



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

August 05, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**American Home Bank, National Association
Charter Number 24212**

**805 Estelle Drive
Lancaster, PA 17604**

**Comptroller of the Currency
Northern Pennsylvania Field Office
60 Public Square, Suite 602
Wilkes-Barre, PA 18701**

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'S CRA RATING:

This institution is rated Satisfactory.

The overall rating is based on the following factors:

- The loan-to-deposit ratio exceeds the standards for satisfactory performance;
- The bank's record of lending to borrowers of different incomes meets the standards for satisfactory performance;
- The geographic distribution of loans in the Metropolitan Statistical Areas (MSAs) AA meets the standards for satisfactory performance; and
- The bank has had no consumer complaints regarding its community reinvestment performance.

DESCRIPTION OF INSTITUTION

American Home Bank, N.A. (AHB) is an intrastate bank, established in 2001, with its main office and headquarters in Lancaster County, PA. Lancaster County is located in southern Pennsylvania. The bank's primary business is residential mortgage lending. As of June 30, 2004, the bank had total assets of \$164 million.

AHB has several divisions and numerous affiliates, created to offer a variety of mortgage loan services: American Log Mortgage (division-retail mortgage), Aarrow Mortgage (division-retail mortgage), Preferred Capital Mortgage Services, LLC (affiliate-mortgage broker), Homesale Mortgage LLC (affiliate-mortgage broker), Keystone Professional Mortgage, LLC (affiliate-retail mortgage), Professional Capital Land Exchange LLC (affiliate-title company), Lancaster Mortgage Services (division-mortgage broker), American Direct Funding (division-retail mortgage call center), Ameribanq Mortgage Group, LLC (affiliate-mortgage broker), Integrity Bancorp Mortgage Company, LLC (affiliate-mortgage broker), Associated Capital Mortgage, LLC (affiliate-mortgage broker), Forino Home Mortgage, LLC (affiliate-mortgage broker) and Chesapeake Mortgage Funding, LLC (affiliate-mortgage broker).

In addition to its main office, the bank has a branch in Carlisle, PA in Cumberland County and a loan production office in Lewisburg, PA in Snyder County.

As of June 30, 2004, AHB reported \$108 million in net loans and \$128 million in total deposits. Net loans represented 73% of total assets. The bank's loan portfolio consists of residential real estate loans (96%), consumer loans (1%) and commercial loans (3%). Net Tier 1 Capital is \$15 million as of that same date.

The bank has a website which offers information on branch hours of service and bank products.

Telephone banking is also available.

AHB does not have any legal or financial condition restrictions that would impede their ability to help meet the credit needs of their communities.

According to the June 30, 2004 FDIC/OTS Summary of Deposits Market Share Report, AHB ranked 14th out of 21 institutions in the Lancaster, PA MSA with 1.10% of deposits. Fulton Bank ranked first with 29 offices in the MSA and 20.74% of the deposits. Other financial institutions include Bank of Lancaster County N.A., in second place, with 31 offices and 15.77% of the deposits, and Wachovia Bank N.A., ranked third with 19 offices and 12.57% of the deposits. In the Harrisburg-Lebanon Carlisle, PA MSA, AHB ranked 35th out of 35 banks with 0.05% of deposits. Manufacturers and Traders Trust Company ranked first with 50 offices and 15.93% of the deposits, and Waypoint Bank ranked second with 25 offices and 13.99% of the deposits.

After discussions with bank personnel and review of financial information, we determined that home mortgages were AHB's primary lending product. For sampling purposes, we reviewed the bank's monthly Home Loan Activity reports for originations of loans from January 1, 2001 to December 31, 2002. For loans originated from January 1, 2003 to June 30, 2004 we used data from the Home Mortgage Disclosure Act reports.

