



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 30, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Ben Franklin Bank of Illinois
Charter Number 715152

830 East Kensington Road
Arlington Heights, IL 60004-6397

Office of the Comptroller of the Currency

Chicago Field Office
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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.

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INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is more than reasonable.
- The majority of the bank's primary loan products are within the bank's assessment areas (AA).
- The bank's distribution of loans represents a reasonable penetration among individuals of different income levels.

SCOPE OF EXAMINATION

We evaluated Ben Franklin Bank of Illinois's (Ben Franklin) record of meeting the credit needs of the community, consistent with the provisions set forth in the Community Reinvestment Act (CRA).

This examination included a review of the bank's two assessment areas (AAs), which consist of designated census tracts in the Cook County Metropolitan Division (MD) and the Lake County MD. In order to determine the bank's lending performance, we selected primary products for each AA using the percentage and dollar amount of loans originated between January 1, 2009 and December 31, 2011. Based on this analysis, we determined that residential real estate loans are the bank's primary products. We used the Home Mortgage Disclosure Act (HMDA) loan application register (LAR) data over the same time period noted above to conduct our analysis.

The Cook County AA carried the most weight in assigning the overall rating for the bank. This assessment area contains all of the bank's branches and the majority of deposits. As a result, the Lake County AA received only a limited scope review.

DESCRIPTION OF INSTITUTION

Ben Franklin is a \$104 million federally-chartered savings bank located in the northwest suburbs of Chicago. Ben Franklin is wholly owned by Ben Franklin, MHC, a one bank holding company. In addition to the main office located in Arlington Heights, IL, Ben Franklin operates one full-service branch located in Rolling Meadows, IL. Each office has one 24-hour deposit-taking automated teller machine (ATM). Since the last CRA examination, the bank closed one full-service drive-up office and its corresponding ATM in September 2008. This branch was located in a middle-income census tract.

As of March 31, 2012, the bank had net loans of \$83 million, representing 80 percent of total assets and 87 percent of total deposits. The loan portfolio is comprised of residential real estate mortgages (58 percent), commercial loans (37 percent), and consumer loans (5 percent).

Ben Franklin is a full-service bank offering a wide range of products and services for individuals. Loan products include residential mortgage loans, commercial real estate loans, multi-family real estate loans, commercial business loans, construction and land loans, and consumer loans. In addition to these loan products, the bank offers free checking and ATM services. Ben Franklin is a participating lender in the Illinois State Treasurer's "Our Own Home" loan program, and is an approved lender in the Village of Arlington Heights' community grant housing program.

Ben Franklin's business strategy is to operate as a community bank. Its primary focus is to develop and build profitable customer relationships across all lines of business, while maintaining its role as a community bank. As part of its business strategy, the bank sells loans on the secondary market to Amerisave, a nationwide direct mortgage lender, which are not reported on its HMDA LAR. By selling these loans to Amerisave, the bank increases its lending capability within its market.

There are no legal, financial, or other factors that impede the bank's ability to help meet the credit needs in its assessment area. Ben Franklin received a Satisfactory rating on its last CRA evaluation dated September 12, 2007.

DESCRIPTION OF ASSESSMENT AREA(S)

Ben Franklin has two assessment areas in the Chicago Metropolitan Statistical Area. Since the last CRA examination, the bank has increased its lending footprint and subsequently updated its AA to include 194 census tracts in the Cook County MD and 76 census tracts in the Lake County MD.

Competition among financial institutions within the AAs is high. Ben Franklin competes with large national and regional banks within its market. According to the FDIC's June 30, 2011 Deposit Market Share Report, Ben Franklin ranks 114th of 162 institutions in its market and holds 0.05% percent of the market share. The bank faces intense competition within its market area, both in making loans and attracting deposits. Some of the bank's competitors offer products and services that it currently does not offer, such as trust services and private banking.

