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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

April 15, 1997

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

**Franklin National Bank of Minneapolis  
Charter Number 14949  
2100 Blaisdell Avenue South  
Minneapolis, Minnesota 55404**

**Comptroller of the Currency  
Minneapolis Duty Station  
920 Second Avenue South, Suite 800  
Minneapolis, Minnesota 55402**

**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 Community Reinvestment Act (CRA) performance of the **Franklin National Bank of Minneapolis** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 15, 1997. 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.

- o The geographic distribution of the bank's loans reflects excellent dispersion throughout the assessment area, including low- and moderate-income areas.
- o The distribution of the bank's loans reflects excellent penetration among individuals of different income levels and businesses of different sizes.

The following table indicates the performance level of Franklin National Bank of Minneapolis with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Franklin National Bank of Minneapolis</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes	X		
Geographic Distribution of Loans	X		
Response to Complaints	No complaints were received since the prior examination		

## **DESCRIPTION OF INSTITUTION**

Franklin National Bank of Minneapolis is a \$34 million bank that operates a main office located in a low-income neighborhood immediately south of downtown Minneapolis, Minnesota and a branch in the western Minneapolis suburb of Plymouth, Minnesota. The bank also serves its customers with an automated teller machine located at the branch. The bank is owned by Franklin Bancorp, Inc., an \$8 million three-bank holding company.

The bank offers traditional banking services and lending products, with a concentration in commercial and commercial real estate loans. The bank's loan portfolio mix is as follows: commercial real estate 42%, commercial 36%, residential real estate 12%, and loans to individuals 10%. Primary competition includes numerous community banks in the Minneapolis/St. Paul metropolitan area and several large banks with more than a billion in total assets. There are no legal or financial impediments limiting the bank's ability to help meet community credit needs.

The bank received an "Outstanding record of meeting community credit needs" rating at its last CRA performance review dated April 14, 1994.

## **DESCRIPTION OF ASSESSMENT AREA**

The assessment area is located in Hennepin County which is part of the Minneapolis/St. Paul, Minnesota metropolitan statistical area (MSA). The assessment area includes Minneapolis and several western Minneapolis suburban areas. This area includes 256 contiguous census tracts: 1.01 - 121.02, 202 - 249.03, 260.04 - 260.08, 260.11, 260.11, 261.01, 261.02, 262.01, 262.02, 262.05 - 262.08, 263.01, 263.02, 264.01, 264.02, 265.05 - 265.13, 266.03, 266.05 - 266.07, 266.09, 267.02, 267.07 - 267.13, 268.07, 268.09 - 268.11, 268.14, 268.16, 268.16, 268.17, 273, 274, 512.04, 512.05, 513.01 - 513.04, 514, 515.01, 515.02. There are 37 low-income census tracts, 48 moderate-income, 115 middle-income and 56 upper-income census tracts within the bank's assessment area. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

Based on 1990 census information, the population of the assessment area is 856,353. The weighted average of the updated U.S. Department of Housing and Urban Development median family income for this area is \$54,600. About 9% of households are below the poverty level, 21% receive social security and 6% receive public assistance. Household incomes in the area are: 25% low-income, 18% moderate-income, 21% middle-income, and 36% high-income. About 12% of the population is over 65 years old.

Common credit needs throughout the assessment area consist of loans to small businesses as well as instalment and residential loans to consumers.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

### *Loan-to-Deposit Analysis*

The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and opportunities for lending in the assessment area. During the eleven quarters since the bank's last CRA performance review, the bank's loan-to-deposit ratio averaged 61% and has recently been trending higher. The ratio approximates the bank's national peer group average of 67.5%. The average loan-to-deposit ratios for eight similarly-situated banks located in the bank's assessment area with total assets of less than \$150 million ranged from 43% to 71% during the same period.