DESCRIPTION OF ASSESSMENT AREA

AHB's assessment area (AA) consists of census tracts (CTs) in two Metropolitan Statistical Areas (MSAs). The AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

Description of Lancaster MSA

The assessment area includes thirty-five CTs in the Lancaster MSA (MSA 4000) based on the pre-2004 MSA changes. All of the CTs are located in Lancaster County. *Based on 1990 Census data*, AHB's AA included seven moderate-income CTs (20%), twenty-two middle-income CTs (63%) and six upper-income CTs (17%) in the Lancaster MSA. There are no low-income tracts in the AA. The total population in the AA is 156,511 and the median cost of housing in the AA is \$88,999. The percentage of households below the poverty level is 7%. The AA's population was comprised of 41,125 families with the following family income distribution: 15% are low-income, 18% are moderate-income, 27% are middle-income, and 40% are upper-income. The Updated Median Family Income for 2002 is \$53,900.

In 2004, HUD redefined some MSA boundaries. The Lancaster MSA boundaries did not change, however, the Lancaster MSA number is now 2954 and there are forty-two CTs. *Based on 2000 Census data*, this AA includes five low-income CTs (12%), nine moderate-income CTs (22%), twenty-two middle-income CTs (52%) and six upper-income CTs (14%) in the Lancaster MSA. The total population in the AA is 199,040 and the median cost of housing in the AA is \$110,492. The percentage of households below the poverty level is 9%. The AA's population is

comprised of 51,253 families with the following family income distribution: 19% are low-income, 19% are moderate-income, 24% are middle-income, and 38% are upper-income. The Updated Median Family Income for 2004 is \$61,000.

Description of Harrisburg-Lebanon-Carlisle MSA

The **second MSA** includes thirteen CTs in the Harrisburg-Lebanon-Carlisle MSA (HLC MSA 3240) based on the pre-2004 MSA changes. All of the CTs are located in Cumberland County. *Based on 1990 Census data*, AHB's AA included two moderate-income CTs (15%), ten middle-income CTs (77%) and one upper-income CTs in the HLC MSA. There are no low-income tracts in the AA. The total population in the AA is 80,274 and the median cost of housing is \$80,402. The percentage of households below the poverty level is 6%. The MSA population is comprised of 22,268 families with the following family income distribution: 13% are low-income, 19% are moderate-income, 30% are middle-income and 38% are upper-income. The Median Family Income for 2002 is \$55,400.

In 2004, HUD made changes to boundaries in the second MSA. It is now named the Harrisburg-Carlisle MSA (HC MSA 2542). There are fourteen CTs in the AA. *Based on 2000 Census Data*, this AA includes four moderate-income CTs (29%), eight middle-income CTs (57%) and two upper-income CTs (14%) in the HC MSA. There are no low-income tracts in the AA. The total population in AA is 78,175 and the median cost of housing is \$109,239. The percentage of households below the poverty level is 7%. The MSA population is comprised of 21,493 families with the following family income distribution: 16% are low-income, 19% are moderate-income, 26% are middle-income and 39% are upper-income. The Updated Median Family Income for 2004 is \$61,400.

As of August 31, 2004, the Pennsylvania average state unemployment rate is 5.4%. Both the Lancaster MSA and Harrisburg-Carlisle MSA rates falls below the state average at 3.7%, and 3.6% respectively. Lancaster County is a mix of industry and farming outside of the city of Lancaster. The major employers in Lancaster County are the Lancaster General Hospital, R.R. Donnelley & Sons Company, Mutual Assistance Group, Lancaster County and Armstrong World Industries. The Pennsylvania Dutch is a major tourist attraction. Cumberland County is also a mix of industry and farming. Major employers in Cumberland County are federal government, Highmark Blue Cross/Blue Shield, Holy Spirit Hospital, Giant Food Stores LLC, and state government. The majority of local residents travel to Harrisburg for employment.

In 2003, 354 lenders originated HMDA loans in the Lancaster MSA, according to the most recent HMDA Peer Mortgage Data. AHB ranked seventeenth in this MSA with a market share of 1.66%. Fulton Banks ranked first with a market share of 6.10%. Ameriquest Mortgage Company ranked second with a market share of 5.44%. Of the 285 lenders that originated HMDA loans in the Harrisburg-Lebanon-Carlisle MSA, AHB ranked seventh with a market share of 3.38%. Members 1st FCU ranked first with a market share of 8.58%. Waypoint Bank ranked second with a market share of 6.51%. Competition for AHB in both MSAs is highly competitive.

