



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Public Disclosure

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Community Reinvestment Act Performance Evaluation

Franklin Bank, N.A.
Charter Number: 22107

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Southfield, Michigan 48034

Office of the Comptroller of the Currency

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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, and should not 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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Overall CRA Rating

Institution’s CRA Rating: This institution is rated **Satisfactory**.

The following table indicates the performance level of Franklin Bank, N.A. with respect to the Lending, Investment, and Service Tests:

Performance Levels	Franklin Bank, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High Satisfactory			
Low Satisfactory			X
Needs to Improve		X	
Substantial Noncompliance			

* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating:

- Overall geographic distribution and borrower distribution of loans is excellent.
- Community development lending is excellent and has a positive impact on the lending test rating.
- The level of qualified investments is low in relation to the bank’s size, capacity, and the investment opportunities available in the assessment area. Investment performance is poor.
- Delivery systems are reasonably accessible to all geographies and individuals of different income levels throughout the assessment area. The level of CD services is adequate.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Assessment Area (AA): A geographic area an institution selects as the community that its regulator will assess the institution's record of CRA performance. An institution may have multiple assessment areas.

Block Numbering Area (BNA): A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home Mortgage Loans: Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes loans for multifamily (five or more families) dwellings, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any primary metropolitan area (PMA), metropolitan area (MA), or consolidated metropolitan area (CMA), as defined by the Office of Management and Budget, with a population of 250,000 or more, and any other area designated as such by the appropriate federal financial supervisory agency.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A state or multi-state metropolitan area. For institutions with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution has domestic branches in more than one state, the institution will receive a rating for each state in which branches are located. An institution with branches in two or more states within a multi-state metropolitan area will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as non-mortgage, commercial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

Description of Institution

Franklin Bank, N.A. (Franklin) is a full-service intrastate bank headquartered in Southfield, Michigan. As of December 31, 2002, the bank had assets totaling \$542 million, deposits totaling \$429 million, and Tier One capital of \$43 million. Franklin operates five office locations. For CRA purposes, Franklin has one assessment area (AA), comprised of portions of Oakland, Wayne, and Macomb Counties in the metropolitan Detroit area. A description of the AA is provided in appendix B.

Franklin is a wholly owned subsidiary of Franklin Bancorp, a one-bank holding company also headquartered in Southfield. The holding company was formed in October 2002 and has no other affiliates. No merger or acquisition activity occurred during the evaluation period, although one branch was opened in January 2003.

Franklin's primary focus is serving small and medium size businesses and their owners with loan and deposit products and services. The bank also offers residential and consumer products, but activity is limited. Franklin extends home improvement loans through a contractor / dealer network program sponsored by a regional utility company. During the evaluation period, nearly all of Franklin's residential-related lending was done in connection with this statewide program, with the majority of activity occurring outside of the AA.

The bank's loan portfolio, totaling \$333 million at year-end 2002, is 74 percent real estate loans, 19 percent commercial loans, and 7 percent loans to individuals. Within the real estate segment, 54 percent are commercial, 21 percent are multifamily, 13 percent are construction and development loans, and 12 percent residential loans.

No legal impediments hinder Franklin's ability to address community needs. The last CRA evaluation was performed as of October 4, 1999, which resulted in a "satisfactory" rating.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period for the Lending, Investment and Service Tests is October 5, 1999 through January 21, 2003. The start of the evaluation period corresponds to the date that the prior evaluation was performed. Our analysis focused on HMDA and small loans to businesses data for 2000, 2001, and 2002. The review period for CD loans, qualified investments, and CD services is October 5, 1999 through January 21, 2003. Refer to appendix A for additional information.

Data Integrity

Prior to conducting this CRA evaluation, we tested the accuracy of Franklin's publicly filed information on home mortgage loans, and small loans to businesses and farms. We also reviewed CD loans, qualified investments, and CD services to ensure that they met the regulatory definition for CD. We determined that the degree of accuracy of small business/farm data and CD data was not sufficient. Management made corrections to its 2000 and 2001 small business/farm data, and took additional steps to ensure that 2002 data were filed accurately. This evaluation is based on corrected data.

