

# **PUBLIC DISCLOSURE**

**May 9, 2005**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**State Bank of Withee  
12779**

**410 Division Street  
Withee, Wisconsin 54498**

**Federal Deposit Insurance Corporation  
Division of Supervision and Consumer Protection  
Chicago Regional Office  
500 West Monroe Street, Suite 3500  
Chicago, Illinois 60661**

**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.

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## 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 Community Reinvestment Act (CRA) performance of **State Bank of Withee** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **May 9, 2005**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION RATING

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

The bank extends a reasonable number and dollar volume of real estate loans to low- and moderate-income families. Additionally, most of its agricultural loans are to small farms as would be expected based on the assessment area demographics. The vast majority of the sampled real estate and agricultural loans are located within the assessment area. The bank has a reasonable level of lending.

## DESCRIPTION OF INSTITUTION

State Bank of Withee is a full-service bank located in Withee, Wisconsin, population (pop.) 508. The bank has two full-service branches and one limited-service branch. The full service branches are located in Thorp, Wisconsin (pop. 1,536) and Greenwood, Wisconsin (pop. 1,079). The Willard, Wisconsin (pop. 80) branch primarily offers deposit services with loan services by appointment. All of the bank's offices are located in Clark County.

According to information obtained from the bank's December 31, 2004 Report of Condition, the bank's asset size is \$62,990,000. These assets are comprised, in part, of the bank's loan portfolio. The largest components of the portfolio are its agricultural and residential real estate loan portfolio. Each of these two categories accounts for about 35 percent of the loans. Table 1 shows the complete composition of the loan portfolio.

<b>Table 1 - Loan Distribution as of 12/31/2004</b>		
<b>Loan Type</b>	<b>Dollar Amount (000s)</b>	<b>Percent of Total Loans</b>
Construction and Land Development	356	1
Secured by Farmland	7,350	21
1-4 Family Residential	11,967	35
Multi-Family (5 or more) Residential	38	--
Commercial	3,862	11
<b>Total Real Estate Loans</b>	23,573	
Commercial and Industrial	2,182	6
Agricultural	5,023	15
Consumer	1,538	4
Other	2,300	7
Less: Unearned Income	(3)	--
<b>Total Loans</b>	34,613	100

*Source: Report of Condition*

The bank offers traditional banking products, as well as home mortgage loans through governmentally-insured or guaranteed programs and the secondary market. Traditionally the bank's main product focus has been agricultural loans. Due to a shift in loan demand over the last five years, the bank's loan portfolio has seen a decrease in agricultural lending and an increase in residential real estate lending.

Local financial institutions, as well as branch offices of state-wide financial institutions, present the largest degree of competition for the bank. These financial institutions provide a competitive environment in and around the bank's assessment area.

The bank's ability to meet community credit needs is based on its financial condition, size, and product offerings. There are no legal or other impediments that impact the bank's ability to meet credit needs throughout its assessment area. The bank's previous CRA evaluation was dated July 19, 1999. It received an "Outstanding" rating at that time.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area consists of Clark County (Co.), in its entirety, and small portions of Chippewa County and Taylor County. All of the census tracts in the assessment area are considered middle-income tracts. Chippewa County is part of the Eau Claire Metropolitan

Statistical Area (MSA); however, this portion of that MSA is rural in nature and will not be considered separately for this evaluation.

The largest towns in the assessment area include Stanley (Chippewa Co. – pop. 1,898), Gilman (Taylor Co. – pop. 474), Loyal (Clark Co. – pop. 1,308), Neillsville (Clark Co., – pop. 2,731) and Abbotsford (Clark Co. – pop. 1,412). There are several other small towns and villages scattered throughout this predominantly rural and agricultural assessment area.

Major industries in the area include the area schools, county government, medical facilities, and privately-owned companies. Agriculture is also a large part of the local economy; there are more than 1,000 small farms in this area. Dun and Bradstreet information from 2004 showed that 95 percent of the reporting non-farm businesses in the assessment area have gross annual revenues of \$1,000,000 or less. Dun and Bradstreet further states that over 95 percent of the farm businesses have gross annual revenues of less than \$1 million. A community contact confirmed that most of the farms are very small; many of these are family farms passed down from one generation to the next.

Table 2 on the following page compares some of the demographics of the assessment area to the State of Wisconsin. The comparison shows many differences, most striking is the housing composition, the dollar value of homes, and the median rent.

	<b>Assessment Area</b>	<b>State of Wisconsin</b>
Population	49,423	5,363,675
<u>Wisconsin Non-MSA Median Family Income:</u>		
2000 Median Family Income		47,360
2004 Estimated Median Family Income		52,100
<u>Percentage of Families by Income Level:</u>		
Low-Income	22	17
Moderate-Income	22	19
Middle-Income	27	26
Upper-Income	29	38
Percentage (Households) Receiving Public Assistance	2	
Percentage (Families) Below Poverty	8	6
<u>Number of Total Housing Units:</u>		
1-4 Family Residential	17,069	1,891,343
Multi-Family	880	325,633
Mobile Home or Trailer	1,926	101,465
Other	24	2,703
Owner-Occupied Housing Units	14,609	1,426,660
Rental Housing Units	3,298	657,884
Vacant Housing Units	1,992	236,600

<b>Table 2 - Demographic &amp; Economic Characteristics of the Assessment Area and State</b>			
<b>Percentage of Total Housing Units:</b>			
1-4 Family Residential	86	82	
Multi-Family	4	14	
Mobile Home or Trailer	10	4	
Other	--	--	
Owner-Occupied Housing Units	73	62	
Occupied Rental Housing Units	17	28	
Vacant Housing Units	10	10	
<b>Median Housing Characteristics:</b>			
Median Home Value	72,334	109,900	
Median Gross Rent	371	540	

\*Source: 2000 US Census

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Scope of Evaluation**

The bank's agricultural and residential real estate portfolios were reviewed during this evaluation. These two loan categories were reviewed because they represent the largest portion of the bank's portfolio. While commercial and other consumer loans are an important part of the bank's product offerings, these products were not evaluated at this time.