Community Contact

Community contact was made with volunteer coordinator of Habit for Humanity in Lancaster County to ascertain their perspective on the community profile and performance of local financial institutions in the community. She described the Lancaster MSA as having a generally stable economy with noticeable growth and a changing population mix in the last five years. There has been a transition of families into the suburbs of Lancaster. The volume of low- to moderate-income individuals in the city of Lancaster has grown. As a result there is a need for affordable low- and moderate-income housing. The historical society has put limitations on the revitalization of the city housing making the house unaffordable for the local residents. The contact could not identify unmet credit needs, as financial institutions are perceived as being able to meet the various credit needs in the community.

During the evaluation period, AHB did not originate any community development loans.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The evaluation period covered lending activity for home mortgage loans (purchase money, refinance, and home improvement loans) originated from September 1, 2001 through June 30, 2004. These were the only products reviewed due to the business focus of the bank during this evaluation period.

Loan-to-Deposit Ratio

An analysis of AHB's loan-to-deposit ratios from the third quarter of 2001 through the second quarter of 2004 reveals the bank exceeds the standards for satisfactory performance. The bank's average loan-to-deposit ratio for these 12 quarters was 103%, ranging from 79.49% to 128.97%. This ratio is above the average quarterly ratios of similarly situated banks in Pennsylvania with similar asset size. The custom peer average was 72.10%, with average ratios during the period ranging from 69.15% to 79.20%. The local peer consisted of Pennsylvania banks with total assets between \$100 and \$200 million dollars.

Lending in Assessment Area

For the period from September 1, 2001 through December 31, 2002, a majority of the home mortgage loans originated during the evaluation period were within the AA. For the period of January 1, 2003 through June 30, 2004 the majority of the originations were outside of the AA. AHB is a nationwide lender and with their growth, and based on the nature of this type of business, these results are reasonable. Therefore, AHB meets the standards for adequate performance for lending in their AA. An analysis of the sample and HMDA data from both evaluation periods disclosed that 57% of the loans for the period in 2001 and 2002 were originated in the AA. For the period in 2003 and 2004, 27% of the loans were originated in the AA.

The following tables are an analysis of the distribution of home mortgage loans inside and outside of the bank's AA.

HOME MORTGAGE LOANS ORIGINATED DURING EVALUATION PERIOD 09/01/01 THROUGH 12/31/02				
	<i>INSIDE ASSESSMENT AREAS</i>		<i>OUTSIDE ASSESSMENT AREAS</i>	
	# Loans	\$(000)	# Loans	\$(000)
Home Purchase Loans	9	1,122	9	1,224
Home Refinance Loans	14	2,274	8	1,325
Home Improvement Loans	0	0	0	0
Multifamily	0	0	0	0
Total Loans	23	3,396	17	2,549
Percentage	57%	57%	43%	43%

Source: 2001-2002 AHB LAR SAMPLE

HOME MORTGAGE LOANS ORIGINATED DURING EVALUATION PERIOD 01/01/03 THROUGH 06/30/04				
	<i>INSIDE ASSESSMENT AREAS</i>		<i>OUTSIDE ASSESSMENT AREAS</i>	
	# Loans	\$(000)	# Loans	\$(000)
Home Purchase Loans	131	20,467	526	85,130
Home Refinance Loans	395	53,529	935	142,758
Home Improvement Loans	10	576	3	308
Multifamily	0	0	1	400
Total Loans	536	74,572	1,465	228,596
Percentage	27%	25%	73%	75%

Source: 2003-2004 AHB HMDA-LAR

Lending to Borrowers of Different Income Levels

AHB's record of lending to borrowers of different incomes meets the standard for satisfactory performance. *Based on the 1990 Census Data*, the level of home mortgage loans originated to

low-income borrowers **in the Lancaster MSA** is below the percentage of low-income families for the MSA. When considering the affordability of housing in the MSA, this performance is adequate. The median cost of housing **in the Lancaster MSA** is \$88,999 based on 1990 U.S. Census data. The HUD updated median family income for 2002 is \$53,900. As low-income is defined as less than 50% of the median family income, this means that a low-income person earns less than \$26,450 in the MSA. It would be difficult for a low-income individual to own or purchase a home. The level of home mortgage loans originated to moderate-income borrowers in the AA is nearer to the percentage of moderate-income families for the MSA. This performance is also considered adequate.