The bank's market area has been affected by the current economic downturn and slow recovery, which has caused real estate values to decline over the past few years. In addition, high unemployment rates have had an adverse effect on borrowers' abilities to qualify for loans. The economic downturn has also resulted in increased foreclosures and a decline in new housing developments within the market area.

A significant majority of the communities served by Ben Franklin are middle- and upper-income, leaving only a small amount of low- and moderate-income families dispersed throughout the bank's AAs. During our examination, we contacted a local organization to better understand the credit needs of the community. Lending needs in the northwest suburbs are flexible, affordable home improvement loans that are not

dependent on credit scores; first-time homebuyer loans; government guaranteed mortgages; and mortgages with down payment assistance.

Cook County AA

The Cook County AA consists of 194 contiguous census tracts located in the Cook County MD. This area consists of 112 upper-income tracts, 76 middle-income tracts, 6 moderate-income tracts, and no low-income tracts. It includes census tracts where the bank's branches are located and the surrounding census tracts in which the bank can reasonably service. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income census tracts.

The unemployment rate in Cook County was 9.3 percent as of March 31, 2012, compared to the Illinois average of 9.4 percent. Based on 2000 census data, 4.2 percent of households within the Cook County AA live below the poverty level.

Per the 2000 census, the total population of the AA was 1,054,131, the median household income was \$67,781, and there were 276,971 families. Of these families, 11 percent were low-income, 15 percent were moderate-income, 22 percent were middle-income, and 52 percent were upper-income. The HUD updated median family income for 2011 was \$76,200.

The 2000 Census data shows that there were 408,218 housing units within this AA. Of these, 74 percent were owner-occupied, 23 percent were rentals, and 3 percent were vacant. The median housing value in the AA was \$226,175.

Lake County AA

The Lake County AA consists of 76 contiguous census tracts located in the Lake County MD. This area consists of 57 upper-income tracts, 12 middle-income tracts, 7 moderate-income tracts, and no low-income tracts. The bank has no branches or deposit-taking ATMs within this AA; however, it does originate a substantial number of loans within this AA. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income census tracts.

The unemployment rate in Lake County was 10.3 percent as of March 31, 2012, compared to the Illinois average of 9.4 percent. Based on 2000 census data, 3.1 percent of households within the Lake County AA live below the poverty level.

Per the 2000 census, the total population of the Lake AA was 325,049, the median household income was \$91,851, and there were 84,891 families. Of these families, 11 percent were low-income, 13 percent were moderate-income, 19 percent were middle-income, and 57 percent were upper-income. The HUD updated median family income for 2011 was \$90,300.

The 2000 Census data showed that there were 111,704 housing units in the Lake AA. Of these, 81 percent were owner-occupied, 16 percent were rentals, and 3 percent were vacant. The median housing value in the AA was \$296,292.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance under the Lending Test is Satisfactory.

Loan-to-Deposit Ratio

Ben Franklin's net loan-to-deposit (LTD) ratio is more than reasonable given the bank's size and the credit needs of the AA. The bank's LTD ratio averaged 98 percent over the 19 quarters since the last CRA examination. This ratio ranged from a quarterly low of 87 percent (1Q12) to a quarterly high of 108 percent (2Q08). It is also notable that the bank's average LTD ratio does not reflect all home mortgage lending activity, as the bank sells mortgages in the secondary market.

The bank's LTD ratio compares favorably with other financial institutions of similar size and location. Ben Franklin ranks second among a total of five similarly situated banks. The average LTD ratios for the other four banks over the same 19 quarters ranged from 47% to 100%.

Lending in Assessment Area

Ben Franklin originates a majority of its loans to borrowers inside its AAs. Loans originated to individuals within the bank's AAs totaled 60 percent by number and 57 percent by dollar volume. The following table details the bank's lending within its AAs during the evaluation period.

