



SMALL BANK

Comptroller of the Currency
Administrator of National Banks and Federal Thrifts

Washington, DC 20219

PUBLIC DISCLOSURE

October 11, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Franklin Bank
Charter Number 705286

1179 Route 40
Pilesgrove, NJ 08098

Office of the Comptroller of the Currency

Philadelphia Field Office
1150 Northbrook Drive, Suite 303
Trevose, PA 19053

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 major factors that support this rating include:

- The distribution of loans reflects reasonable penetration among borrowers of different incomes.
- A substantial majority of Franklin Bank's home mortgage loans were originated within its assessment areas (AAs).
- Franklin Bank's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AA credit needs.
- Franklin Bank's geographic distribution of loans reflects a reasonable dispersion throughout its AAs.
- Franklin Bank's optional community development lending and services provided during the evaluation period reflects positively on the overall Community Reinvestment Act (CRA) performance.

SCOPE OF EXAMINATION

Franklin Bank was evaluated under the Small Bank Community CRA examination procedures. Our review covered the bank's CRA performance from January 1, 2009 through June 30, 2011, as this is representative of its lending strategy since the last CRA examination. Based upon the bank's business strategy and the loans originated or purchased during the evaluation period, we determined that residential mortgage loans are the bank's primary loan product. The residential mortgage loan analysis is based upon the bank's Home Mortgage Disclosure Act-Loan Application Registers (HMDA-LAR). The HMDA-LARs were tested prior to this review and found to be reliable for the purposes of our analysis. Therefore, we used the HMDA data from January 1, 2009 through June 30, 2011 to evaluate the bank's home mortgage loan performance.

DESCRIPTION OF INSTITUTION

Franklin Bank is a community oriented mutual savings bank headquartered in Pilesgrove, Salem County, NJ. The bank is a full service, intrastate institution offering a standard array of traditional loan and deposit products. The bank's website at www.franklinbnk.com provides a listing and description of all deposit and loan products offered. As of June 30, 2011, Franklin Bank had total assets of \$259 million and Tier 1 Capital of \$20 million. The bank has two subsidiaries, BF Homes and Franklin Securities Investment Corp. BF Homes is currently inactive and in the process of being closed. This subsidiary was originally created to originate insurance and other investment products. Franklin Securities Investment Corp. was recently created in October 2009 for the purpose of holding Franklin Bank's securities. Subsidiary activities

were not considered in this evaluation and do not impact the bank's capacity for community reinvestment.

Franklin Bank has five retail banking branches in addition to its main office, and one stand-alone drive-up facility. The main office and all five branches are equipped with ATMs and drive-up facilities. The main office and branch lobbies are open from 9:00am until 5:00pm Mondays through Wednesdays, 9:00am until 6:00pm on Thursdays and Fridays, and 8:30am until at least 12:00pm on Saturdays. All drive-up facilities open 30 minutes earlier and close one hour later than the lobbies during the week. Franklin Bank did not open or close any branches during the evaluation period.

As of June 30, 2010, Franklin Bank reported \$195 million in total loans, \$205 million in total deposits, and Tier 1 Capital of \$20 million. The total loans to total assets ratio was 75 percent. The following table depicts the dollar amount and the percentage to total loans for each loan category.

Loan Portfolio Summary by Loan Product June 30, 2010		
Loan Category	Amount (\$000's)	Percent of Total Loans
Residential Mortgage Loans	\$160,534	82.2%
Nonresidential Mortgage Loans	\$17,309	8.9%
Commercial Nonmortgage Loans	\$4,561	2.3%
Consumer Loans	\$12,895	6.6%
Total Loans	\$195,299	100.0%

Numerous national, state, and savings banks, as well as branches of several regional institutions, provide fierce deposit and lending competition. According to the June 30, 2011 Federal Depository Institution Corporation's (FDIC) Deposit Market Share Report, Franklin Bank ranked 15th out of 32 institutions within its combined assessment areas with a 2.5 percent deposit market share. The top five institutions in Franklin Bank's assessment areas command an overall deposit market share of 47 percent and include: TD Bank (20% market share), The Bank (10% market share), Wells Fargo Bank (7% market share), PNC Bank (5% market share), and Sturdy Savings Bank (5% market share).

According to the 2009 market share data for all home mortgage lending, the bank ranked 34th out of 412 lenders with a 0.63 percent market share by number of loans originated within its combined assessment areas. The top five ranked institutions within the assessment areas are all very large national banks and mortgage companies (i.e. – Bank of America, Wells Fargo, Countrywide, JPMorgan Chase, etc.) and capture almost 40 percent of the market with market shares ranging from 4 percent to 12 percent.

