# PUBLIC DISCLOSURE

AUGUST 16, 2010

# COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**AMERICAN HERITAGE BANK**
**RSSD# 311050**

**2 SOUTH MAIN**
**SAPULPA, OKLAHOMA 74066**

**Federal Reserve Bank of Kansas City**
**1 Memorial Drive**
**Kansas City, Missouri 64198**

**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 Lending Test is rated: Satisfactory***
***The Community Development Test is rated: Outstanding***

Major factors supporting the institution's rating include:

**Lending Test:**

- American Heritage Bank's (the bank) average net loan-to-deposit (NLTD) ratio reflected a reasonable effort to extend credit in the assessment area (AA) given the bank's size, financial condition, and credit needs of the AA;

- A substantial majority of the bank's loans were originated within its AA; and,

- The distribution of Home Mortgage Disclosure Act (HMDA) and commercial loans reflected reasonable penetration throughout AA geographies, including low- and moderate-income (LMI) areas, and reasonable responsiveness to borrowers of different income levels and businesses of different revenue sizes.

**Community Development Test:**

- The overall level of qualified community development loans, investments, and services demonstrated an excellent responsiveness to the community development needs in the AA.

## SCOPE OF EXAMINATION

The bank's Community Reinvestment Act (CRA) performance was evaluated using the Federal Financial Institution Examination Council's (FFIEC) interagency examination procedures for intermediate small institutions. The intermediate small bank procedures assign an overall rating based on the bank's performance under two equally weighted tests, which include the lending test and the community development test.

For the lending test, the following four performance criteria were relevant to this review:

- NLTD Ratio;
- Lending Inside the AA;
- Distribution by Income Level of Geographies; and,
- Lending to Businesses of Different Revenue Sizes and to Borrowers of Different Income Levels.

One of the five criteria used to evaluate the lending test was not included in this analysis. The bank's responsiveness to CRA complaints was not evaluated as the bank has not had any complaints related to its CRA performance.

The bank's major product lines were determined through a review of the bank's Report of Condition and Income (Call Report), discussions with bank management, and a review of the number of loan originations since the bank's last CRA examination. The loan products selected for analysis were HMDA loans and small business loans. The evaluation included a review of the 711 HMDA loans originated in 2008 and 2009, and a statistically-derived sample of 80 small business loans originated between July 16, 2009 and July 7, 2010.

The community development test included new community development loans, investments, and services since the previous examination dated July 7, 2008 through August 16, 2010. The review also included prior period qualified investments that were outstanding during the current evaluation period.

During the examination, interviews were conducted with members of the community to ascertain the credit needs of the AA, the availability of community development investment opportunities, and local economic conditions. The community contacts included representatives from two chambers of commerce, the city of Sapulpa, and a housing authority agency.

## DESCRIPTION OF INSTITUTION

The bank is a $694.9 million financial institution as of June 30, 2010. The bank is wholly-owned by American Bancorporation, Inc., a one-bank holding company, and is headquartered in Sapulpa, Oklahoma. In addition to the main location, the bank operates 14 branch locations in the southwestern portion of the Tulsa Metropolitan Statistical Area (MSA) and one location in Payne County, which is adjacent to the western boundary of the Tulsa MSA.

The bank has two wholly-owned subsidiaries, American National Development Corporation (ANDC) and American National Insurance Agency (ANIA). ANDC is a nonprofit corporation engaged in community development activities primarily in Sapulpa. The organization was established by the bank to improve housing conditions, increase home ownership, and promote economic revitalization in blighted areas of Sapulpa. The bank contributes operating funds to ANDC based on the specific funding needs of its particular projects. The second subsidiary, ANIA, engages in the sale of general insurance as the agent for several underwriters.

The bank’s presence in the overall Tulsa MSA, which includes 15 of the bank’s 16 offices, is relatively minor. As of June 30, 2009, the deposit market share report for the entire Tulsa MSA showed the bank having the tenth largest deposit market share of 65 Federal Deposit Insurance Corporation (FDIC)-insured institutions located in the MSA, at 2.6 percent. The largest bank in the area had a share of 24.1 percent, with the other 8 banks ranging from 2.8 percent to 12.0 percent. The market share report figures show that considerable competition exists in the bank’s AA.