Selection of Areas for Full-Scope Review

We performed a full-scope review on Franklin's only AA, a portion of the Detroit MA. Refer to appendix A for more information.

Ratings

The bank's overall rating is based on our assessment of Franklin's performance in its AA.

When determining conclusions for the Lending Test, loan products were weighted according to their relative volume based on both number of loans and loan dollars. Consideration was also given to the bank's business focus, as well as identified needs of the AA. Home mortgage loans, centered in home improvement, were weighed greater than small loans to businesses.

Other

Our evaluation took into consideration information derived from members of the local community. We contacted two local community organizations that focus on affordable housing, and three governmental offices that focus on business development, economic development, and affordable housing. The contacts identified a need for affordable single-family and multifamily housing units; the need to rehabilitate existing homes, including those in low- and moderate-income neighborhoods; and the need for additional business financing.

During our evaluation we determined that there have been opportunities for financial institutions to extend CD loans, make qualified investments, and provide CD services within the AA. This is further discussed within the Market Profile section in appendix B.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "Outstanding." Based on a full-scope review, the bank's performance in the Detroit MA is excellent.

Lending Activity

Refer to Table 1 Lending Volume and Table 1 Other Products in appendix C for the facts and data used to evaluate the bank's lending activity.

Franklin's lending levels reflect a good responsiveness to addressing the credit needs of the AA. During the evaluation, Franklin reported 4,075 loans totaling \$117.8 million within the AA. Based on the number of loans, 85 percent are home mortgages, 15 percent are small loans to businesses, and less than one-half of one percent are CD loans. Based on loan dollars, 34 percent are home mortgages, 63 percent are small loans to businesses, and 3 percent are CD loans.

While Franklin is not an active home purchase or home refinance lender, Franklin is one of the leading home improvement lenders in the AA, ranked first in 2001 and second in 2000 among HMDA reporters. While Franklin's deposit market share is less than one percent, its share of the home improvement market was over 15 percent in 2001. Franklin's small business loan activity has been commensurate with its size and deposit market share. Franklin's share of the small business loan market was also less than one percent in 2001. As Franklin did not originate or purchase any small loans to farms, analyses of that product line are not included in this evaluation.

Distribution of Loans by Income Level of the Geography

The overall geographic distribution of loans reflects excellent penetration throughout the AA. The distribution of home mortgage loans is excellent and the distribution of small loans to businesses is good.

Home Mortgage Loans

Refer to Tables 2, 3, 4 and 5 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The geographic distribution of Franklin's home mortgage loans by income level is excellent, based primarily on home improvement loan activity. The percentage of Franklin's home improvement loans in both low-income and moderate-income geographies substantially exceeds the percentage of owner-occupied housing units that are within those geographies.

Furthermore, Franklin's 2001 market share in both low-income and moderate-income geographies exceeds the bank's overall home improvement market share in the AA.

Home refinance activity was limited during the evaluation period. Franklin had no home refinance lending activity in low-income geographies. The percentage of Franklin's home refinance loans in moderate-income geographies is significantly higher than the percentage of owner-occupied housing units that are within those geographies. The volume of Franklin's home refinance lending activity is too small to perform a meaningful market share analysis.

The geographic distribution of multifamily loans is excellent, although the volume of loans is small. The percentage of Franklin's multifamily loans in both low-income and moderate-income geographies substantially exceeds the percentage of multifamily housing units located within those geographies. While Franklin did not make or purchase any multifamily loans in low-income geographies in 2001, its market share in moderate-income geographies substantially exceeded its overall multifamily market share in the AA.

Franklin reported eight home purchase loans for the evaluation period. A geographic distribution analysis using a small number of loans is not meaningful. It is noted that one loan was made in a low-income geography, and none were made in moderate-income geographies.

