



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 29, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Hopkins Federal Savings Bank
Charter Number 708196

134 S. Eaton Street
Baltimore, MD 21224-2425

Office of the Comptroller of the Currency

Patriot Square, 395 E Street SW,
Washington, DC 20024

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 bank's loan to deposit ratio is satisfactory when considering the institution's size and competitive factors;
- The majority of the bank's loans originated during the evaluation period were within the bank's assessment area (AA);
- The geographic distribution of loans reflects an overall reasonable dispersion and satisfactory performance;
- The borrower distribution reflects an overall reasonable penetration and satisfactory performance; and
- The bank's community development (CD) activities demonstrate adequate responsiveness to the CD needs of its AA.

Scope of Examination

Hopkins Federal Savings Bank (Hopkins) was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a CD test. The lending test evaluates the institutions record of meeting the credit needs of its AA through its lending activities. The CD test evaluates the institution's responsiveness to CD needs in its AA through CD lending, qualified investments, and CD services.

Community Reinvest Act (CRA) activities at Hopkins were completed using full-scope review procedures for its AA. Our review covered the bank's performance from January 1, 2009 through December 31, 2011. Residential mortgage loans were determined to be the bank's primary loan product and were reviewed as part of this examination.

In order to evaluate Hopkins' record of originating residential mortgage loans, we analyzed loan data Hopkins collected and reported in accordance with the Home Mortgage Disclosure Act (HMDA) requirements. In order to ensure the reliability of HMDA loan data, we performed a data integrity examination during the third quarter of 2012. In conjunction with the data integrity examination, we evaluated Hopkins' processes to ensure the accuracy of collected HMDA data and tested a sample of Hopkins' reported HMDA loans. Specifically, we tested the accuracy of Hopkins' HMDA loan data by comparing it against Hopkins' loan file documentation. The data integrity examination revealed that Hopkins' publicly available HMDA loan data could be relied on for the purposes of this CRA evaluation.

Description of Institution

Hopkins is a federally chartered stock institution wholly owned by Hopkins Bancorp, Inc. Hopkins has total assets of \$335.7 million and total deposits of \$305.4 million as of June 30, 2012. Net Tier 1 Capital was \$29.6 million as of that same date. Net loans and leases totaled \$87.5 million, representing 26% of total assets. Assets included investments of \$244 million and real estate loans of \$85.8 million. Hopkins' loan portfolio included residential (1-4 family) mortgage loans, non-farm non-residential, consumer loans and commercial & industrial loans which represented 55%, 41%, 2%, and 2% respectively of Hopkins' lending.

Hopkins' main office, located at 134 S. Eaton Street, Baltimore, Maryland (MD), is in a moderate-income census tract in southeast Baltimore City. The other branch office, located at 1726 Reisterstown Road, Baltimore, MD, is in a middle-income census tract in Pikesville, which is in southwest Baltimore County. During the review period, Hopkins did not open or close any offices.

Hopkins' predominant product is residential mortgage loans secured by one- to four-family dwellings. Other loan types offered include: construction/permanent, home equity lines of credit, lot loans, and commercial loans. Deposit products include: checking, savings, money market, IRA and Certificates of Deposit.

Hopkins' offers a variety of deposit products to meet customer banking needs. The bank's Internet website, www.hopkinsfsb.com, provides detailed information on available products and services. Hopkins offers a totally free checking account where everything is free, including free checks, no fees, and a no minimum balance requirement.

The bank offers traditional business hours during the week and extended Friday hours at both offices and also offers Saturday lobby and drive-thru hours at the Pikesville branch. Hopkins has ATMs at both locations for additional convenience. On four of their five checking accounts available, Hopkins offers a free ATM card, free ATM usage for its ATMs, and free point-of-sale transactions.

At the prior CRA examination dated April 30, 2007, Hopkins was rated "Satisfactory."

Description of Hopkins Assessment Area

Demographic Information for Full Scope Area: Hopkins AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	404	19.31	29.46	35.40	14.85	0.99
Population by Geography	1,405,446	16.05	30.87	36.62	15.98	0.49
Owner-Occupied Housing by Geography	332,453	8.81	27.94	41.58	21.68	0.00
Business by Geography	144,309	9.23	26.57	40.58	23.55	0.06
Farms by Geography	1,716	2.33	15.56	38.29	43.82	0.00
Family Distribution by Income Level	348,113	27.97	19.96	21.56	30.52	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	166,824	24.60	38.66	29.81	6.94	0.00
Median Family Income HUD Adj. Median Family Income for 2011 Households Below Poverty Level		59,301 84,500 14%	Median Housing Value Unemployment Rate (Sept. 2012 Bureau of Labor Statistics)		105,754 8.3%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2011 HUD updated MFI

Hopkins' AA is comprised of Baltimore City and Baltimore County, MD. It is located in the Baltimore-Towson, MD, Metropolitan Statistical Area (MSA). This AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income (LMI) census tracts.