The bank provides a broad range of commercial and retail lending services. Table 1 shows a breakdown of the bank’s loan portfolio as of June 30, 2010.

| TABLE 1 BANK'S LOAN PORTFOLIO | | |
|---|---|---|
| **Loan Type** | **Amount ($000)** | **Percent of Total** |
| Commercial | 171,588 | 53.23 |
| Residential Real Estate | 102,263 | 31.72 |
| Consumer | 34,184 | 10.60 |
| Agriculture | 12,120 | 3.76 |
| Other | 2,213 | 0.69 |
| ***Total Gross Loans*** | 322,368 | 100.00 |

## DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's AA is located in the north central portion of Oklahoma and consists of the Tulsa MSA AA, which includes all of the MSA counties of Creek and Pawnee, and parts of Okmulgee, Osage, and Tulsa Counties. Four bordering nonmetropolitan tracts of eastern Payne County are also included in the AA, as these tracts do not extend substantially beyond the MSA border. The bank's total AA is comprised of 61 census tracts. The census tracts include 1 low-income, 21 moderate-income, 34 middle-income, and 5 upper-income tracts.

*Population Characteristics*

According to 2000 Census data, the AA's population was 225,572, which represented 23.5 percent of the Tulsa MSA population of 859,532. The portion of the bank's AA in Payne County had a population of 23,985, equaling only 10.6 percent of the total AA population and 35.2 percent of Payne County's population. Estimated 2009 Census data indicated the AA population has increased in 4 of the 6 counties (Creek County, 4.3 percent; Osage County, 1.4 percent; Payne County, 16.9 percent; and Tulsa County, 6.9 percent). However, Okmulgee County and Pawnee County experienced a decrease in population of 1.0 percent and 1.2 percent, respectively.

*Economic Conditions*

As of 2007 data, the Tulsa MSA's leading industries were education and health services at 14.2 percent; federal, state, and local governments at 13.3 percent; professional and business services at 13.1 percent; manufacturing at 11.3; and retail trade at 10.9 percent. The area's largest employers include American Airlines; the Tulsa Public School District; several health and medical service companies, including Blue Cross and Blue Shield Association, Hillcrest Healthcare System, St. Francis Health System, and St. John Medical Center; St. Gobain, a glass manufacturer; and Spirit Aerosystems, Inc. (FDIC Regional Economics).

The Tulsa MSA economy is beginning to show signs of improvements. According to local economic information, recovering manufacturing sector may help the Tulsa area transition out of the recession by mid-year 2010. Consumer spending is not as strong as the manufacturing sector, so job growth will be slow and a strong rebound is not expected until 2011. A community contact stated the area lost 29,000 jobs since 2008, and local companies have been slow to increase employment. Although the Tulsa MSA unemployment rate had been below national figures since 2008, it has risen above the statewide figure and is the highest of the three Oklahoma MSAs, at 7.9 percent. The unemployment rate for Creek County, where the bank headquarters and 7 branches are located, had a 9.3 percent unemployment rate as of the first quarter of 2010 (Source: FDIC Regional Economics; Moody's Economy.com, March 2010). Community contacts in Sapulpa and Tulsa indicated that tax revenue has increased in 2010, but it is still below 2008 levels. As such, the City of Sapulpa has instituted cuts in pay and benefits for its employees and may institute furloughs for local firefighters.