Small Loans to Businesses

Refer to Table 6 in appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

The geographic distribution of Franklin's small loans to businesses by income level is good. The percentage of Franklin's loans in low-income geographies is below the percentage of businesses that are within those geographies. The percentage of Franklin's loans in moderate-income geographies is near the percentage of businesses that are within those geographies. Franklin's market shares of small loans to businesses in both low-income and moderate-income geographies are lower than the bank's overall small business market share. Significant weight is not placed on market share information. As Franklin's market shares are very small, differences in performance levels are represented by small numbers of loans.

Lending Gap Analysis

We reviewed maps and reports of Franklin's home mortgage loans and small loans to businesses in the AA to identify gaps in the geographic distribution of these loans. We did not identify any unexplained conspicuous gaps in lending.

Inside/Outside Ratio

A reasonable percentage of Franklin's reported loans are located within the bank's AA, given the manner in which Franklin operates. Based on the number of loans, 38 percent of home mortgage loans (primarily home improvement loans), 77 percent of small loans to businesses, and 52 percent of CD loans are to borrowers located in the AA. Overall, 41 percent of loans

reported by Franklin are located in the AA. When drawing conclusions, we considered that Franklin primarily extends home improvement loans through a statewide contractor / dealer network program sponsored by a regional utility company. Under this arrangement, Franklin has no control over where loan applications originate. The home improvement loans made during the evaluation period adequately addressed the needs of the bank's AA. Therefore, the low inside/outside ratio for home improvement loans did not impact our conclusions regarding the bank's geographic distribution of lending.

Distribution of Loans by Income Level of the Borrower

The overall borrower distribution is excellent. The distribution of Franklin's home mortgage loans is excellent and the distribution of small loans to businesses is good.

Home Mortgage Loans

Refer to Tables 8, 9, and 10 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The distribution of Franklin's home mortgage loans by borrower income level is excellent, based primarily on home improvement loan activity. The percentage of Franklin's home improvement loans to both low-income and moderate-income borrowers substantially exceeds the percentages of low-income and moderate-income families within the AA, respectively. Furthermore, Franklin's 2001 market share to low-income borrowers significantly exceeds the bank's overall home improvement market share in the AA. Franklin's home improvement share of moderate-income borrowers slightly exceeds the bank's overall market share for this product line.

During the evaluation period, Franklin made no home purchase loans to low- or moderate-income individuals, and had no home refinance lending activity to low-income borrowers. The percentage of Franklin's home refinance loans to moderate-income borrowers is less than the percentage of moderate-income families within the AA. The volume of Franklin's home purchase and refinance lending activity is too small to perform a meaningful market share analysis.

Small Loans to Businesses

Refer to Table 11 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

The bank's distribution of loans to businesses of different sizes is good. Franklin's percentage of reported loans to businesses with gross annual revenues of \$1 million or less is near to the percentage of businesses in the AA with revenues of \$1 million or less. Franklin's 2001 market share of loans to businesses with revenues of \$1 million or less exceeds the bank's overall market share for small loans to businesses. Significant weight is not placed on market share information. As Franklin's market shares are very small, differences in performance levels are represented by small numbers of loans.

Community Development Lending

Refer to Table 1 Lending Volume in appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all CD loans, including multifamily loans that also qualify as CD loans. In addition, Table 5 includes geographic lending data on all multifamily loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

Franklin's CD lending activity is excellent. Performance has a positive impact on Lending Test conclusions. During the evaluation period Franklin originated 16 CD loans for nearly \$3 million within the AA. All loans were for affordable housing purposes, which is an identified credit need of the AA. Nine loans totaling \$344 thousand were extended to a local community development organization in support of its affordable housing construction and rehabilitation program. The remaining loans were made to finance multifamily affordable housing rental units. None of the loans are innovative or complex in nature.

