

PUBLIC DISCLOSURE

March 11, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Franklin Savings Bank
17951**

**387 Central Street
Franklin, New Hampshire 03235**

**Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, New York 10118**

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 RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. A summary of the bank's performance is provided below:

Lending Test

- The average loan-to-deposit (LTD) ratio, at 87.6 percent, is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of the bank's home mortgage loans, including home improvement loans, at 78.8 percent, and small business loans, at 68.2 percent, were inside the institution's assessment area. Additionally, the majority of the bank's loans, by dollar volume, were also inside the assessment area.
- Overall, the geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area. The bank's percentage of home mortgage loans in the area's moderate-income tracts (2012) exceeded the percentage of owner-occupied housing units in the tracts. Additionally, in 2012, the bank's percentage of small business loans in the moderate-income tracts exceeded the percentage of businesses in the moderate-income tracts.
- Overall, the distribution of borrowers reflects, give the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- There were no CRA-related complaints received during the evaluation period; however, a written policy and procedures are in place should a complaint occur. There was no evidence of discriminatory acts or practices detected during a fair lending review.

Community Development Test

- The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate; considering the institution's capacity, the need and availability of such opportunities for community development in the institution's assessment area.

- In 2013, the bank renewed a \$250,000 loan originated in 2008 with a 5-year term and option to renew, to the New Hampshire Community Loan Fund (NHCLF). This non-profit corporation provides access to housing and resources to low- and moderate-income households, and other disadvantaged people; and creates alternative models of financing for community economic development.
- In 2012, FSB originated a \$250,000, 7-year loan to the Senior Housing Crime Prevention Foundation, Inc. to support the State's only Veterans Home. The funds were used to establish a Senior Crimestoppers Program to provide for safe, secure, crime free residences at the New Hampshire Veterans Home (Tilton, New Hampshire). Approximately 80 percent of the veterans are low- or moderate-income. There is an option to renew this loan for an additional 7 years; however, this is not an automatic renewal. The loan is secured by various American Restoration and Recovery Act bonds totaling \$1.5 million. The American Restoration and Recover Act was established to assist with job creation (many low- and moderate-income) and revitalization projects. New Hampshire, including portions of the assessment area, have benefited from this organization.
- In 2011, the bank originated a \$295,000 to Lakes Region United Way (LRUW) to refinance an existing loan and payoff other debt. The organization primarily serves low- and moderate-income individuals and families. LRUW partners with several organizations to ensure access to affordable, quality early learning, and out-of-school programs. LRUW strives to create financial independence and stability for residents most susceptible to poverty. LRUW promotes the social, cultural, educational, environmental, and economic well-being of its citizens regardless of age, abilities, and status.
- In 2011, the bank originated a \$3.5 million construction loan for an energy efficient academic building. The Spaulding Youth Center is a leading provider of high-quality educational, therapeutic, residential, community-based and foster care programs for boys and girls with autism, neurological impairments, and/or behavioral challenges from New Hampshire and other New England states. Spaulding's operating costs are primarily funded by the NH Division of Children, Youth and Families, the NH Department of Education, and counterpart agencies in other states, or by the local referring school district. Documentation from the Spaulding Youth Center to the State of NH Department of Education Nutrition Division indicates that during 2011, there were 61 children enrolled in the school, and all 61 children qualified and received free school lunches.
- In 2010, the bank originated a \$1.5 million line of credit to the Lakes Region Community Services Council, Inc. (LRCS), a non-profit organization that provides services to individuals and families, including child development, family support, childcare resource and referral, early childhood supports and services, residential care, enhanced home care, shared family living, elderly and personal care, service coordination, assisted independent living, and vocational support. There is no financial criterion for eligibility of service; however, 82 percent of the organization's revenues are derived from Medicaid, indicating that the majority of the program recipients are low- or moderate-income.