Lending in Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	14	45.16	17	54.84	31	1,990	44.48	2,484	55.52	4,474
Refinance	61	63.54	35	36.46	96	11,831	59.36	8,099	40.64	19,930
Home Improvement	11	68.75	5	31.25	16	640	62.50	384	37.50	1,024
Totals	86	60.14	57	39.86	143	14,461	56.87	10,967	43.13	25,428

Source: HMDA Data

Lending to Borrowers of Different Incomes

The distribution of loans reflects a reasonable penetration among individuals of different income levels.

Full Scope

Performance in the Cook County AA

The borrower distribution of loans in the Cook County AA is reasonable. Lending to low-income families is considered excellent given the AAs unemployment rate of 9.3 percent and poverty rate of 4 percent. The distribution of loans to moderate-income families is poor, but mitigated by the excellent penetration to low-income families. The following table shows the distribution of home loans among borrowers of different income levels:

Borrower Distribution of Residential Real Estate Loans in the Cook 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 Loans	11.01	10.00	14.52	5.71	21.80	8.57	52.68	74.29

Source: HMDA Data and 2000 U.S. Census Data (Income data not reported = 1.53%)

The distribution of home loans reflects reasonable penetration compared to other HMDA lenders. While the bank’s lending to moderate-income borrowers is significantly lower than other HMDA lenders, lending to low-income families greatly exceeds that of other area lenders. The following table shows the distribution of home loans compared to other HMDA lenders:

Borrower Distribution of Residential Real Estate Loans Compared to Aggregate HMDA Reporting Banks								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of HMDA Lenders	% of Number of Loans	% of HMDA Lenders	% of Number of Loans	% of HMDA Lenders	% of Number of Loans	% of HMDA Lenders	% of Number of Loans
Home Loans	4.99	10.00	14.47	5.71	23.56	8.57	56.98	74.29

Source: HMDA Data & 2000 U.S. Census Data (Income data not reported = 1.53%)

Limited Scope

Performance in the Lake County AA

Based upon a limited scope review, the bank’s performance in the Lake County AA under the lending test for borrower distribution is not inconsistent with its performance in the full scope AA.

Geographic Distribution of Loans

The geographic distribution of loans in the AA reflects a reasonable dispersion throughout census tracts of different income levels. The geographic distribution test received less weight than the borrower distribution test as lending opportunities to low- and moderate-income census tracts within the AAs are limited.

Full Scope

Performance in the Cook County AA

The geographic distribution of loans within this AA is reasonable. While the bank did not lend within any low- or moderate-income census tracts, lending opportunities within this AA are limited as there are no low-income tracts and only six moderate-income tracts. Additionally, only 1.58 percent of the housing units are owner-occupied within the low- and moderate-income tracts in this AA. The low percentage of owner-occupied housing units in this AA reflects the limited lending opportunities for originating home loans in these tracts. The bank did not receive any loan applications located in a low- or moderate-income census tract during the evaluation period. The following table shows the distribution of home loan products among census tracts of different income levels:

Geographic Distribution of Residential Real Estate Loans in the Cook 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 Loans	0.00	0.00	1.58	0.00	42.07	22.86	56.34	77.14

Source: HMDA Data & 2000 U.S. Census Data

The geographic distribution of home loans reflects reasonable dispersion compared to other HMDA lenders. Lending in low- and moderate-income census tracts within the AA is in-line with all other HMDA lenders. The following table shows the geographic distribution of home loans compared to other HMDA lenders:

Geographic Distribution of Residential Real Estate Loans Compared to Aggregate HMDA Reporting Banks								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of HMDA Lenders	% of Number of Loans	% of HMDA Lenders	% of Number of Loans	% of HMDA Lenders	% of Number of Loans	% of HMDA Lenders	% of Number of Loans
Home Loans	0.00	0.00	1.80	0.00	34.72	22.86	63.48	77.14

Source: HMDA Data & 2000 U.S. Census Data

Limited Scope

Performance in the Lake County AA

The bank's lending performance within geographies of different income levels within this AA is not inconsistent with its performance in the full scope AA.

Responses to Complaints

The bank did not receive any 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.