*Housing Characteristics*

Housing was relatively affordable for area residents as of 2000 data. The Tulsa MSA AA housing affordability ratio (median family income divided by the median housing value) equaled 52.0 percent, compared to 47.0 percent for the entire Tulsa MSA. The AA's median housing value of $63,600 was 20.5 percent lower than the MSA-wide median housing value of $79,950. The area's housing affordability was more in line with statewide nonmetropolitan Oklahoma, which had an affordability ratio of 53.4 percent. As of 2008, these figures remained unchanged at 47.0 percent for the Tulsa MSA (2008 median family income of $54,700 and a 2008 estimated median housing value of $117,100). Although housing appears relatively affordable in the AA, a housing authority contact indicated that rising unemployment is contributing to the need for Section 8 and assisted housing. The agency currently has approximately 8,000 residents on a waiting list for housing.

The MSA has avoided the serious downturn experienced elsewhere in the country in the housing market. A community contact attributed this to the fact the area had no significant increases in real estate prices. In addition, the MSA experienced a low incidence of sub-prime and adjustable rate mortgages, with only 5 percent of the 2006 mortgage originations in Oklahoma being adjustable rate (FDIC Regional Economics; Moody's Economy.com).

Table 2 summarizes the characteristics of the bank's AA, based on the 2000 Census data and the 2009 Dun & Bradstreet (D&B) business information.

| TABLE 2<br>BANK'S ASSESSMENT AREA DEMOGRAPHICS | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Income Categories | Tract Distribution | | Families by Tract Income | | Families < Poverty Level as % of Families by Tract | | Families by Family Income | |
| | # | % | # | % | # | % | # | % |
| Low-income | 1 | 1.7 | 743 | 1.1 | 338 | 45.5 | 13,936 | 22.2 |
| Moderate-income | 21 | 34.4 | 17,629 | 28.1 | 2,697 | 15.3 | 13,275 | 21.2 |
| Middle-income | 34 | 55.7 | 38,877 | 62.0 | 3,246 | 8.3 | 14,433 | 23.0 |
| Upper-income | 5 | 8.2 | 5,491 | 8.8 | 187 | 3.4 | 21,096 | 33.6 |
| Total Assessment Area | 61 | 100.0 | 62,740 | 100.0 | 6,468 | 10.3 | 62,740 | 100.0 |
| | Housing Units by Tract | Housing Type by Tract | | | | | | |
| | | Owner-occupied | | | Rental | | Vacant | |
| | | # | % by tract | % by unit | # | % by unit | # | % by unit |
| Low-income | 1,758 | 155 | 0.2 | 8.8 | 1,418 | 80.7 | 185 | 10.5 |
| Moderate-income | 29,193 | 17,318 | 27.2 | 59.3 | 8,269 | 28.3 | 3,606 | 12.4 |
| Middle-income | 56,092 | 40,566 | 63.6 | 72.3 | 10,548 | 18.8 | 4,978 | 8.9 |
| Upper-income | 6,988 | 5,739 | 9.0 | 82.1 | 1,018 | 14.6 | 231 | 3.3 |
| Total Assessment Area | 94,031 | 63,778 | 100.0 | 67.8 | 21,253 | 22.6 | 9,000 | 9.6 |
| | Total Businesses by Tract | | Businesses by Tract & Revenue Size | | | | | |
| | | | Less Than or = $1 Million | | Over $1 Million | | Revenue Not Reported | |
| | # | % | # | % | # | % | # | % |
| Low-income | 70 | 0.8 | 54 | 0.6 | 9 | 1.5 | 7 | 1.5 |
| Moderate-income | 2,765 | 28.8 | 2,426 | 28.2 | 181 | 33.1 | 158 | 36.1 |
| Middle-income | 5,681 | 59.2 | 5,133 | 59.7 | 302 | 55.2 | 246 | 56.2 |
| Upper-income | 1,074 | 11.2 | 992 | 11.5 | 55 | 10.1 | 27 | 6.2 |
| Total Assessment Area | 9,590 | 100.0 | 8,605 | 100.0 | 547 | 100.0 | 438 | 100.0 |
| | Percentage of Total Businesses: | | | 89.7 | | 5.7 | | 4.6 |
| | Total Farms by Tract | | Farms by Tract & Revenue Size | | | | | |
| | | | Less Than or = $1 Million | | Over $1 Million | | Revenue Not Reported | |
| | # | % | # | % | # | % | # | % |
| Low-income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate-income | 100 | 35.6 | 100 | 35.7 | 0 | 0.0 | 0 | 0.0 |
| Middle-income | 165 | 58.7 | 164 | 58.6 | 1 | 100.0 | 0 | 0.0 |
| Upper-income | 16 | 5.7 | 16 | 5.7 | 0 | 0.0 | 0 | 0.0 |
| Total Assessment Area | 281 | 100.0 | 280 | 100.0 | 1 | 100.0 | 0 | 0.0 |
| | Percentage of Total Farms: | | | 99.6 | | 0.4 | | 0.0 |