Overall, Franklin adequately addressed the CD needs of its AA through CD loans, services, and a low level of qualified investments. Therefore, consideration was also given to the 15 CD loans totaling \$7.6 million that Franklin extended outside of its assessment area. The loans were all for affordable housing purposes, and primarily financed multifamily housing units. While located outside of the AA, all are located within the Detroit Metropolitan area. None of these loans are innovative or complex in nature.

Product Innovation and Flexibility

Franklin extends home improvement loans through a contractor / dealer network program sponsored by a regional utility company. This is considered a flexible program as loans, including those to the low- and moderate-income segments of the community, are made in amounts as small as \$1,000. During the evaluation period, nearly all of Franklin's residential-related lending was done in connection with this statewide program, with the majority of activity occurring outside of the AA. The level of Franklin's innovative and flexible loan products had a positive impact on Lending Test conclusions.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the investment test is rated "Needs to Improve." Based on a full-scope review, the bank's performance in the Detroit MA is poor.

Refer to Table 14 in appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Franklin made qualified investments totaling \$37,463 during the evaluation period, and retained no prior period investments. All investments are in the form of cash and in-kind equipment grants to 26 local organizations for CD purposes. The grants helped to address the community's affordable housing needs, social service needs for low- and moderate-income individuals, and small business financing needs. None of the investments are considered innovative or complex. Considering the bank's size and capacity, as well as the opportunities for investment in the AA, this level of performance is poor. In drawing our conclusions, we recognized that qualified investment opportunities exist in the market. Refer to the Market Profile section in appendix B.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the service test is rated "Low Satisfactory." Based on a full-scope review, the bank's performance in the Detroit MA is adequate.

Retail Banking Services

Refer to Table 15 in appendix C for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

Franklin's delivery systems are reasonably accessible to all geographies and individuals of different income levels throughout the AA. All offices are located in middle-income and upper income geographies. While Franklin does not have a physical presence in the low- and moderate-income sections of the AA, lending activity reflects that the bank has adequately reached all segments of the market. Office hours and services do not vary in a way that inconveniences certain portions of the AA, particularly low- to moderate-income geographies and individuals. Office hours vary between offices, but all offices offer some extended service hours. Three offices are open from 8 a.m. to 8 p.m. during the week. The other two offices are open until 7 p.m. one night each week, plus have lobby hours on Saturdays. One office, located in a middle-income section of the City of Troy, was opened in January 2003. No other office openings or closings occurred during the evaluation period.

As an alternative delivery system, Franklin offers access to products and services through ATMs located at each office. Other services include electronic banking, telephone banking, and a courier service. Data was not available to demonstrate the extent that these services impact the availability of products and services in the low- and moderate-income segments of the community. Therefore, we could not place significant weight on these services when drawing our conclusions.

Community Development Services

Franklin provides an adequate level of CD services. Employees work with several local community development organizations to address affordable housing and small business

financing needs. Franklin's primary activities are summarized below.

A bank officer serves on the board of directors of an organization that addresses the affordable housing needs of the local community. The organization provides home improvement and rehabilitation loans in low- and moderate-income neighborhoods, and also conducts homeownership counseling.

Bank officers have participated with two local programs to provide financial literacy workshops for local small business owners. The workshops provide education on topics such as small business financing, business planning, and money management.

A bank employee serves on the board of directors and serves as an officer of a local community development corporation that focuses on a low- and moderate-income section of the community. This organization works to provide job training to low- and moderate-income individuals, workforce development, and business growth and retention.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and non-metropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD Loans): 1/1/2000 thru 12/31/2002 Investment and Service Tests and CD Loans: 10/5/1999 thru 1/21/2003	
Financial Institution	Products Reviewed	
Franklin Bank, N.A. (Franklin)	Home mortgage loans, small loans to businesses, and CD loans.	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	N/A	N/A
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Detroit MA	Full Scope	N/A

Appendix B: Market Profiles for Full-Scope Areas

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Market Profiles for Areas Receiving Full-Scope Reviews