There are no known legal, financial or other factors impeding Franklin Bank's ability to help meet the needs of its community. Franklin Bank was rated "Satisfactory" at the last CRA examination performed by the Office of Thrift Supervision (OTS) which was dated October 28, 2008.

DESCRIPTION OF ASSESSMENT AREAS

Franklin Bank has three assessment areas in southern New Jersey, which are described below.

Salem County Assessment Area (AA)

The Salem County AA is comprised of one complete county in NJ, Salem County. The county is located in Southern New Jersey and is part of the Wilmington, DE-MD-NJ Metropolitan Division (MD) #48864 which is part of the even greater Philadelphia-Camden-Wilmington, PA-NJ-DE-MD multi-state Metropolitan Statistical Area (MSA) #47980. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

Here is a summary of some demographic information for this AA:

Demographic Information for Salem County AA						
Demographic Characteristics	#	% Low	% Moderate	% Middle	% Upper	% NA*
Geographies (Census Tracts)	24	8.33	20.83	70.83	0.00	0.00
Population by Geography	64,825	8.09	16.50	75.41	0.00	0.00
Owner-Occupied Housing by Geography	17,734	3.80	14.42	81.78	0.00	0.00
Businesses by Geography	4,897	5.68	14.91	79.42	0.00	0.00
Farms by Geography	377	0.27	5.84	93.90	0.00	0.00
Family Distribution by Income Level	17,494	22.65	20.90	24.60	31.85	0.00
Household Distribution by Income Level	24,316	26.95	18.72	20.17	34.16	0.00
Median Family Income	= \$55,043	Median Housing Value				= \$104,401
HUD Adjusted Median Family Income for 2010	= \$78,300	Unemployment Rate**				= 10.5%
Households Below the Poverty Level	= 9.1%					

Source: 2000 U.S. Census

(*) The NA category consists of geographies that have not been assigned an income classification.

(**) Salem County, NJ Unemployment Rate – August 2011 – Not seasonally adjusted.

The Salem County AA contains 29 census tracts. It is comprised of two low-income tracts (8%), five moderate-income tracts (21%), and 17 middle-income tracts (71%). There are no upper-income tracts contained within the AA. The AA is not considered a distressed or underserved area.

The 2000 U.S. Census data reported the total population of the AA at 64,825. This population was comprised of 24,316 households and 17,494 families. There are a total

of 26,158 housing units, of which, 85 percent were one to four family units and 28 percent were rental units. Owner-occupied housing is 68 percent, rental occupied units were 25 percent, and vacant housing was seven percent. The median housing cost is \$104,401.

The median family income was \$55,043 and the 2010 HUD updated median family income is \$78,300. Approximately nine percent of households are below the poverty level. Approximately 23 percent of the families in the AA are low-income, 21 percent are moderate-income, 24 percent are middle-income, and 32 percent are upper-income.

The current local economy for the Salem County AA can be described as poor due to the continued weak economy and housing market. Salem County’s economy is primarily driven by manufacturing and agricultural activities. The largest employers in Salem County are PSEG, DuPont, Mannington Mills, and Memorial Hospital of Salem County. The unemployment rate not seasonally adjusted, as of August 2011, for Salem County, NJ is 10.5 percent, which is down slightly from 11.2 percent in August 2010. However, Salem County’s current unemployment rate is higher than the current national unemployment rate of 9.1 percent.

Salem County, NJ is a fairly competitive market, as Franklin Bank faces competition from larger national and community banks. The bank’s primary competitors include The Bank, Harvest Community Bank, Bank of America, and Wells Fargo Bank.

In conducting the assessment of the bank’s performance, we contacted a local community development organization. The contact indicated there was a need for more small business lending and affordable housing for low- and moderate-income individuals and families throughout Franklin Bank’s AAs. The contact also mentioned the need for additional financing to small and start-up businesses as well as a greater effort to help out troubled home-owners.

