



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 26, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**American Heritage National Bank
Charter Number: 15037**

**24 Second Street South
Long Prairie, Minnesota 56347**

**Office of the Comptroller of the Currency
Alexandria Duty Station
1309 Highway 29 North, P. O. Box 849
Alexandria, Minnesota 56308**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **American Heritage National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 26, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

American Heritage National Bank's rating is based on the following factors:

- The bank's loan-to-deposit rating is reasonable.
- A substantial majority of the loans are extended within the bank's assessment areas.
- The bank's record of extending credit to businesses of different sizes is good.

DESCRIPTION OF INSTITUTION

American Heritage National Bank (AHNB) is a \$98.7 million bank located in the central Minnesota city of Long Prairie in Todd County. The bank has two branch offices located in Browerville and St. Cloud. Browerville is in Todd County, about 10 miles north of Long Prairie. St. Cloud is located in Stearns County, about 65 miles southwest of Long Prairie. The St. Cloud branch opened for business in April 1995. All three locations offer full service deposit and loan products and services and the bank owns two automated teller machines.

AHNB defines itself as a full service bank offering a wide variety of financial products and services. The primary lending focus is loans to businesses and farms of all sizes and residential real estate mortgages. Using September 30, 1997 financial information, gross loans and leases represent 72% of total assets. The loan portfolio consists of commercial and agriculture real estate loans (32%), commercial and agriculture loans (26%), residential real estate loans (18%), multi-family housing (15%) and consumer instalment loans (9%).

AHNB was rated "Satisfactory Record of Meeting Community Credit Needs" at the last CRA examination dated September 25, 1995. There are no legal or financial impediments limiting AHNB's ability to help meet the credit needs of the community.

DESCRIPTION OF AMERICAN HERITAGE NATIONAL BANK'S ASSESSMENT AREAS

AHNB has two distinct assessment areas (AA): The Long Prairie AA which covers all of Todd County and includes the Long Prairie and Browerville offices; and the St. Cloud AA which covers Stearns and Benton County and includes the St. Cloud office. The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies.

Long Prairie Assessment Area

The Long Prairie AA includes all of Todd County. According to the 1990 census, 23,363 families reside in the AA with a median family income of \$28,933. Family incomes within the AA are 25% moderate-income and 75% middle-income. The AA consists of two moderate-income and 6 middle-income BNA's.

The local economy is dependent on agriculture but is also supported by several large employers including Hart Press, Inc., Long Prairie Packing, the local hospital, Todd County government and the local school districts.

The city of Long Prairie has two banks and one thrift; AHNB is the only bank in Browerville. AHNB's primary lending focus is loans to small businesses and farms as well as consumer loans.

The primary credit needs of the AA are affordable housing and increased employment through the expansion of small businesses to replace jobs lost in the dairy industry. We determined this by contacting a Todd County Commissioner, the Housing and Redevelopment Authority and the Todd County Development Corporation.

St. Cloud Assessment Area

The St. Cloud AA includes the entire St. Cloud MSA which includes all of Stearns and Benton Counties. The area includes 36 contiguous census tracts which consists of one low-income tract; one moderate-income tract; twenty-nine middle-income tracts; and five upper-income tracts.

According to the 1990 census data, the AA's population is 148,976. Family incomes within the assessment are 17% low-income; 19% moderate-income; 27% middle-income and 37% upper-income.

The local economy is strong and expanding. Major employers include Fingerhut, Coborn's Grocery, Fridgidaire, St. Cloud State University, and the St. Cloud school district. Employment data indicates job growth is strong and expanding in all sectors of the economy over the last five years.

Competition within the AA is strong and includes numerous banks, bank branches, thrifts, finance companies and credit unions. Included in the competition are two regional bank branches and a branch of a large thrift.

The primary credit needs of both AAs include the need for affordable housing for low-income families, and commercial credit to small businesses. We made this determination based upon previous contacts in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank’s loan-to-deposit ratio is satisfactory. The loan-to-deposit (LTD) ratio has increased steadily and averaged 64% since the last CRA examination. The LTD ratio ranks the bank fifth of the nine similarly situated banks within the assessment areas. The LTD ratios of the competing banks range from 90% to 59%.