- In March 2010, the bank renewed a \$200,000 line of credit to Health First Family Care Center, Inc. (Health First) The line of credit was originally extended in March 2009 to fund temporary working capital needs for this non-profit organization. Health First is a Community Health Center that provides primary healthcare to anyone in the Twin Rivers and Lakes Regions of New Hampshire. The Health First Mission is to provide high quality health care, treatment, prevention, and education services required by the residents of the service area, commensurate with available resources. The organization derives more than 50.0 percent of its revenue from Medicaid, indicating that the majority of the recipients are low- or moderate-income.
- In December 2009, FSB originated a \$750,000 loan with 5-year commitment to the Senior Housing Crime Prevention Foundation, Inc. (SHCPF); a non-profit organization that provides safe and secure living environments for low- and moderate-income seniors residing in skilled nursing homes, HUD-subsidized elderly housing, and veteran's nursing homes. SHCPF provides needed services for residents such as lockboxes for valuables; crime hotline for patients and families; training; and continuing education to the staff, as well as an annual crime review of the subject facility. The loan was used to establish and support the Senior Crimestoppers program located at Mountain Ridge Center, Franklin, New Hampshire. The facility is located within the bank's assessment area and supports 86-beds occupied by low- and moderate-income individuals. The loan is secured by various American Restoration and Recovery Act bonds totaling \$1.5 million. The American Restoration and Recover Act was established to assist with job creation (many low- and moderate-income) and revitalization projects. New Hampshire, including portions of the assessment area, have benefited from this organization.

Qualified Investments

This analysis evaluates the bank's record of meeting the assessment area's credit and economic development needs through its qualified investments. A qualified investment for the purpose of this CRA evaluation is a lawful investment, deposit, membership share, donation or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity; (2) the responsiveness to credit and community development needs; (3) community development initiatives; and (4) the degree to which the qualified investments are not routinely provided by private investors.

Investment and Grant Activity

FSB originated an adequate level of qualified investments and grants and donations. The bank extended 96 qualified investments, totaling approximately \$723,000, and consisting of traditional investments, grants and donations. In comparison, the bank extended 49 qualified investments, totaling \$624,257, at the prior CRA evaluation. Qualified community development grants and donations totaled 94, by number, for a total of \$223,167.

FSB originated two new qualified traditional equity investments since the previous evaluation, totaling approximately \$500,000. As noted in Table 11, these investments, when combined with the two existing investments totaled \$769,000. Given the economic conditions, the level of new traditional investments is considered positive. As a comparison, a similarly situated bank originated no new traditional investments during a similar CRA evaluation period.

| Table 11 - Qualified Equity Investments | | | |
|---|---------------|------------------------------|-------------------------------------|
| Instrument | Purchase Date | Acquisition Cost \$ (000) | Book Value (12/31/2012) \$ (000) |
| Prior Investments | | | |
| New Market Tax Credit | 2006 | 1,425 | 19 |
| New Hampshire Community Loan Fund | 2008 | 250 | 250 |
| Total Prior Investments | | 1,675 | 269 |
| New Investments | | | |
| Senior Housing Crime Prevention Foundation | 2009 | 250 | 250 |
| Senior Housing Crime Prevention Foundation | 2012 | 250 | 250 |
| Total New Investments | | 500 | 500 |
| Grand Total | | 2,175 | 769 |

Source: Bank Records-Community Development Traditional Investments, 2009 to 2013.

The following qualified investments were originated during the current evaluation period.

Senior Housing Crime Prevention Foundation, Inc. (SHCPF): In 2012, the bank made a \$250,000 investment to SHCPF for 7-years. The non-profit corporation's mission statement is to provide a safe and secure living environment for low- and moderate-income seniors residing in skilled nursing homes, HUD-subsidized elderly housing, and veteran's nursing homes. The funds were used to support the Senior Crimestoppers program through participation in the National Veterans Initiative. The Senior Crimestoppers program provides for safe, secure, crime-free residences at the New Hampshire Veterans Home (Tilton, New Hampshire). Approximately 80 percent of the veterans are low- or moderate-income.

Senior Housing Crime Prevention Foundation, Inc. (SHCPF): In 2009, the bank made a \$250,000 investment to SHCPF for 5-years. The non-profit corporation mission statement is to provide safe and secure living environments for low- and moderate-income seniors residing in skilled nursing homes, HUD-subsidized elderly housing, and veteran's nursing homes. The investment was used to establish and support the Senior Crimestoppers program located at Mountain Ridge Center (Franklin, New Hampshire). The facility is located within the bank's assessment area. The investment allowed the SHCPF to provide personal lock boxes; a Tips Line Call Center staffed by trained program counselors; and continuing education to promote the facility's "Zero Tolerance" policy toward crime. All of the facilities 86 residents are low- or moderate-income.

The following qualified investments were originated prior to the current evaluation period.

- **New Hampshire Community Loan Fund (NHCLF):** In January 2008, the bank made a \$250,000 investment to NHCLF's Equity Equivalent (EQ2) product. The NHCLF is a not-for-profit corporation that provides access to housing and resources to lower income households, and other disadvantaged people and creates alternative models of financing for community economic development. The investment is for 5 years, with an option to