Gloucester County Assessment Area (AA)

The Gloucester County AA is comprised of one complete county in NJ, Gloucester County. The county is located in Southern New Jersey and is part of the Camden, NJ MD #15804 which is also part of the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD multi-state MSA #47980. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

Here is a summary of some demographic information for this AA:

Demographic Information for the Gloucester County AA						
Demographic Characteristics	#	% Low	% Moderate	% Middle	% Upper	% NA*
Geographies (Census Tracts)	59	0.00	10.17	76.27	13.56	0.00

Population by Geography	254,673	0.00	9.81	75.44	14.75	0.00
Owner-Occupied Housing by Geography	72,482	0.00	8.08	76.68	15.24	0.00
Businesses by Geography	22,634	0.00	9.68	73.11	17.21	0.00
Farms by Geography	624	0.00	4.17	70.67	25.16	0.00
Family Distribution by Income Level	67,528	17.69	18.42	25.87	38.02	0.00
Household Distribution by Income Level	90,755	20.57	16.59	20.90	41.94	0.00
Median Family Income HUD Adjusted Median Family Income for 2010 Households Below the Poverty Level	= \$63,893 = \$83,500 = 6.7%	Median Housing Value Unemployment Rate**		= \$120,887 = 9.3%		

Source: 2000 U.S. Census

(*) The NA category consists of geographies that have not been assigned an income classification.

(**) Gloucester County, NJ Unemployment Rate – August 2011 – Not seasonally adjusted.

The Gloucester County AA contains 59 census tracts. It is comprised of six moderate-income tracts (10%), 45 middle-income tracts (76%), and eight upper-income tracts (14%). There are no low-income tracts contained within the AA. The AA is not considered a distressed or underserved area.

The 2000 U.S. Census Data reported the total population of the AA at 254,673. This population was comprised of 90,755 households, and 67,528 families. There are 95,054 housing units, of which, 86 percent are one to four family units, and 21 percent were rental units. Owner-occupied housing is 76 percent, rental-occupied housing is 19 percent, and vacant housing is five percent. The median housing cost is \$120,887.

The median family income was \$63,893, and the 2010 HUD updated MSA median family income is \$83,500. Approximately seven percent of the households are below the poverty level. Approximately 18 percent of the families in the AA are low-income, 18 percent are moderate-income, 26 percent are middle-income, and 38 percent are upper-income.

The current local economy for the Gloucester County AA can be described as poor due to the continued poor economy and housing market. The primary industries in the area are healthcare, education, food-packing services, and both the federal and local governments. Major employers in Gloucester County include the Underwood Memorial Hospital System, Rowan University, and Kennedy Memorial Hospital. The unemployment rate not seasonally adjusted, as of August 2011, for Gloucester County, NJ is 9.3 percent, which is down slightly from 9.7 percent in August 2010. The current rate is slightly above the current national unemployment rate of 9.1 percent.

Gloucester County, NJ is a highly competitive market, as Franklin Bank faces competition from larger national and regional institutions. The bank’s competitors include TD Bank, The Bank, Bank of America, and Wells Fargo Bank.

Cape May County Assessment Area (AA)

The Cape May County AA is comprised of one complete county in NJ, Cape May County. The county is located in Southeastern New Jersey and comprises the Ocean City, NJ MSA #36140. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

Here is a summary of some demographic information for this AA:

Demographic Information for Cape May County AA						
Demographic Characteristics	#	% Low	% Moderate	% Middle	% Upper	% NA*
Geographies (Census Tracts)	24	0.00	25.00	50.00	25.00	0.00
Population by Geography	102,326	0.00	23.79	51.50	24.71	0.00
Owner-Occupied Housing by Geography	31,299	0.00	21.44	50.49	28.06	0.00
Businesses by Geography	12,040	0.00	19.68	54.95	25.37	0.00
Farms by Geography	316	0.00	18.04	56.01	25.95	0.00
Family Distribution by Income Level	27,469	18.91	18.76	21.69	40.64	0.00
Household Distribution by Income Level	42,140	23.66	17.68	18.80	39.86	0.00
Median Family Income = \$53,527		Median Housing Value = \$185,463				
HUD Adjusted Median Family Income for 2010 = \$68,100		Unemployment Rate** = 7.4%				
Households Below the Poverty Level = 8.3%						

Source: 2000 U.S. Census

(*) The NA category consists of geographies that have not been assigned an income classification.

(**) Cape May County, NJ Unemployment Rate – August 2011 – Not seasonally adjusted.

The Cape May County AA contains 24 census tracts. It is comprised of six moderate-income tracts (25%), 12 middle-income tracts (50%), and six upper-income tracts (25%). There are no low-income tracts contained within the AA. The AA is not considered a distressed or underserved area.

The 2000 U.S. Census data reported the total population of the AA at 102,326. This population was comprised of 42,140 households, and 27,469 families. There are a total of 91,047 housing units, of which, 85 percent were one to four family units and 16 percent were rental units. Owner-occupied housing is 34 percent, rental occupied units were 12 percent, and vacant housing was 54 percent due to the large number of vacation homes. The median housing cost is \$185,463.