Based on 2000 Census Data, the level of home mortgage loans originated to low-income borrowers **in the Lancaster MSA** in 2003 and 2004 is below the percentage of low-income families for the MSA. Again, when considering the affordability of housing **in the Lancaster MSA**, this performance is adequate. The median cost of housing increased over twenty-four percent in the MSA and is \$110,492 based on 2000 U.S. Census data. The HUD updated median family income for 2004 increased only 13% to \$61,000. This means that a low-income person earns less than \$30,500 in the MSA. Based on both the 1990 and 2000 Census Data statistics, it would be difficult for a low-income individual to purchase housing **in the Lancaster MSA**. The level of home mortgages to moderate-income borrowers **in the Lancaster MSA** is equal to the percentage of moderate-income families for this MSA in 2003 and nearer to in 2004. This performance is satisfactory.

ANB did not make any home mortgage loans to low-income borrowers **in the Harrisburg-Lebanon-Carlisle MSA** during the evaluation period *based on 1990 Census Data*. This performance is poor, however, when considering the affordability of housing in this MSA, it would be difficult for a low-income individual to purchase housing **in the HLC MSA**. The median cost of housing in the MSA is \$80,402 based on 1990 U.S. Census data. The HUD updated median family income for 2002 is \$55,400. This means that a low-income person earns less than \$27,700 in the MSA. The level of home mortgage loans to moderate-income borrowers **in the HLC MSA** is above the percentage of moderate-income families for the MSA and is excellent performance.

Based on 2000 Census Data, the level of home mortgage loans originated to low-income borrowers **in the Harrisburg-Carlisle MSA** in 2003 and 2004 is below the percentage of low-income families for the MSA. When considering the affordability of housing **in the HC MSA**, this performance is adequate. The median cost of housing **in the HC MSA** increased over thirty-four percent in the MSA and is \$109,239 based on 2000 U.S. Census data. The HUD updated median family income for 2004 increased only 11% to \$61,400. This means that a low-income person earns less than \$30,700 in the MSA. Based on both 1990 and 2000 Census Data statistics, it would be difficult for a low-income family to purchase housing in the MSA. The level of home mortgages to moderate-income borrowers **in the HC MSA** is equal to the percentage of moderate-income families for the MSA in 2003 and above in 2004. This performance is satisfactory.

The following tables are an analysis of the distribution of home mortgage loans by borrower income level.

Borrower Distribution of Home Mortgage Loans Lancaster MSA (Lancaster County) 09/01/01 THROUGH 12/31/02					
Income Level	# of Loans	% of Loans	\$ (000) of Loans	% of \$ of Loans	Income Level of Families in AA
Low	1	3%	25	1%	15%
Moderate	4	12%	304	5%	18%
Middle	9	26%	993	17%	27%
Upper	20	59%	4,439	77%	38%
Total	34	100.00%	5,761	100.00%	100.00%

Source: 2001-2002 AHB LAR Sample/1990 Census Data

Borrower Distribution of Home Mortgage Loans Lancaster MSA (Lancaster County) 01/01/03 THROUGH 12/31/03					
Income Level	# of Loans	% of Loans	\$ (000) of Loans	% of \$ of Loans	Income Level of Families in AA
Low	33	9%	2,300	4%	19%
Moderate	73	19%	7,201	13%	19%
Middle	107	28%	13,785	26%	24%
Upper	169	44%	30,490	57%	38%
Total	382	100.00%	53,776	100.00%	100.00%