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The overall conclusions regarding the lending and community development tests are summarized in the following sections. Data utilized for this analysis included the bank's lending performance data, aggregate lending data, and area demographic information. These performance characteristics are described in Appendix A of Regulation BB, which implements the CRA.

## LENDING TEST

The bank's performance under the lending test is rated satisfactory. The NLTD ratio demonstrates a reasonable effort to extend credit, and the percentage of loans originated inside the AA is considered more than reasonable. In addition, the bank's lending in geographies of different income levels is considered reasonable, as is the distribution of loans based on borrower income level and business revenue size. Table 3 illustrates the number and dollar volume of all loans considered in this analysis.

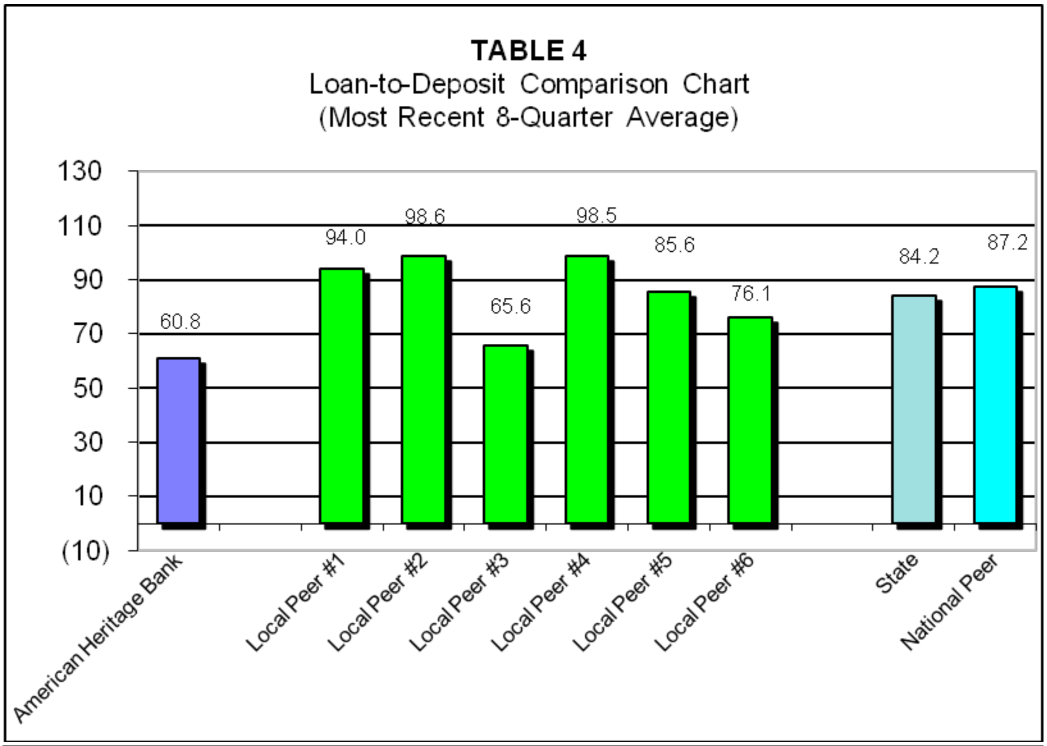
**TABLE 3**
**SUMMARY OF LOANS REVIEWED**

| Loan Type | # | % | ($000) | % |
|---|---|---|---|---|
| HMDA refinance | 184 | | 18,572 | |
| HMDA purchase | 263 | | 18,407 | |
| HMDA home improvement | 261 | | 9,394 | |
| HMDA multifamily | 3 | | 545 | |
| **Total HMDA Loans** | **711** | **90.0** | **46,918** | **96.0** |
| **Total Small Business Loans** | **80** | **10.0** | **2,185** | **4.0** |
| **TOTAL LOANS** | **791** | **100.0** | **49,103** | **100.0** |