The median family income was \$53,527 and the 2010 HUD updated median family income is \$68,100. Approximately 8 percent of households are below the poverty level.

Approximately 19 percent of the families in the AA are low-income, 19 percent are moderate-income, 22 percent are middle-income, and 40 percent are upper-income.

The current local economy for the Cape May County AA can be described as poor due to the continued poor economy and housing market. Cape May County's economy is primarily driven by tourism and healthcare. The largest employers in Cape May County are Cape Regional Medical Center, the Cape May County government, and Wawa. The unemployment rate not seasonally adjusted, as of August 2011, for Cape May County, NJ is 7.8 percent, which is up slightly from 7.4 percent in August 2010. Cape May County's unemployment rate is usually much lower during the summer months due to the tourist industries. During the off-season, unemployment rates increase significantly. For example, the unemployment rate for February 2011 was 17.1 percent.

Cape May County, NJ is a fairly competitive market, as Franklin Bank faces competition from larger national and community banks. The bank's primary competitors include Sturdy Savings Bank, Cape Bank, TD Bank, Bank of America, and Wells Fargo Bank.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Franklin Bank's performance under the lending test is satisfactory. The borrower distribution portion of the test received the majority of the weight. Franklin Bank was found to have reasonable penetration among borrowers of different income levels. Franklin Bank's geographical distribution of loans was also reasonable, but did not receive a lot of weight because the bank's combined AAs only contains 2 low-income tracts and 17 moderate-income census tracts versus 88 middle- and upper-income geographies.

For both of these analyses, more weight was placed on the Salem County AA as this AA accounted for 58 percent of home mortgage loans by number and 54 percent of home mortgage loans by dollar amount, whereas the Gloucester County AA accounted for 30 percent of home mortgage loans by number and 33 percent by dollar. The Cape May County AA accounted for only 12 percent of home mortgage loans by number and 13 percent by dollar and therefore was given minimal weight in the lending test.

All criteria of the lending test are documented below:

Loan-to-Deposit Ratio (LTD)

Franklin Bank's net loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and the various AA credit needs. The bank's quarterly average net loan-to-deposit ratio over the 10 quarters since the last CRA examination was 86.11 percent. During this time period, the ratio ranged from a quarterly low of 80.13 percent to a quarterly high of 89.22 percent.

The bank's net loan-to-deposit ratio compares favorably with other financial institutions of similar size, location and product offerings. Franklin Bank ranks 6th among a total of

18 financial institutions headquartered in Southern New Jersey with less than \$400 million in total assets. The average net loan-to-deposit ratios for these 18 banks over the same 10 quarters equaled 73 percent with individual bank averages ranging from 37 percent to 94 percent.

Lending in Assessment Area

A substantial majority of Franklin Bank’s home mortgage loans were made within its combined AAs. The following table details the bank’s lending within the AA by number and dollar amount of loans. Eighty-two percent of home mortgage loans (by count), and 81 percent of home mortgage loans (by dollar) were made within Franklin Bank’s combined AAs.

Table 1 - Lending in Franklin Combined AAs										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	94	66.67	47	33.33	141	12,265	73.05	4,525	26.95	16,790
Home Refinance	228	85.39	39	14.61	267	27,972	84.38	5,179	15.62	33,151
Home Improvement	114	91.94	10	8.06	124	7,689	80.96	1,808	19.04	9,497
Totals	436	81.95	96	18.05	532	47,926	80.63	11,512	19.37	59,438

Source: HMDA loan data 1/1/2009-6/30/2011

Lending to Borrowers of Different Incomes

The distribution of loans reflects a reasonable penetration among individuals of different income levels. The borrower distribution for loans in both the Salem County AA and the Gloucester County AA were good. The limited scope review of the Cape May County AA revealed that the bank’s home mortgage lending performance was also good.

Performance in the Salem County AA

The borrower distribution of home mortgage loans in the Salem County AA is good. In our analysis, we considered how affordable it was for low-income individuals to purchase a home and we also considered the poverty rate. The average median housing value in the Salem County AA was \$104,401. The 2010 HUD updated median family income was \$78,300. The maximum income which is considered low-income is \$39,150. Additionally, over 9 percent of households are below the poverty level and earn even less than that. Therefore, the opportunities for home mortgage lending to low-income borrowers would be limited. As a result, we placed more emphasis on the bank’s lending to moderate-income borrowers.