Franklin's Assessment Area.....	Appendix B-2
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Franklin’s AA (Portion of Detroit MA)

Demographic Information for Full-Scope Area: Franklin’s Detroit MA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	510	11.96	17.06	37.45	33.14	0.39
Population by Geography	1,951,521	11.22	17.09	36.78	34.82	0.10
Owner-Occupied Housing by Geography	510,864	6.58	14.11	39.57	39.74	0.00
Businesses by Geography	105,123	3.78	10.37	38.89	46.72	0.24
Farms by Geography	1,519	2.24	11.72	44.24	41.80	0.00
Family Distribution by Income Level	517,880	20.15	15.72	21.09	43.04	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	185,779	21.58	26.59	36.79	15.04	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below the Poverty Level	= \$40,727 = \$69,900 = 11.39%	Median Housing Value Unemployment Rate		= 79,872 = 4.26%		

(*) The NA category consists of geographies that have not been assigned an income classification.
Sources 1990 U.S. Census, 2002 HUD updated MFI, Dun and Bradstreet 2002

Franklin’s AA consists of contiguous portions of Oakland, Wayne, and Macomb Counties within the Detroit MA. Located in southeast Michigan, the area is a mix of urban and suburban neighborhoods within the northern portion of the City of Detroit and its northern suburbs. Franklin management determined that an AA comprised of the entire MA would be too large an area for the bank to reasonably serve given Franklin’s size and capacity. The AA configuration meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. While the substantial majority of the AA’s low- and moderate-income neighborhoods are located within the City of Detroit, low- and moderate-income neighborhoods are also located within eleven other AA municipalities in Macomb and Oakland Counties as well.

According to June 30, 2002 FDIC insured institution deposit data for the three counties in the AA, Franklin is ranked thirteenth in size with less than one percent of the insured deposit market. The institutions with the largest deposit shares in the area are Comerica Bank (26 percent), Standard Federal Bank, N.A. (22 percent), Bank One, N.A. (18 percent), National City Bank of Michigan/Illinois (7 percent), and Charter One Bank, N.A. (7 percent). Competition is strong as 56 insured depository institutions operate a total of 1,024 branches within the three-county area. Competitors include large regional banks and local community institutions. According to aggregate HMDA and CRA data, over 500 lenders reported loan originations in the AA during 2001. Competition for CD loans, qualified investments, and CD services is high, with a large number of banks and holding companies operating in the market.

The local economy is diversified, but is closely tied to the automotive industry. The economy weakened during the evaluation period, and unemployment levels increased. According to the State of Michigan's Local Area Unemployment Statistics information, the average unemployment rate during 2002 was 4.7 percent in Oakland County, 5.8 percent in Macomb County, and 7.2 percent in Wayne County.

Assessment Area Needs

The members of the community we contacted during the evaluation identified a need for affordable single-family and multifamily housing units; the need to rehabilitate existing homes, including those in low- and moderate-income neighborhoods; and the need for additional business financing. The affordable housing needs are also reflected in the City of Detroit 2000-2005 HUD Consolidated Plan, and City of Pontiac 2002-2005 Consolidated Plan. Detroit and Pontiac have the greatest concentrations of low- and moderate-income neighborhoods in the AA.

There have been opportunities for financial institutions to make CD loans, make qualified investments, provide CD services, and participate in CD initiatives. Community resources and opportunities exist where banks can participate to address local credit and CD needs. There are many organizations in the local area that are active in helping to address the housing and economic development needs of the community. Furthermore, various local and state sponsored programs and initiatives exist. Seventy-two low-income housing tax credit projects occurred within Oakland, Wayne, and Macomb Counties during the years 1999 thru 2002. Portions of the AA have been designated as Renaissance Zones by the State of Michigan. Under the program, state and local taxes are reduced to encourage housing improvements, new commercial development, and new jobs. Several of the municipalities within the AA have been designated as eligible distressed areas and qualify to participate in the State's Neighborhood Enterprise Zone program. In these areas property tax relief is available to residential property owners that make home improvements.