### Net Loan-to-Deposit Ratio

The bank's average NLTD ratio is considered reasonable relative to the bank's size, financial condition, credit needs of the AA, and demographic and economic factors present in the bank's AA. The bank's NLTD ratio was averaged for the previous eight quarters and compared to the NLTD ratios of six local competitors. In addition, the bank's NLTD ratio was compared to its state and national peer groups. As illustrated in Table 4, the bank's NLTD ratio averaged 60.8 percent over the previous eight quarters ending June 30, 2010. The average was lower than that of its local competitors, which ranged from 65.6 percent to 98.6 percent for the same time period. The bank's NLTD ratio was also lower than that of its state and national peer groups, at 84.2 percent and 87.2 percent, respectively.

Discussions with the bank revealed the bank maintains public deposit funds, which are funds not available for lending. When these public deposits funds are deducted from the bank's total deposits, the adjusted NLTD ratio is 68 percent. Although still somewhat low, the bank's performance is considered reasonable.




## Assessment Area Concentration

Based on the sample of HMDA and small business loans reviewed during the examination, the bank originated a substantial majority of its loans within the AA. As shown below in Table 5, 91.4 percent of its loans were originated in the AA, which reflects strong responsiveness to the credit needs within the AA.

**TABLE 5**
**LOANS IN AND OUT OF THE ASSESSMENT AREA**

| | **Inside the Assessment Area** | | | | **Outside the Assessment Area** | | | |
|---|---|---|---|---|---|---|---|---|
| Loan Type | **#** | **%** | **$ (000s)** | **%** | **#** | **%** | **$ (000s)** | **%** |
| HMDA home purchase (Conv.) | 232 | 88.2 | 14,867 | 80.8 | 31 | 11.8 | 3,540 | 19.2 |
| HMDA home improvement | 247 | 94.6 | 9,114 | 97.0 | 14 | 5.4 | 280 | 3.0 |
| HMDA multifamily housing | 0 | 0.0 | 0 | 0.0 | 3 | 100.0 | 545 | 100.0 |
| HMDA refinancing | 173 | 94.0 | 16,594 | 89.3 | 11 | 6.0 | 1,978 | 10.7 |
| **Total HMDA Related** | **652** | **91.7** | **40,575** | **86.5** | **59** | **8.3** | **6,343** | **13.5** |
| **Small Business** | **71** | **88.8** | **1,822** | **83.4** | **9** | **11.2** | **363** | **16.6** |
| **TOTAL LOANS** | **723** | **91.4** | **42,397** | **86.3** | **68** | **8.6** | **6,706** | **13.7** |

**Geographic Distribution of Loans**

This performance test evaluates the bank's distribution of lending within each of the tracts within its AA, with emphasis placed on lending in the LMI tracts. The bank's distribution of HMDA loans is compared to the percentage of owner-occupied housing within each tract, and the small business loan distribution is compared to the number of small businesses in each tract. The bank's overall lending distribution is considered satisfactory.

*HMDA Loans*

The bank's distribution of HMDA loans is considered reasonable. Although the bank originated no loans in the low-income tract, less than 1 percent of the owner-occupied housing in the AA is located in this tract and approximately 81 percent of the housing units are rentals. These factors would limit the bank's ability to make owner-occupied home loans in the low-income tract. In addition, the bank's lending performance was comparable to the aggregate peer lending data for this tract. The bank's lending in the moderate-income tracts was comparable to the percentage of owner-occupied housing in these tracts and substantially higher than the peer group figures. A detailed breakdown of the bank's lending performance is shown in Table 6.