The percentage of home purchase loans originated to low-income borrowers is somewhat lower than the percentage of low-income borrowers within the Salem County AA. However, the percentage of home purchase loans originated to moderate-income families exceeds the percentage of moderate-income families within the AA.

The percentage of home improvement loans originated to low-income borrowers is lower than the percentage of low-income families in the AA. However, the percentage of home purchase improvement loans originated to moderate-income families is near to the percentage of moderate-income families within the AA.

The percentage of home refinance loans originated to low-income borrowers is lower than the percentage of low-income families in the AA. However, the percentage of home refinance improvement loans originated to moderate-income families exceeds the percentage of moderate-income families within the AA.

The following, Table 2A, shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2009 through June 30, 2011 as compared to the percent of families in each income category.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	22.65	14.29	20.90	26.53	24.60	24.49	31.85	34.69
Home Improvement	22.65	7.02	20.90	17.54	24.60	31.58	31.85	43.86
Home Refinance	22.65	9.63	20.90	21.48	24.60	28.15	31.85	40.74

Source: HMDA data for 1/1/2009-6/30/2011 and HUD-updated 2000 U.S. Census data. Income was not available for 11.7% of home purchase loans originated and 3.5% of home refinance loans originated.

Performance in the Gloucester County AA

The borrower distribution of home mortgage loans in the Gloucester County AA is good. In our analysis, we considered how affordable it was for low-income individuals to purchase a home and we considered the poverty rate. The average median housing value in the Gloucester County AA was \$120,887. The 2010 HUD updated median family income was \$83,500. The maximum income which is considered low-income is \$41,750. Additionally, almost 7 percent of households are below the poverty level and earn even less than that. Therefore, the opportunities for home mortgage lending to low-income borrowers would be limited. As a result, we placed more emphasis on the bank’s lending to moderate-income borrowers.

The percentage of home purchase loans originated to low-income borrowers is lower than the percentage of low-income borrowers within the AA. However, the percentage of home purchase loans originated to moderate-income families significantly exceeds the percentage of moderate-income families within the AA.

The percentage of home improvement loans originated to low-income borrowers is lower than the percentage of low-income families in the AA. However, the percentage of home purchase improvement loans originated to moderate-income families is near to

the percentage of moderate-income families within the AA.

The percentage of home refinance loans originated to low-income borrowers is significantly lower than the percentage of low-income families in the AA. However, the percentage of home refinance improvement loans originated to moderate-income families is near to the percentage of moderate-income families within the AA.

The following, Table 2B, shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2009 through June 30, 2011 as compared to the percent of families in each income category.

Table 2B - Borrower Distribution of Residential Real Estate Loans in Gloucester County 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	17.69	8.00	18.42	44.00	25.87	20.00	38.02	28.00
Home Improvement	17.69	5.13	18.42	15.38	25.87	46.15	38.02	33.33
Home Refinance	17.69	3.39	18.42	15.25	25.87	32.20	38.02	49.15

Source: HMDA data for 1/1/2009-6/30/2011 and HUD-updated 2000 U.S. Census data. Income was not available for 11.7% of home purchase loans originated and 3.5% of home refinance loans originated.

Performance in the Cape May County AA (limited scope review)

Based on a limited scope review, the borrower distribution of home mortgage loans in the Cape May County AA is good when considering how difficult it is for a low-income borrower to qualify for a home mortgage loan.

The following, Table 2C, shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2009 through June 30, 2011 as compared to the percent of families in each income category.

Table 2C - Borrower Distribution of Residential Real Estate Loans in Cape May County 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	18.91	0.00	18.76	22.22	21.69	22.22	40.65	55.56
Home Improvement	18.91	11.11	18.76	16.67	21.69	22.22	40.65	50.00
Home Refinance	18.91	11.54	18.76	15.38	21.69	30.77	40.65	42.31

Source: HMDA data for 1/1/2009-6/30/2011 and HUD-updated 2000 U.S. Census data. Income was not available for 11.7% of home purchase loans originated and 3.5% of home refinance loans originated.

Geographic Distribution of Loans

The distribution of home mortgage loans reflects a reasonable dispersion throughout Franklin Bank’s AAs. The geographic distribution of home mortgage loans in the Salem County AA was good which offset the poor geographic distribution of home mortgage loans in the Gloucester County AA. The limited scope review of the Cape May County AA revealed that the bank’s geographic distribution of home mortgage loans within that AA was adequate. There were no conspicuous gaps identified within the three AAs.