Appendix C: Tables of Performance Data

Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area. Tables without data are not included in this PE.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. Refer to Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table

also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm.

Market share information is presented based on the most recent aggregate market data available.

Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL) - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

Table 14. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As __.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

Table 1. Lending Volume

LENDING VOLUME		Geography: MICHIGAN						Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002				
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Review:												
Franklin's Detroit MA AA	100	3,458	40,355	601	74,481	0	0	16	2,964	4,075	117,800	100.00
CD Loans Out of AA	0	0	0	0	0	0	0	15	7,629	15	7,629	0

* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is October 5, 1999 to January 21, 2002

*** Deposit Data as of December 31, 2002. Rated Area refers to the state, multi-state MA, or institution, as appropriate.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		Geography: MICHIGAN						Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002							
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% Owner Occ Units***	% Franklin Loans	% Owner Occ Units***	% Franklin Loans	% Owner Occ Units***	% Franklin Loans	% Owner Occ Units***	% Franklin Loans	Over all	Low	Mod	Mid	Upp
Full Review:															
Franklin's Detroit MA AA	8	100.00	6.58	12.50	14.11	0.00	39.57	25.00	39.74	62.50	0.00	0.06	0.00	0.00	0.00

* Based on 2001 Peer Mortgage Data: Central Region,

** Home purchase loans originated and purchased in the AA as a percentage of all Home Purchase loans originated and purchased in rated areas.

*** Percentage of Owner Occupied Units is the number of owner occupied units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 census information.

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT			Geography: MICHIGAN				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Over all	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% Franklin Loans	% Owner Occ Units***	% Franklin Loans	% Owner Occ Units***	% Franklin Loans	% Owner Occ Units***	% Franklin Loans						
Full Review:																
Franklin's Detroit MA AA	3,403	100.00	6.58	10.81	14.11	22.04	39.57	46.05	39.74	21.10	15.22	25.17	19.19	16.29	10.45	

* Based on 2001 Peer Mortgage Data: Central Region.

** Home improvement loans originated and purchased in the AA as a percentage of all home improvement loans originated and purchased in rated areas.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE			Geography: MICHIGAN				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Over all	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% Franklin Loans	% Owner Occ Units***	% Franklin Loans	% Owner Occ Units***	% Franklin Loans	% Owner Occ Units***	% Franklin Loans						
Full Review:																
Franklin's Detroit MA AA	22	100.00	6.58	0.00	14.11	45.45	39.57	27.27	39.74	27.27	0.00	0.00	0.01	0.00	0.00	

* Based on 2001 Peer Mortgage Data: Central Region.

** Home mortgage refinance loans originated and purchased in the AA as a percentage of all home mortgage refinance loans originated and purchased in rated areas.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY		Geography: MICHIGAN						Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002							
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of MF Units***	% Franklin Loans	% MF Units***	% Franklin Loans	% MF Units***	% Franklin Loans	% MF Units***	% Franklin Loans	Overall	Low	Mod	Mid	Upp
Full Review:															
Franklin's Detroit MA AA	25	100.00	6.76	40.00	14.68	24.00	48.06	36.00	30.51	0.00	5.45	0.00	14.29	4.17	0.00

* Based on 2000 Peer Mortgage Data: Central Region.

** Multifamily loans originated and purchased in the AA as a percentage of all multifamily loans originated and purchased in rated areas.

*** Percentage of Multi-Family Units is the number of multifamily units in a particular geography divided by the number of multifamily housing units in the area based on 1990 Census Information.