*Small Business Loans*

As shown in Table 6, the bank originated no loans in the low-income tract, which is considered reasonable given the low number of businesses located in this tract. The bank's lending in the moderate-income tracts compares favorably to the number of businesses in the tracts, at 35.2 percent and 28.8 percent, respectively. As such, the bank's performance is considered reasonable.

| TABLE 6 DISTRIBUTION OF LENDING BY CENSUS TRACT INCOME | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Percentage of Bank Lending by Number of Loan Originations | | | | | | | |
| | Low-Income | | Moderate-Income | | Middle-Income | | Upper-Income | |
| HMDA Loans | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| HMDA home purchase | 0.0 | 0.0 | 27.0 | 28.3 | 72.2 | 69.8 | 0.8 | 1.9 |
| HMDA home refinance | 0.0 | 0.0 | 36.3 | 28.0 | 60.0 | 68.8 | 3.7 | 3.2 |
| HMDA home improvement | 0.0 | 0.0 | 27.1 | 29.0 | 70.7 | 65.4 | 2.2 | 5.6 |
| HMDA multifamily | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total HMDA Loans | 0.0 | 0.0 | 29.2 | 28.4 | 68.8 | 68.0 | 2.0 | 3.6 |
| Percentage of owner-occupied housing units in AA[1] | 0.2 | | 27.2 | | 63.6 | | 9.0 | |
| 2009 total HMDA aggregate lending data in AA[2] | 0.1 | | 16.8 | | 57.5 | | 25.6 | |
| Percentage of Small Business loans originated in 2009 and 2010 | 0.0 | | 35.2 | | 64.8 | | 0.0 | |
| Percentage of businesses in AA by income level of tract[3] | 0.7 | | 28.8 | | 59.2 | | 11.3 | |

1 The percentage of owner-occupied housing units located in each tract category is based on 2000 Census data.

2 Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.

3 The percentage of businesses located in each tract category is based on 2009 D&B business data, and tract categories are based on 2000 Census tract designations.

## Distribution of Loans by Borrower Income and Revenue Size of Business

This criterion evaluates the distribution of loans to borrowers of different income levels and businesses of different revenue sizes. The bank's performance is compared to the composition of the AA to determine if the credit needs of all segments of the population are being considered, particularly LMI borrowers and businesses with less than $1 million in gross annual revenues. The bank's overall performance for this criterion is considered reasonable and reflects the bank's commitment and support in meeting the needs of low- and moderate-income borrowers and small businesses.

*HMDA Loans*

As indicated in Table 7, 43.4 percent of the AA is comprised of LMI families. The bank's lending to LMI families is lower, at 27.2 percent in 2008 and 24.9 percent in 2009. The bank's lending appears reasonable, however, as 2000 Census data indicates that 10.3 percent of the families within the AA have incomes below the poverty level and may not have resources to purchase or own residential real estate. In addition, 2008 estimated census figures indicate the poverty level for individuals in the AA by county has increased (Creek County, 12.7 percent; Okmulgee County, 20.3 percent; Osage County, 13.1 percent; Pawnee County, 15.8 percent; Payne County, 18.7 percent; and Tulsa County, 13.6 percent). The bank's lending to LMI borrowers also compares favorably to the 2009 HMDA aggregate lending data.

*Small Business Loans*

The bank's lending distribution to small businesses is considered reasonable as 77.5 percent of its commercial loans were made to businesses with less than $1 million in gross annual revenues, compared to demographic data which indicates 89.7 percent of the businesses in the AA have gross annual revenues of under $1 million. Although somewhat lower than the demographic figures, the lending analysis revealed that 94.4 percent of the small business loans were in amounts of $100,000 or less, which are amounts typically needed by smaller businesses. The lending distribution is detailed in Table 8.