Lending in the Assessment Area

A majority of the loans are extended in AHNB’s assessment areas. A zip code analysis of all loans originated in 1997 is detailed in the following table. Our sampling of business, agriculture, consumer and real estate loans verified the analysis. Table One illustrates lending in each of the assessment areas.

Assessment Area (AA)	Long Prairie AA		St. Cloud AA	
# of Total Loan Originations	878		1,302	
# of Loan Originations in AA	786		1,231	
# of Loan Originations Outside AA	92		71	
% In/Out of AA	90%	10%	94%	6%
\$ of Total Loan Originations	\$11,728,000		\$27,671,000	
\$ of Loan Originations In AA	\$10,440,000		\$25,351,000	
\$ of Loan Originations Outside AA	\$1,288,000		\$2,3120,000	
% of \$ In/Out of AA	89%	11%	92%	8%

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

AHNB has a satisfactory record of lending to individuals of different income levels and businesses of different sizes. The next four tables and narratives describe AHNB’s performance in each assessment area.

Long Prairie/Browerville AA

Table Two on the following page illustrates business and farm lending in the Long Prairie AA. We sampled 43 business and farm loans totaling \$1,829,379 originated in 1997. The sample represents 11% of the number and 29% of the dollar volume of business loans originated in the time period.

Table Two

Annual Gross Sales	% of Number of Loans	% of Dollar Volume
< \$100,000	60%	28%
\$100,000-\$250,000	19%	12%
\$250,000-\$500,000	7%	19%
\$500,000-\$1,000,000	5%	3%
> \$1,000,000	9%	38%

Table Three illustrates consumer lending in the Long Prairie AA. We sampled 41 vehicle loans totaling \$275,164 originated in 1997. The sample represents 20% of the number and 22% of the dollar volume of vehicle loans originated in the time period.

Table Three

Income Level	% of Families in the AA	% of Number of Loans	% of Dollar Volume
Low	28%	36%	22%
Moderate	21%	23%	19%
Middle	24%	23%	38%
Upper	27%	18%	21%

The above tables indicate that in the Long Prairie AA the bank is doing a good job of lending to borrowers and businesses of different sizes.

St. Cloud AA

Table Four on the following page illustrates business lending in the St. Cloud AA. We sampled 21 loans totaling \$1,863,155 which were originated in 1997. The sample represents 18% of the total loan originations and 15% of the dollar volume of originations for the same time period.

Table Four

Annual Gross Sales	\$ of Number of Loans	% of Dollar Volume
< \$100,000	19%	6%
\$100,000-\$250,000	19%	17%
\$250,000-\$500,000	34%	30%
\$500,000-\$1,000,000	19%	16%
> \$1,000,000	9%	31%

Table Four indicates that in the St. Cloud AA the bank is doing a good job of borrowing to businesses of different sizes.

Table Five

Income Level	% of Families	% of Number	% of Dollar
Low	17%	4%	2%
Moderate	19%	14%	11%
Middle	27%	22%	20%
Upper	37%	60%	67%

Table Five illustrates 1996 Home Mortgage Disclosure Act (HMDA) data for the St. Cloud location. The data represents 114 residential real estate loan originations totaling \$7,336,000. The residential real estate loan originations do not meet the demographics of the assessment area. This is attributed to increasing housing values and the limited availability of lower-cost housing stock.

Geographic Distribution of Loans

The distribution of loans reflects reasonable dispersion throughout AHNB's Long Prairie assessment area. The bank does not maintain loan information by block numbering area but a zip code analysis revealed loans made throughout the AA except for the Bertha area. This is attributed to the distance from Long Prairie and Browerville and the availability of banking services from other financial institutions.

The bank's St. Cloud Assessment area includes 36 census tracts; one is low-income, one moderate-income, 29 middle-income and five upper-income. The low-income census tract is located in the downtown business district. The bank's lending opportunities are limited in this census tract as there are only 313 housing units in comparison to the MSA total of 55,327 housing units. These 313 units represent 3.19% of the MSA's owner occupied housing units. The moderate-income census tract is predominately rural in nature and is at the far end of the assessment area. Both census tracts are served by financial institutions in the immediate area.

Record of Response to Complaints

AHNB received no complaints concerning its performance in meeting assessment area credit needs.

Record of Compliance with Anti-discrimination laws.

Based on our review, the bank is complying with anti-discrimination laws. We found no substantive violations of the fair lending laws were identified.