Source: 2003 AHB HMDA-LAR/2000 Census Data

Borrower Distribution of Home Mortgage Loans Lancaster MSA (Lancaster County) 01/01/04 THROUGH 06/30/04					
Income Level	# of Loans	% of Loans	\$ (000) of Loans	% of \$ of Loans	Income Level of Families in AA
Low	7	7%	740	5%	19%
Moderate	16	16%	1,604	10%	19%
Middle	24	23%	3,402	21%	24%
Upper	55	54%	10,143	64%	38%

Total	102	100.00%	15,889	100.00%	100.00%
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Source: 2004 AHB HMDA-LAR/2000 Census Data

Borrower Distribution of Home Mortgage Loans Harrisburg-Lebanon-Carlisle MSA (Cumberland County) 09/01/01 THROUGH 12/31/02					
Income Level	# of Loans	% of Loans	\$ (000) of Loans	% of \$ of Loans	Income Level of Families in AA
Low	0	0%	0	0%	13%
Moderate	9	26%	879	19%	19%
Middle	7	20%	630	13%	30%
Upper	19	54%	3,158	68%	38%
Total	35	100.00%	4,667	100.00%	100.00%

Source: 2001-2002 AHB LAR Sample/1990 Census Data

Borrower Distribution of Home Mortgage Loans Harrisburg-Carlisle MSA (Cumberland County) 01/01/03 THROUGH 12/31/03					
Income Level	# of Loans	% of Loans	\$ (000) of Loans	% of \$ of Loans	Income Level of Families in AA
Low	23	7%	1,641	4%	16%
Moderate	59	19%	6,249	15%	19%
Middle	107	34%	12,578	30%	26%
Upper	129	40%	20,845	51%	39%
Total	318	100.00%	41,313	100.00%	100.00%

Source: 2003 AHB HMDA-LAR/2000 Census Data

Borrower Distribution of Home Mortgage Loans Harrisburg-Carlisle MSA (Cumberland County) 01/01/04 THROUGH 06/30/04					
Income Level	# of Loans	% of Loans	\$ (000) of Loans	% of \$ of Loans	Income Level of Families in AA
Low	2	3%	188	2%	16%
Moderate	19	29%	1,968	20%	19%
Middle	10	15%	1,234	12%	26%
Upper	35	53%	6,620	66%	39%
Total	66	100.00%	10,010	100.00%	100.00%

Source: 2004 AHB HMDA-LAR/2000 Census Data

Geographic Distribution of Loans

The geographic distribution of loans meets the standards for adequate performance **in the Lancaster MSA**. There are no low-income geographies **in the Lancaster MSA based on 1990 Census Data**. Seven of the CTs **in the Lancaster MSA** are moderate-income. The percentage of loans originated by AHB from 9/01/01 to 12/31/02 in the moderate-income geographies is below the percentage of owner-occupied units **in the Lancaster MSA**. *Based on 2000 Census Data*, five of the CTs **in the Lancaster MSA** are low-income and nine are moderate-income. The percentage of loans originated by AHB from 1/1/03 to 6/30/04 in the low-income geographies is below the percentage owner-occupied units in the MSA. The percentage of loans originated by AHB in moderate-income geographies is below the percentage of owner-occupied units **in the Lancaster MSA**. Lending opportunities for AHB in these low- and moderate-income tracts has been very rate competitive with several of the other community banks in the MSA.

The geographic distribution of loans **in the Harrisburg-Lebanon-Carlisle MSA** meets the standards for satisfactory performance. There are no low-income geographies **in the HLC MSA based on 1990 Census Data**. Two of the CTs **in the HLC MSA** are moderate-income. The percentage of loans originated by AHB from 9/01/01 to 12/31/02 in the moderate-income geographies exceeds the percentage of owner-occupied units **in the HLC MSA**. There are no low-income geographies **in the HLC MSA based on 2000 Census Data**. Four of the CTs **in the Harrisburg-Carlisle MSA** are moderate-income. The percentage of loans originated by AHB from 1/1/03 to 6/30/04 in the moderate-income geographies exceeds the percentage of owner-occupied units **in the HC MSA**. Lending opportunities for AHB in these low-income tracts has been very rate competitive with several of the other community banks in the MSA.