The average unemployment rate of the combined counties in the AA as of September 2012 was 8.3%. This average was taken from the Baltimore County unemployment rate of 6.9% and the Baltimore City unemployment rate of 9.7%. In comparison, the state of MD is 7.5% while the national average was 7.8% for the same time period.

Major employers in the AA ranking in the top 5 listings for Baltimore County include the Social Security Administration, Greater Baltimore Medical Center, Towson University, Franklin Square Hospital, and T. Rowe Price. The top 5 major employers in Baltimore City include Johns Hopkins University, Johns Hopkins Hospital and Health System, University System of Maryland, University of Maryland Medical System, and MedStar Health.

In 2010, 411 lenders originated HMDA loans in the AA, according to the HMDA Peer Mortgage Data. Competition in the AA was strong with Bank of America, Wells Fargo Bank, and Wells Fargo Funding ranking as the top three lenders with market shares of 14.57%, 11.53%, and 7.33% respectively. Hopkins was ranked 203rd with a market share of 0.02%. Other competitors consisted of large national and regional banks, mortgage companies, and mortgage brokers with nationwide sources of funding.

According to the June 30, 2012 FDIC Summary of Deposits Market Share Report, Hopkins was ranked 13 out of 54 institutions in their AA with 0.74% of deposits. Bank of America is ranked first with 60 offices and 29.81% of the deposits. Other financial institutions include Manufacturers and Traders Trust Company with 67 offices and 27.66% of the deposits, Wells Fargo Bank with 35 offices and 10.20% of the deposits, and PNC Bank with 42 offices and 10.13% of the deposits.

We reviewed a recent community contact and identified a credit need within the AA as credit extended with an economic development purpose. The community contact stated that financial institutions are conservative and very selective while waiting for the housing market to stabilize and lending is limited. The community contact also stated that where the bigger banks will decline a lending opportunity because the deal is outside of the underwriting standards, smaller community banks are willing to look deeper into the proposed credit and then render a decision.

Conclusions with Respect to Performance Criteria

Lending Test

Hopkins' overall performance under the lending test is satisfactory, taking into consideration the significant decline in lending volume. Hopkins' loan-to-deposit ratio is satisfactory. A majority of Hopkins' home mortgage loans were originated within the AA. Hopkins' record of lending to borrowers of different incomes is considered satisfactory. The geographic distribution of loans in the AA is reasonable performance and is also considered satisfactory.

Loan-to-Deposit Ratio

Hopkins's loan-to-deposit ratio is satisfactory. The bank's average loan-to-deposit ratio for the prior twenty-one quarters is 42%, ranging from a high at 58% to a low of 29%. This is well below the 87% average loan-to-deposit ratio for similarly situated banks during the same time period. Based on the institution's size and competitive factors, , the loan-to-deposit ratio is considered satisfactory performance.

Lending in Assessment Area

Hopkins's lending in their AA is satisfactory. A majority of the home mortgage loans originated during the evaluation period were within the AA. An analysis of the loan sample data disclosed that 60% of these loans were originated in the AA.

Lending to Borrowers of Different Incomes

Hopkins' lending to borrowers of different incomes is satisfactory. Borrower distribution reflects reasonable penetration among residential real estate loans.

The level of all home mortgage loans originated to low-income borrowers is lower than the percentage of low-income families in the AA. However, when considering the affordability of housing in the AA, this performance is reasonable. The median cost of housing in the AA is \$105,754, based on 2000 census data. The HUD updated median family income for 2011 is \$84,500. This means that a low-income person earns less than \$42,250. Households below the poverty level are 14%. Based on these statistics, it would be difficult for a low-income individual to purchase housing in the AA. Also, in 2011, of the 422 lenders in the AA, Hopkins was ranked 203rd, with a market share of 0.02%. The level of home mortgage loans originated to moderate-income borrowers exceeds the percentage of moderate-income families in the AA. This performance is excellent.

The level of home improvement loans to low-income borrowers is somewhat lower than the percentage of low-income families in the AA. The level of home improvement loans to moderate-income borrowers is lower than the percentage of moderate-income families in the AA. This performance is mitigated by the fact that competition is strong within the AA as the market share by the top three lenders is garnered by large national banks with market shares of 14.57%, 11.53%, and 7.33% respectively. When considering competition, this performance is reasonable.

The level of home mortgage refinance loans made to both low-income borrowers and moderate-income borrowers is significantly lower than the percentage of low-income families and moderate-income families in the AA.

Table 4 - Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Purchase	27.97	11.11	19.96	22.22	21.56	16.67	30.52	50.00
Home Improvement	27.97	18.18	19.96	9.09	21.56	9.09	30.52	63.64
Home Mortgage Refinance	27.97	0.00	19.96	0.00	21.56	33.33	30.52	66.67

Source: 2009-2011 HMDA LAR.

Our review of the aggregate lender data for mortgage refinance loans confirms that Hopkins' percentage of lending to both low-income borrowers and moderate-income borrowers within the AA during the review period was below the performance of other federally-regulated lenders. Since the results of the demographic and peer comparisons were the same, the performance is considered poor penetration and does not meet the standards for satisfactory performance in this category.