### *Comparison of Credit Extended Inside and Outside of the Assessment Area*

A substantial majority of the bank's loans and other lending related activities are in the bank's assessment area. Examiner-verified bank reports detailing all outstanding loans as of March 12, 1997 showed that 78% by dollar volume and 83% of loan accounts are to customers residing within the bank's assessment area. The bank originated 55 residential real estate loans totaling \$2.5 million since the last CRA performance review as reported on the Home Mortgage Disclosure Act - Loan Application Register. Fifty of these loans (totaling 91% by number and 93% by dollar volume) are located within the bank's assessment area.

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

The bank has a good record of lending to individuals of different income levels and businesses of different sizes. Examiner-verified bank reports detailing the distribution of the entire portfolio by personal income or business revenue show that management has responded well to the credit needs of its assessment area by originating loans to low- and moderate-income borrowers as well as to businesses with a broad range of revenue.

The following chart depicts the number and dollar percent of the bank's loans by income level of borrowers compared to the income level of households located in the bank's assessment area. Approximately 27 percent of these loans (by number) were made to individuals with low-income. This compares to 25 percent of the assessment area's population that is low-income.

<b>Income Level</b>	<b>Income Level of Households</b>	<b>Outstanding Loans by Number</b>	<b>Outstanding Loans by Dollar</b>
Low	25%	27%	10%
Moderate	18%	24%	17%
Middle	21%	17%	21%
Upper	36%	32%	52%

The bank has an excellent distribution of loans to businesses of different revenue size. We

reviewed all business loans outstanding on March 12, 1997 (321 loans for \$17.7 million). As shown in the table below, the sample shows that 62 percent of commercial and commercial real estate loans by number of accounts were to customers with annual revenues of less than \$1 million.

<b>Annual Revenues of the Bank's Commercial Loan Customers</b>	<b>Outstanding Loans by Number</b>	<b>Outstanding Loans by Dollar Amount</b>
Less than \$100,000	19%	14%
\$100,001 - \$250,000	22%	27%
\$250,001 - \$500,000	14%	13%
\$500,001 - \$1,000,000	7%	5%
Greater than \$1,000,000	38%	41%

### ***Geographic Distribution of Loans***

The geographic distribution of the bank's credit extensions reflects strong penetration in the low- and moderate-income neighborhoods within the assessment area. The following chart depicts the distribution of all existing loans within the assessment area on March 12, 1997.

<b>Geographic Distribution of Loans Within the Bank's Assessment Area</b>					
(dollars in 000's)	Distribution of Census Tracts	Number of Loans	Percent by Number	Dollars of Loans	Percent by Dollar
Low-income census tracts	15%	234	36%	\$9,220	50%
Moderate-income census tracts	19%	87	13%	\$1,408	8%
Middle-income census tracts	45%	174	27%	\$3,548	19%
Upper-income census tracts	22%	159	24%	\$4,393	24%

The bank is active in a commercial development plan for a three block retail area on Nicollet Avenue, which is located in a low-income neighborhood. In cooperation with the Minneapolis Community Development Agency (MCDA) through the Minneapolis Neighborhood Revitalization Program, the bank developed a program in which business owners in this area could obtain below market funds for rehabilitation and improvements. The bank provides loans at market rates and the MCDA will write down the loan cost to 3% for the owner for ten years. The bank has originated ten of these loans totaling \$431 thousand, which are included in the above analysis.

### ***Record of Providing Services***

Franklin National Bank of Minneapolis has banking relationships with more than 150 nonprofit groups. The bank provides free or reduced cost checking accounts for those nonprofit organizations serving disadvantaged and low-income individuals. The bank waived service fees of \$14,000 during the past year for accounts of these nonprofit organizations.

The bank also arranges construction financing for two inner-city, non-profit housing corporations under the Minnesota Housing Finance Agency's Partnership for Affordable Housing Program. The bank's involvement in the program has resulted in the creation of five new and/or completely rehabilitated single-family homes for low- and moderate-income home buyers who meet certain purchase price and income limits.

### ***Compliance with Antidiscrimination Laws and Regulations***

We did not find any violations of antidiscrimination laws or regulations, or disparate treatment of loan applicants. The bank has policies, procedures and an audit program designed to prevent and detect lending discrimination.