



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 8, 2010**

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

Franklin National Bank of Minneapolis  
Charter Number 14949

525 Washington Avenue North  
Minneapolis, MN 55401

Office of the Comptroller of the Currency

MINNEAPOLIS Field Office  
222 S. Ninth Street, Suite #800  
Minneapolis, MN 54022-3371

**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 Outstanding.**

Major factors supporting this rating include:

- The bank's loan-to-deposit ratio is more than reasonable.
- A majority of the bank's loans are made within the bank's assessment area.
- The distribution of loans reflects excellent penetration among businesses of different sizes.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.

**SCOPE OF EXAMINATION**

We evaluated Franklin National Bank's Community Reinvestment Act performance. In evaluating the bank's lending performance we reviewed lending data for commercial loans, the bank's primary product. We reviewed commercial loans for the period from January 1, 2008 to December 31, 2009. Commercial loans comprised 83% by number and 97% by dollar volume of originations during this time frame. We selected a random sample of commercial loans and compared to 2009 demographics.

**DESCRIPTION OF INSTITUTION**

Franklin National Bank (FNB) of Minneapolis is a \$129 million commercial bank located in the Minneapolis/St. Paul Metropolitan Statistical Area (MSA). The bank has three Minneapolis locations on Washington Avenue, Blaisdell Avenue, and Lake Street. All are in low-income census tracts. All locations offer full-service banking and 24-hour Automatic Teller Machine (ATM) service.

FNB purchased its newest location, the Lake Street branch, in April 2008. FNB plans to place another ATM at the Karmel Somali Mall, 2944 Pillsbury Avenue, in 2010. FNB also plans to open a small micro-branch offering retail services at this same location by the end of 2010. FNB purchased East Bank in July 2009. This Minneapolis location was closed in August 2009 and all accounts transferred to FNB.

FNB's primary product is commercial loans. As of December 31, 2009, FNB reported outstanding loans (by dollar amount and percent of loans) in the following categories: commercial \$86,244M or 86%, residential real estate \$11,483M or 11%, consumer \$883M or 1%, and other \$1,893M or 2%. Net loans and leases are 76.74% of total assets.

FNB's mission statement states the bank strives to be "The leader in improving our urban community". This mission is achieved through providing a variety of banking products and services to meet the needs of all members in its assessment area, not just the most capable. In 2004, the Sunrise Community Banks started the Socially Responsible Deposit Fund account whereby depositors are given a choice to decide whether their funds will help finance affordable housing, small businesses, or

community facilities. At year-end 2009, the bank had roughly \$8.3 million of deposits in the Socially Responsible Deposit Fund, which are used to help fund roughly \$28 million in loans that would qualify for community development loans.

The bank is 100 percent owned by University Financial Corp., Inc. dba Sunrise Community Banks Holding Company, a \$541 million three-bank holding company, located in St. Paul, Minnesota.

FNB received an "Outstanding" rating at its September 12, 2003 CRA examination. There are no financial, legal or other factors which impede the bank's ability to meet the credit needs in its assessment area.

## **DESCRIPTION OF ASSESSMENT AREA**

FNB's assessment area (AA) consists of 345 contiguous census tracts (CTs) with 249 tracts in Hennepin County, 83 in Ramsey County, and 13 in Anoka County. The AA includes the cities of Minneapolis, St. Paul, Brooklyn Center, Brooklyn Park, Columbia Heights, Crystal, Deephaven, Eden Prairie, Edina, Fridley, Golden Valley, Hopkins, Maple Grove, Minnetonka, New Hope, Osseo, Plymouth, Richfield, Robbinsdale, Saint Anthony, St. Louis Park, and Wayzata. The AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

Based on 2000 census data, there are 47 CTs designated as low-income, 118 moderate-income, 109 middle-income, 69 upper-income, and 2 are unknown.

The Department of Housing and Urban Development's 2009 estimated median family income for the Minneapolis/St. Paul MSA is \$83,900, a 35% increase from \$62,346 in 2000. There are 20,293 or 7.23% of families living below the poverty level in the AA. The median housing value in the AA is \$137,084. Owner occupied housing represents 59% of housing stock within the AA. Rental units have an average gross rent of \$626 per month.

The economy within the bank's assessment area has experienced the same downturn as the overall national economy. Unemployment numbers for the three counties included in the AA as of December 31, 2009 were as follows: 6.6% for Hennepin, 6.9% for Ramsey, and 7.9% for Anoka. At yearend 2009, the national unemployment rate was 10% and the State of Minnesota was 7.4%. Major employers in Minneapolis include the University of Minnesota, Target Corporation, Allina Health System, Wells Fargo Bank, and Fairview Health Services.

Competition amongst financial institutions is strong. There are 108 financial institutions within the Hennepin, Ramsey, and Anoka counties. According to the June 30, 2009 information from the Federal Deposit Insurance Corporation, FNB ranked 48<sup>th</sup> among the 108 institutions with a .15% deposit market share. Community contacts stated that there are ample opportunities for participation by financial institutions especially as it relates to affordable housing and small business lending.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB's net loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. The bank's average loan-to-deposit ratio was 94.89% over twenty-six quarters from September 30, 2003 to December 31, 2009.

FNB's net loan-to-deposit ratio is outstanding when comparing it to other community banks of similar size in the AA. Similar banks had a range of total assets from \$76 million to \$176 million. Over the last twenty-six quarters from September 30, 2003 to December 31, 2009, the average loan-to-deposit ratio for the similar situated banks in the AA was 92.48% (The lowest loan-to-deposit ratio of the seven similar situated banks is 54.79%, while the highest was 104.50%).

### Lending in Assessment Area

FNB originates a majority of its loans to borrowers located within its defined AA. Based on sample of 20 commercial loans, 85% by number and 68.96% by dollar volume were made to businesses located within the bank's AA. The following table shows loans originated inside the AA by number and dollar volume:

Lending in Assessment Area by Number and Dollar Amount								
Loan Type	In Assessment Area				Out of Assessment Area			
	#	%	\$(000's)	%	#	%	\$(000's)	%
Commercial	17	85.00%	2,511	68.96%	3	15.00%	1,130	31.04%

Source: OCC Loan Sample

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

The distribution of borrowers reflects excellent penetration among businesses of different sizes.

Commercial lending activity in the AA is excellent compared to the community demographics. The largest number of loans was made to businesses with less than \$1million in gross annual revenues. The following table compares the bank's commercial lending activity by revenue size to community demographics:

Borrower Distribution of Loans to Businesses in the AA			
Business Revenues	< \$1,000,000	> \$1,000,000	Not reported
% of AA Businesses	74%	6.21%	19.79%
% of Bank loans in AA by #	76.67%	23.33%	
% of Bank loans in AA by \$	71.29%	28.71%	

Source: OCC Loan Sample (60 loans) and 2009 Business Demographic Data

**Geographic Distribution of Loans**

The geographic distribution of loans reflects excellent dispersion throughout the AA.

FNB’s commercial lending in low- and moderate-income CTs exceeds the demographic data. FNB originated a combined 68.33% of its commercial loans in low- and moderate-income CTs compared to the demographic of 36.62%.

Geographic Distribution of Commercial Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of bank loans	% of AA Businesses	% of bank loans	% of AA Businesses	% of bank loans	% of AA Businesses	% of bank loans	% of AA Businesses
Commercial	45%	9.24%	23.33%	27.38%	26.67%	38.49%	5%	24.89%

Source: OCC Loan Sample (60 loans) and 2009 Business Demographic Data

**Responses to Complaints**

FNB has not received any CRA related complaints during the evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

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