Table 3 details the loans originated in the six months preceding the evaluation. It also provides information about the samples selected for review. All of the agricultural loans the bank originated during this time frame are considered small farm loans; that is, loans of \$500,000 or less.

<b>Table 3 – Universe and Sample Size</b>				
<b>Loan Type</b>	<b>Universe</b>		<b>Sample</b>	
	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>
Real Estate Mortgages	41	2,495,318	20	1,042,749
Agricultural Loans	53	2,513,520	25	1,103,932

The importance of each of the following performance factors is based on the business focus of the subject bank and the demographics of its assessment area. The factors are presented in order of their importance in this institution's evaluation. The most important factors in this evaluation include "Lending to Borrowers of Different Incomes and Businesses of Different Sizes" and "Lending in the Assessment Area".

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank’s overall record of providing loans to borrowers of different income levels and small businesses of different revenue levels is good.

<b>Table 4 – Distribution of Real Estate Mortgage Loans by Borrower Income (Sampled Loans Inside the Assessment Area)</b>			
<b>Borrower Income Level</b>	<b>Percent of Total Families</b>	<b>Six Months</b>	
		<b>#</b>	<b>%</b>
<b>Low</b>	22	3	16
<b>Moderate</b>	22	2	10
<b>Middle</b>	27	8	42
<b>Upper</b>	29	6	32
<b>Total</b>	<b>100</b>	<b>19</b>	<b>100</b>

As reflected in Table 4 above, the bank has extended 16 and 10 percent of its real estate loans to low- and moderate-income families, respectively, as compared to the percent of families that are low-income (22 percent) and moderate-income (22 percent) in the assessment area. The assessment area has a poverty level of 8 percent, and it would not be expected that these families would be as likely to be able to afford home ownership. When considering the poverty level, this is reasonable performance. By dollar volume, 7 percent and 8 percent of the residential loans were extended to low- and moderate-income families, respectively. It is not expected that people of low- and moderate-income levels would obtain large loans; therefore, it is expected and reasonable that the percentage by dollar volume would be less.

When assessing the bank’s performance in lending to small farms, a loan size proxy is used (the smaller the loan, the smaller the farm). As previously mentioned, information from Dun and Bradstreet revealed that the farms in the assessment area are primarily small; both in revenue size (with 95 percent that have revenues less than \$1 million) and employee size. A community contact confirmed that the vast majority of the farms in the area are small. The contact also confirmed that the vast majority of farms in the area are dairy farms that grow crops primarily as feed for the dairy cows.

The bank’s performance in lending to farms in its assessment area shows a commitment to lend to small farms, even those considered very small. As previously mentioned, all of the agricultural loans originated in the six months preceding the evaluation were considered small farm loans. Of the loan sample, 20 or 83 percent of the loans by number were originated in amounts less than \$100,000. These loans by dollar volume totaled 31 percent which is reasonable because of the smaller loan amounts. The remaining four loans in the sample were in varying amounts from just over \$100,000 to less than \$400,000. These four loans represented,

by dollar volume, 69 percent of the sample. The bank shows good performance in this area.

Lending in the Assessment Area

The bank has an outstanding record of lending within its assessment area. The large majority of the sampled real estate and agricultural loans, by number and by dollar volume, are located within the bank’s assessment area. Table 5 shows the distribution of the bank’s loans located inside and outside of the assessment area.

<b>Table 5 - Distribution of Loans Inside and Outside of the Assessment Area</b>										
<b>Loan Category or Type</b>	<b>Number of Loans</b>					<b>Dollars in Loans (000s)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Real Estate Mortgages	19	95	1	5	20	1,015	97	28	3	1,043
Agricultural	24	96	1	4	25	1,093	99	11	1	1,104
<b>Total</b>	<b>43</b>	<b>96</b>	<b>2</b>	<b>4</b>	<b>45</b>	<b>2,108</b>	<b>98</b>	<b>39</b>	<b>2</b>	<b>2,147</b>

Loan-to-Deposit Ratio

The bank’s level of lending meets expectations and is considered adequate.

State Bank of Withee’s loan-to-deposit ratio averaged 77 percent for the 22 quarters since September 1999. There are several local institutions within the assessment area with loan-to-deposit ratios ranging from 61 to 96 percent. In addition to the loans held in the bank’s portfolio, the bank offers customers the option of receiving fixed-rate, long-term home loans that are sold on the secondary market or through governmentally guaranteed or insured programs. The bank has originated 15 loans totaling almost \$1 million since the beginning of 2003 in these programs which are not included in the loan-to-deposit ratio calculation.

Geographic Distribution

Given that there are no low- or moderate-income census tracts in the assessment area, no analysis was performed and this performance criterion bears no weight in the overall rating.

### Response to Complaints

The bank has not received any consumer complaints regarding its CRA performance since its previous CRA evaluation dated July 19, 1999.

### Compliance with Anti-Discrimination Laws and Regulations

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified during the evaluation.