Geographic Distribution of Loans

Hopkins' geographic distribution of loans is satisfactory. The geographic distribution reflects reasonable dispersion in comparison to the geographical distribution of residential mortgage loans within the AA. Our review did not detect any conspicuous or unexplained gaps in the bank's lending patterns.

Geographic Distribution of Residential Real Estate Loans

The distribution of home purchase loans to low-income geographies and moderate-income geographies exceeds the percentage of low-income and moderate-income families and reflects excellent dispersion.

The distribution of home improvement loans to low-income geographies is significantly lower than the percentage of low-income families and reflects poor dispersion for this category. However, the distribution of moderate-income geographies exceeds the percentage of moderate-income families and reflects excellent dispersion.

The distribution of home mortgage refinance loans to low-income geographies is significantly lower than the percentage of low-income families and reflects poor dispersion. The distribution of home mortgage refinance loans to moderate-income geographies is somewhat lower than the moderate-income families and reflects reasonable dispersion.

Table 5 - Geographic Distribution of Residential Real Estate Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% 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
Home Purchase	8.81	11.11	27.94	33.33	41.58	38.89	21.68	16.67
Home Improvement	8.81	0.00	27.94	45.45	41.58	27.27	21.68	27.27
Home Mortgage Refinance	8.81	0.00	27.94	16.67	41.58	50.00	21.68	33.33

Source: 2009-2011 HMDA LAR.

Our review of the aggregate lender data for mortgage refinance loans confirms that Hopkins' percentage of lending to both low-income borrowers and moderate-income borrowers within the AA during the review period was slightly below the performance of other federally-regulated lenders. Since the results of the demographic and peer comparisons were mixed, the performance is considered reasonable penetration and performance in this category is satisfactory.

Community Development Test

Hopkins' performance under the CD test is rated satisfactory. The bank's CD activities demonstrate reasonable responsiveness to the CD needs of its AA when considering the bank's capacity, performance context, and the availability of CD opportunities in the AA. Also, community development activities met area needs for job creation and small business development and expansion as identified through our contact with a local community organization.

Number and Amount of Community Development Loans

We determined that competition emanating from both large regional and other area community financial institutions in Hopkins' AA located within the Baltimore-Towson MD MSA to originate CD loans is considered to be significant. However, Hopkins, over the evaluation period, originated five (5) CD loans totaling \$557.5 thousand within its AA. The CD loans were responsive to AA credit needs. Furthermore, CD loans served to meet area needs for affordable housing and created jobs that helped stabilize LMI geographies in the AA. Two of the above mentioned CD loans originated by Hopkins are described below.

In 2011 Hopkins originated a \$175,000 loan to a local small business. The purpose of the loan was to finance the purchase of the business property. The loan proceeds help provide services to moderate-income residents.

In 2012 the bank originated a \$125,000 loan to a local investor. The purpose of the loan was for operating expenses for a 29 unit apartment complex located in a moderate-income area.

Number and Amount of Qualified Investments

We determined that competition emanating from both large regional and other area community financial institutions in Hopkins' AA within the Baltimore-Towson, MD MSA for funding CD investments is also considered to be significant.

Hopkins over the evaluation period granted fifty-one (51) donations totaling \$62,955 benefitting its AA. The CD grants and donations funded by Hopkins were responsive to AA needs. They supported local organizations focusing on various CD initiatives, which included serving the needs of LMI individuals and geographies within its AA.

Extent to Which the Bank Provides Community Development Services

Hopkins' representatives over the evaluation period participated in several CD services which were responsive to the needs of its AA. A few of the CD services in which Hopkins representatives participated are described below.

A Hopkins President served as President in an advisory capacity for a Chamber of Commerce within its AA. The chamber is a local organization of businesses whose goal is to further the interests of businesses on behalf of the local business community.

A Hopkins Director has endowed the cancer institute at a hospital in the AA which provides services to include disadvantaged and low-income residents.

Accessibility of Services

Hopkins' services are accessible to its AA residents through its two offices and ATMs located within the counties the bank services. In order to determine the extent of accessibility of Hopkins' delivery systems, population demographics, branches and ATMs were considered.

Hopkins main office is located in a moderate-income geography. In comparison of the total AA population, 19.31% reside in low-income AA geographies and 29.46% reside in moderate-income AA geographies. The majority of the AA population resides within middle-income AA geographies.

Responsiveness to Community Development Needs

The bank's CD activities demonstrate adequate responsiveness to the CD needs of its AAs. This takes into consideration the bank's capacity, the need, and availability of such opportunities for development within the communities in the bank's AAs. There were no identified, unmet CD needs during the evaluation period.

Responses to Complaints

Hopkins did not receive any complaints about its performance in helping to meet credit needs in the AA during this evaluation period. This has a neutral impact on the overall CRA rating.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal Savings Association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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