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES			Geography: MICHIGAN				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002					Market Share (%) by Geography*				
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Over-all	Low	Mod	Mid	Upp	
	#	% of Total**	% of Businesses***	% Franklin Loans	% of Businesses***	% Franklin Loans	% of Businesses***	% Franklin Loans	% of Businesses***	% Franklin Loans						
Full Review:																
Franklin's Detroit MA AA	601	100.00	3.78	3.00	10.37	9.00	38.89	38.67	46.72	49.33	0.32	0.19	0.22	0.24	0.47	

* Based on 2001Peer Small Business Data: US & PR.

** Small loans to businesses originated and purchased in the MA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet 2002

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: MICHIGAN								Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002					
MA/Assessment Area:	Total Home Purchase Loans	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share					
	#	% of Total**	% Families***	% Franklin Loans****	% Families***	% Franklin Loans****	% Families***	% Franklin Loans****	% Families***	% Franklin Loans****	Overall	Low	Mod	Mid	Upp
Full Review:															
Franklin's Detroit MA AA	8	100.00	20.15	0.00	15.72	0.00	21.09	33.33	43.04	66.67	0.00	0.00	0.00	0.00	0.00

* Based on 2001 Peer Mortgage Data: Central Region.

** As a percentage of loans with borrower income information available. No information was available for 25.00% of loans originated and purchased by Franklin.

*** Percentage of Families is based on the 1990 Census information.

**** Home purchase loans originated and purchased in the AA as a percentage of all home purchase loans originated and purchased in rated areas.

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT		Geography: MICHIGAN					Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002								
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% Franklin Loans****	% Families***	% Franklin Loans****	% Families***	% Franklin Loans****	% Families***	% Franklin Loans****	Over-all	Low	Mod	Mid	Upp
Full Review:															
Franklin's Detroit MA AA	3,403	100.00	20.15	28.18	15.72	28.01	21.09	24.59	43.04	19.22	15.49	26.25	15.64	13.96	9.87

* Based on 2001Peer Mortgage Data: Central Region.

** As a percentage of loans with borrower income information available. No information was available for 33.79% of loans originated and purchased by Franklin.

*** Percentage of Families is based on the 1990 Census information.

**** Home improvement loans originated and purchased in the AA as a percentage of all home improvement loans originated and purchased in rated areas.

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE		Geography: MICHIGAN				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002									
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% Franklin Loans****	% Families***	% Franklin Loans****	% Families***	% Franklin Loans****	% Families***	% Franklin Loans****	Over all	Low	Mod	Mid	Upp
Full Review:															
Franklin's Detroit MA AA	22	100.00	20.15	0.00	15.72	6.25	21.09	0.00	43.04	93.75	0.00	0.00	0.00	0.00	0.00

* Based on 2001 Peer Mortgage Data: Central Region.

** As a percentage of loans with borrower income information available. No information was available for 27.27% of loans originated and purchased by Franklin.

*** Percentage of Families is based on the 1990 Census information.

**** Home mortgage refinance loans originated and purchased in the AA as a percentage of all home mortgage refinance loans originated and purchased in rated areas.

Table11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: MICHIGAN			Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2002				
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share	
	#	% of Total**	% of Businesses***	% Franklin****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
Full Review:									
Franklin's Detroit MA AA	601	100.00	72.26	63.67	72.50	13.67	13.83	0.32	0.63

* Based on 2001 Peer Small Business Data: US& PR.

** Small loans to businesses originated and purchased in the MA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2002).

**** Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses.

No information was available for 0.00% of small loans to businesses originated and purchased by Franklin.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: MICHIGAN				Evaluation Period: OCTOBER 5, 1999 TO JANUARY 21, 2003			
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
Franklin's Detroit MA AA	0	0	26	37	26	37	100	0	0

* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM & BRANCH OPENINGS/CLOSINGS Geography: MICHIGAN Evaluation Period: OCTOBER 5, 1999 TO JANUARY 21, 2003																	
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population			
	% of Rated Area Deposits in AA	# of Franklin Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
Franklin's Detroit MA AA	100	5	100	0	0	60.0	40.0	1	0	0	0	+1	0	11.22	17.09	36.78	34.82