Performance in the Salem County AA

The geographic distribution of home mortgage loans in the Salem County AA is good. However, this portion of the test was not given as much weight as the borrower distribution portion since the AA contains only 2 low-income and 5 moderate-income geographies. We also considered that 44 percent of families residing in the 7 low- and moderate-income geographies are considered low-income and 18 percent are below the poverty level.

The percentage of home purchase loans made in low-income geographies exceeds the percentage of owner-occupied housing units in low-income geographies. Meanwhile, the percentage of home purchase loans made in moderate-income geographies is significantly lower than the percentage of owner-occupied housing units in moderate-income geographies.

The percentage of home improvement loans made in both the low- and moderate-income geographies exceeds the percentage of owner-occupied housing in these geographies. Meanwhile, the percentage of home refinance loans made in both the low- and moderate-income geographies is somewhat lower than the percentage of owner-occupied housing in these geographies.

The following, Table 3A, details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level for the period of January 1, 2008 through June 30, 2010.

Table 3A - Geographic Distribution of Residential Real Estate Loans in Salem County 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	3.80	5.45	14.42	1.82	81.78	92.73	N/A	N/A
Home Improvement	3.80	7.02	14.42	15.79	81.78	77.19	N/A	N/A
Home Refinance	3.80	0.72	14.42	8.63	81.78	90.65	N/A	N/A

Source: HMDA data for 1/1/2009-6/30/2011 and 2000 U.S. Census data

Performance in the Gloucester County AA

The geographic distribution of home mortgage loans in the Gloucester County AA is poor. However, this portion of the test was not given much weight as the AA contains no low-income census tracts and only 6 moderate-income census tracts. In addition, 35 percent of families residing in the 6 moderate-income geographies are considered low-income and 11 percent are below the poverty level; thus making it difficult for these individuals to qualify for a home mortgage loan. Therefore, the opportunity to originate home mortgage loans in the 6 moderate-income geographies is limited.

This is evidenced by the fact that the percentages of all 3 types of home mortgage loans (home purchase, home improvement, and home refinance) made within the 6 moderate-income geographies were lower than the percentage of owner-occupied units contained within these geographies.

The following, Table 3B, details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level for the period of January 1, 2008 through June 30, 2010.

Table 3B - Geographic Distribution of Residential Real Estate Loans in Gloucester County 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	N/A	N/A	8.08	3.33	76.68	83.33	15.24	13.33
Home Improvement	N/A	N/A	8.08	2.56	76.68	71.79	15.24	25.64
Home Refinance	N/A	N/A	8.08	3.23	76.68	79.03	15.24	17.74

Source: HMDA data for 1/1/2009-6/30/2011 and 2000 U.S. Census data

Performance in the Cape May County AA (limited scope review)

Based on a limited scope review, the geographic distribution of home mortgage loans in the Cape May County AA is adequate when considering there are no low-income geographies and only 6 moderate-income geographies. We also took into account Franklin Bank’s limited market share in this AA.

The following, Table 3C, details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level for the period of

January 1, 2009 through June 30, 2011.

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	N/A	N/A	21.44	11.11	50.49	77.78	28.06	11.11
Home Improvement	N/A	N/A	21.44	11.11	50.49	22.22	28.06	66.67
Home Refinance	N/A	N/A	21.44	14.81	50.49	25.93	28.06	59.26

Source: HMDA data for 1/1/2009-6/30/2011 and 2000 U.S. Census data

Qualified Loans, Investments, and CD Services (optional)

During the evaluation period, Franklin Bank participated in the origination of a \$10.1 million community development loan for the purpose of constructing 86 affordable rental units within the Gloucester County AA. All rental units will be leased to households earning less than 60 percent of the area median income, which means they would all be considered LMI households. The funding for the loan was organized by TICIC with six area banks as participants. Franklin Bank’s share of the loan is \$1.2 million which represents six percent of the bank’s Tier 1 Capital. This amount is considered good and reflects positively on the bank’s CRA performance in the Gloucester County AA.

The community development services Franklin Bank provides also reflects positively on the overall bank’s CRA performance, especially in the Salem County AA. During the evaluation period, 12 bank employees provided financial expertise and/or leadership services to 17 different qualifying community development organizations serving the combined AAs. The breakdown for each AA is as follows:

Assessment Area	# of Employees	# of Organizations
Salem County	10	13
Gloucester County	1	2
Cape May County	1	3

Responses to Complaints

Franklin Bank did not receive any CRA related complaints during this 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.