Geographic Distribution of Home Mortgage Loans Lancaster MSA (Lancaster County) 09/01/01 THROUGH 12/31/02					
Census Tract	# of Loans	% of Total Loans	\$ (000) of Total Loans	% of \$ of Total Loans	% of Owner-Occupied Units
Low	N/A	N/A	N/A	N/A	N/A
Moderate	1	3%	47	1%	12%
Middle	34	97%	4,738	99%	64%
Upper	N/A	N/A	N/A	N/A	24%
Total	35	100.00%	4,785	100.00%	100.00%

Source: 2001-2002 AHB LAR Sample/1990 Census Data

Geographic Distribution of Home Mortgage Loans Lancaster MSA (Lancaster County) 01/01/03 THROUGH 12/31/03					
Census Tract	# of Loans	% of Total Loans	\$ (000) of Total Loans	% of \$ of Total Loans	% of Owner-Occupied Units
Low	4	1%	122	2%	3%
Moderate	23	6%	1,350	2%	13%
Middle	222	58%	29,491	55%	60%
Upper	133	35%	22,813	41%	24%
Total	382	100.00%	53,776	100.00%	100.00%

Source: 2003AHB HMDA-LAR/12000 Census Data

Geographic Distribution of Home Mortgage Loans Lancaster MSA (Lancaster County) 01/01/04 THROUGH 06/30/04					
Census Tract	# of Loans	% of Total Loans	\$ (000) of Total Loans	% of \$ of Total Loans	% of Owner-Occupied Units
Low	2	2%	251	2%	3%
Moderate	6	6%	483	3%	13%
Middle	61	60%	9,348	59%	60%
Upper	33	32%	5,807	36%	24%
Total	102	100.00%	15,889	100.00%	100.00%

Source: 2004 AHB HMDA-LAR/2000 Census Data

Geographic Distribution of Home Mortgage Loans Harrisburg-Lebanon-Carlisle MSA (Cumberland County) 09/01/01 THROUGH 12/31/02					
Census Tract	# of Loans	% of Total Loans	\$ (000) of Total Loans	% of \$ of Total Loans	% of Owner-Occupied Units
Low	N/A	N/A	N/A	N/A	N/A
Moderate	2	6%	53	1%	3%
Middle	17	50%	2,833	53%	89%
Upper	15	44%	2,436	46%	8%
Total	34	100.00%	5,322	100.00%	100.00%

Source: 2001-2001 AHB LAR Sample/1990 Census Data

Geographic Distribution of Home Mortgage Loans Harrisburg-Carlisle MSA (Cumberland County) 01/01/03 THROUGH 12/31/03					
Census Tract	# of Loans	% of Total Loans	\$ (000) of Total Loans	% of \$ of Total Loans	% of Owner-Occupied Units
Low	N/A	N/A	N/A	N/A	N/A
Moderate	42	13%	4,251	10%	9%
Middle	161	51%	21,155	51%	69%
Upper	115	36%	15,907	39%	22%
Total	318	100.00%	41,313	100.00%	100.00%

Source: 2003 AHB HMDA-LAR/2000 Census Data

Geographic Distribution of Home Mortgage Loans Harrisburg-Carlisle MSA (Cumberland County) 01/01/04 THROUGH 06/30/04					
Census Tract	# of Loans	% of Total Loans	\$ (000) of Total Loans	% of \$ of Total Loans	% of Owner-Occupied Units
Low	N/A	N/A	N/A	N/A	N/A
Moderate	9	14%	802	8%	9%
Middle	37	56%	6,397	64%	69%
Upper	20	30%	2,811	28%	22%
Total	66	100.00%	10,010	100.00%	100.00%

Source: 2004 AHB HMDA-LAR/2000 Census Data

Responses to Complaints

The bank has not received any CRA-related consumer complaints since it opened in 2001.

Fair Lending Review

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