, 2003.

There are no financial, legal or other impediments that would hinder the bank's ability to help meet the credit needs of its assessment area. The previous CRA evaluation dated April 15, 1998, resulted in an outstanding rating.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area (AA) is comprised of 17 CTs in Wisconsin. This area includes the western portion of Washington County (11 CTs in Metropolitan Statistical Area (MSA) 5080), the eastern portion of Dodge County (5 CTs in a non-MSA area), and one CT in Waukesha County (MSA 5080). The AA is comprised of eleven middle- (65%) and six upper-income (35%) CTs. The AA is considered legal and appropriate. It consists of only whole CTs and does not arbitrarily exclude any low- or moderate-income geographies.

According to 1990 census data, the total population of the bank's AA is 88,771, which is comprised of 24,142 families. Income levels for these families are as follows: 2,304 low-income families (9%), 3,827 moderate-income families (16%), 6,720 middle-income families (28%), and 11,321 upper-income families (47%). Of the low-income families, 621 (27%) are below the poverty level. The US Department of Housing and Urban Development updated median family income for MSA 5080 in Wisconsin was \$67,200 in 2002 and \$63,500 in 2001. The US Department of Housing and Urban Development updated median family income for

nonmetropolitan areas in Wisconsin was \$50,800 in 2002 and \$48,400 in 2001. These figures were used in the borrower income distribution test. The 1990 census median family income for MSA 5080 in Wisconsin is \$39,005. The 1990 census median family income for nonmetropolitan areas in Wisconsin is \$30,290. These figures were used in determining the income levels of the CTs for the geographic distribution test. The median housing value within the AA is \$82,912, with 73% of the total housing units being owner-occupied.

The current local economy is characterized as stable. Economic activity in the area is relatively diverse, with commercial printing, industrial machinery and equipment, eating and drinking establishments, and educational services being the primary economic activities. Major employers include: Quad Graphics Inc., Hartford Memorial Hospital, Broan-Nutone, Steelcraft and Snow Way International, Inc. The average unemployment rate in September 2003 for the state of Wisconsin was 4.9%. The average unemployment rates for Dodge County, Washington County, and Waukesha County for the same time period were 5.1%, 4.5%, and 5.8%, respectively. These figures are not seasonally adjusted.

Competition from other financial institutions for FNB-Hartford is relatively strong. The bank's competitors include branches of several large multi-state banks, community banks, and several local credit unions. In total deposits, FNB-Hartford, with a market share of 9.8%, ranks fourth out of all FDIC-insured institutions with at least one branch located in the bank's AA. This is using FDIC market share data as of June 30, 2003. The balance of the market share is divided among 18 other institutions with market shares ranging from 19% down to <1%.

In conducting this assessment of the bank's performance, we contacted a member of the local government. 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.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

The bank's loan-to-deposit ratio is reasonable given its size, financial condition, and credit needs of the community. The average quarterly loan-to-deposit ratio for the bank since the last examination is 69%, which ranks sixth in a peer group of nine similarly situated banks. The peer group consists of banks with assets less than \$200 million that are chartered within FNB-Hartford's AA. FNB-Hartford has the second-highest level of average assets of these banks at \$132 million. The other banks' average assets ranged from \$3 million to \$158 million. The average loan-to-deposit ratios for the similarly situated banks ranged from 54% to 120%, over the same time period.

Additionally, the bank originates residential real estate loans that are immediately sold on the secondary market. These loans are not used in the loan-to-deposit calculation. Year-to-date 2003 the bank has originated and sold \$25 million in secondary market loans. In 2002 and 2001 the bank originated and sold \$24 million and \$15 million, respectively.

### **Lending in the Bank's Assessment Area**

The bank originates a substantial majority of its loans inside the assessment area. This

conclusion is based on an analysis of the original dollar amount and number of all loans on the bank's October 31, 2003 trial balance originated or refinanced by the bank between January 1, 2001 and December 31, 2002. The borrower's location was determined based on their zip code. 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 2001 – 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	90%	93%
Residential Real Estate Mortgages	88%	85%
Total	89%	92%

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

The bank's lending practices represent a 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 were used in our sample and are depicted in the following tables.

Our sample of 30 commercial loan customers located in the bank's assessment area indicates the following breakdown of annual revenues:

<b>Lending Distribution Based on Revenue Size of Businesses January 2001 – December 2002 Loan Originations</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>
> \$1,000	5	17%	10%
\$500 - \$1,000	4	13%	7%
\$100 - \$500	12	40%	83%
< \$100	5	17%	
Revenue not Reported	4	13%	
Totals:	30	100%	100%

The table above shows 83% of the businesses sampled have revenues less than \$1 million, while the demographics show that 90% of businesses in the bank's assessment area have revenues less than \$1 million. Loans for businesses with unreported revenues include loans where no income information was available. These businesses in our sample are included in the less than \$1 million revenue category because it can be reasonably inferred from the type of business that gross revenues are under \$1 million. This represents a reasonable distribution of lending to small businesses.

The following table is based on the bank's HMDA reportable refinanced residential real estate mortgage loans. These customers are located within the bank's assessment area and the loans were originated between January 1, 2001 and December 31, 2002.

<b>Lending Distribution Based on Income Level of Refinanced Residential Real Estate Borrowers January 2001 – 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	3%	3%	9%
Moderate	21%	15%	16%
Middle	43%	39%	28%
Upper	33%	43%	47%
Totals	100%	100%	100%

As indicated by the table above, 24% of the number and 18% of the dollar value of loans were made to low- and moderate-income borrowers, who make up 25% of the assessment area's population. The number and dollar amount of residential real estate loans made to low-income borrowers were below the income characteristics of the AA. The figures above represent a reasonable distribution to borrowers of low-income taking into account the demographics of the AA. More than one-quarter (27%) 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. The lower percentage in dollars loaned to low-income borrowers is indicative of the smaller loans that are typically made to customers in this income category.

### **Geographic Distribution of Loans**

All of the CTs in FNB-Hartford's AA are either middle- or upper-income geographies. Therefore, an analysis of the geographic distribution of the bank's loans within its assessment area would not provide meaningful information.

### **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 or Other Illegal Credit Practices 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.