**TABLE 7**

**DISTRIBUTION OF LENDING BY INCOME LEVEL OF BORROWER**

| | **Percentage of Bank Lending by Number of Loan Originations** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Low-Income | | Moderate-Income | | Middle-Income | | Upper-Income | |
| HMDA Loans | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| HMDA home purchase | 8.7 | 11.3 | 13.5 | 15.1 | 19.8 | 17.0 | 24.6 | 20.8 |
| HMDA home refinance | 7.5 | 4.3 | 7.5 | 12.9 | 16.3 | 16.1 | 47.5 | 38.7 |
| HMDA home improvement | 15.0 | 15.0 | 23.6 | 15.0 | 19.3 | 29.9 | 26.4 | 20.6 |
| HMDA multifamily | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total HMDA Loans[1] | 11.0 | 10.5 | 16.2 | 14.4 | 18.8 | 21.2 | 30.6 | 26.1 |
| Percentage of families in AA by income level[2] | 22.2 | | 21.2 | | 23.0 | | 33.6 | |
| 2009 total HMDA aggregate lending data in AA[3] | 7.5 | | 19.2 | | 23.0 | | 37.6 | |

1 Borrower annual incomes were unknown for 23 percent of 2008 and 26 percent of 2009 HMDA loans.

2 The percentage of families living in the AA is based on 2000 Census data and 2009 MSA designations.

3 Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers. Annual incomes were not reported for 12.7 percent of the borrowers.

| **TABLE 8<br>DISTRIBUTION OF LENDING BY BUSINESS SIZE AND LOAN SIZE** | |
|---|---|
| Percentage of bank's loans to small businesses[1] | 77.5 |
| Percentage of small businesses in the AA[2] | 89.7 |
| Percentage of 2009 aggregate CRA loans to small businesses in AA[3] | 20.2 |
| **By Loan Size** | |
| $100,000 or less | 94.4 |
| $100,001 - $250,000 | 5.6 |
| $250,001 - $1 Million | 0.0 |
| Over $1 Million | 0.0 |

1 Small businesses, as defined by the CRA, are those with gross annual revenues of $1 million or less.
2 The percentage of small businesses in the AA is based on 2009 Dun & Bradstreet business data.
3 Aggregate loan data reflects all loan originations in the bank's AA reported by all institutions that report CRA data.

## COMMUNITY DEVELOPMENT TEST

The bank's community development test is rated outstanding. The analysis of the community development test focuses on qualified lending, investment and donation activities, and responsiveness to credit and community development needs. Qualified activities are those that relate to affordable housing or support community services targeted to LMI individuals, enhance economic development by financing small business or farms, assist in the creation or retention of jobs for LMI individuals, or revitalize and stabilize designated distressed and/or underserved nonmetropolitan middle-income tracts.

The bank originated one community development loan in the amount of $2,500,000. This loan was for the rehabilitation of a historic building in downtown Sapulpa. The building is being converted to 32 handicapped accessible affordable housing units for LMI elderly individuals.

The bank had a high level of community development investments made during the evaluation period, at $13,505,000, in addition to the $20,589,445 outstanding from prior examination periods. The investments represented school bond purchases for schools with greater than 50 percent participation in the free/reduced lunch programs. In addition, the bank has established a community development corporation, ANDC, which works to address the deterioration of housing stock in Sapulpa and promote economic stabilization and revitalization of economically disadvantaged neighborhoods. Since the last examination, the bank has contributed $190,907 through its subsidiary ANDC for the demolition, clean up, and/or purchase of dilapidated properties within Sapulpa and the nearby community of Beggs. The bank also donated $66,308 to various organizations promoting community development.

These donations included $36,100 that was targeted to projects aimed at revitalizing blighted areas in Sapulpa and Beggs, Oklahoma. Additional donations totaling $22,700 went to community organizations that provide services to LMI residents.

The bank had a high level of participation in community development services. Approximately 56 employees and officers were involved with community development services with 23 different organizations that targeted LMI individuals or promoted economic development. The bank is actively involved in teaching classes at local schools; these classes include topics such as finance, banking, money management, and career preparedness. The majority of these schools have more than 50 percent of their students in free/reduced lunch programs.

## FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. A review of bank policies and procedures, credit applications, loans and denials, and staff interviews revealed no prohibited practices designed to discourage loan applicants. In addition, the bank has not engaged in other illegal credit practices inconsistent with helping to meet the credit needs of its communities.

# CRA APPENDIX A

| SCOPE OF EXAMINATION | | |
|---|---|---|
| **TIME PERIOD REVIEWED** | Lending Test: HMDA reported loans for years 2008 and 2009<br>Small Business loans from July 16, 2009 to July 7, 2010<br><br>Community Development Test: July 8, 2008 to August 16, 2010 | |
| **FINANCIAL INSTITUTION** | **PRODUCTS REVIEWED** | |
| American Heritage Bank<br>Sapulpa, Oklahoma | HMDA Related Loans<br>Small Business Loans | |
| **AFFILIATE(S)** | **AFFILIATE RELATIONSHIP** | **PRODUCTS REVIEWED** |
| **None** | **NA** | **NA** |
| **List of Assessment Areas and Type of Examination**<br>**Tulsa MSA AA – Full-Scope** | | |

## GLOSSARY OF COMMON CRA TERMS

(For additional information, please see the Definitions section of Regulation BB at 12 CFR 228.12.)

**Assessment Area** – The geographic area(s) delineated by the bank and used in evaluating the bank's record of helping to meet the credit needs of its community. The assessment area must include the geographies where the main office, branches, and deposit-taking automated tellers machines are located. The assessment area must consist only of whole geographies, may not reflect illegal discrimination, and may not arbitrarily exclude low- or moderate-income geographies.

**Census Tracts** – Census tracts are small, relatively permanent geographic entities within counties delineated by a committee of local data users. Census tracts are designed to be homogenous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons and average about 4,000 inhabitants.

**Community Development** – Includes affordable housing (including multifamily rental housing) for low- and moderate-income individuals; community services targeted to low- and moderate-income individuals; activities that promote economic development by financing businesses or farms that have gross annual revenues of $1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, designated distressed or underserved nonmetropolitan middle-income areas or designated disaster areas.

**Community Development Loan** – A loan that has community development as its primary purpose and (except in the case of a wholesale or limited-purpose bank):

1. Has not been reported or collected by the bank or an affiliate as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan, and
2. Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

**Community Development Service** – A service that has as its primary purpose community development, is related to the provision of financial services, has not been considered in the evaluation of the bank's retail banking services, benefits the banks assessment area(s) or a broader statewide or regional area that includes the bank's assessment area, and has not been claimed by other affiliated institutions.

**Consumer Loans** – Loans to individuals for household, family, and other personal expenditures. These loans do not include real estate-secured loans.

**Dun & Bradstreet Data** – Data collected by Dun & Bradstreet regarding types of businesses and their respective gross annual revenues. The data can be sorted by geographies.

**Geography** – A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Income Level** – Both geographies and individuals can be described in terms of their income levels. In MSAs, the level is based on the MSA median family income (**MFI**). In nonMSA areas, the level is based on the statewide, nonMSA median family income.

**Low-Income** – Less than 50 percent of the area median family income

**Moderate-Income** – At least 50 percent and less than 80 percent of the area median family income

**Middle-Income** – At least 80 percent and less than 120 percent of the area median family income

**Upper-Income** – At least 120 percent or more of the area median family income

**LMI** – Collectively, low- and moderate-income families or tracts.

**Metropolitan Statistical Area (MSA)** – The general concept of an MSA is that of a core area containing a large population nucleus, together with adjacent communities having a high degree of economic and social integration with that core. Generally, a single city with at least 50,000 inhabitants or an urbanized area with a total population of at least 100,000 would meet the definition of an MSA.

**Qualified Investment** – A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Small Business** – A business with gross annual revenues of $1 million or less.

**Small Farm** – A farm with gross annual revenues of $1 million or less.

**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"). 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.

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