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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**September 30, 1997**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Liberty Bank, NA  
Charter Number 23264**

**2351 Edison Blvd.  
Twinsburg, Ohio 44087**

**Office of the Comptroller of the Currency  
3 Summit Park Drive Suite 530  
Independence, Ohio 44131**

**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 **Liberty Bank, NA** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 30, 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**"

Liberty Bank, NA (LBNA) helps meet community credit needs. The bank has a good loan-to-deposit ratio with the majority of its loans being originated within its assessment areas. The bank's volume of lending to small businesses is strong. The volume of mortgage lending is limited. This is consistent with the bank's marketing strategy. Lending to borrowers of different income levels is acceptable. The geographic distribution of mortgage loans in moderate-income census tracts is limited, however, this is somewhat mitigated by adequate lending to borrowers of different income levels and the location of the single branch office.

## **DESCRIPTION OF INSTITUTION**

LBNA is a \$41 million bank located in Twinsburg, Ohio. The bank operates from a single office located in a commercial area. An automated teller machine (ATM) is adjacent to the office.

On September 30, 1997, LBNA had \$25.5 million in outstanding loans and a loan-to-deposit ratio of 72%. Loans make up 62% of total assets. The loan portfolio is comprised of: \$9.7 million (38%) in loans secured by 1-4 family residential properties; \$2.6 million (10%) in consumer loans; \$6.6 million (26%) in commercial real estate loans; and \$5.9 million (23%) in commercial and industrial loans. The remainder (2%) of the portfolio consists of other loans. LBNA's primary target market is small business.

## **DESCRIPTION OF LBNA's ASSESSMENT AREAS**

LBNA has two Assessment Areas (AA). The basis of the AAs are the geographies surrounding its single office location. This is the area where LBNA originates a majority of its loans. One AA consists of the southeast portion of Cuyahoga County and the southwest portion of Geauga County, in MSA 1680. Of the 41 census tracts in this AA, none are low-income, four are moderate-income (10%), 21 are middle-income (51%), and 16 are upper-income (39%). The population of this AA is 131,341 persons. The local economy is considered good. The 1990 Census MSA Median Family income is \$36,500. There are 53,095 housing units in the AA. Of this volume, 69% are owner occupied, 27% are rental, 4% are vacant housing units.

The second AA consists of the northeast portion of Summit County and the northwest portion of Portage County in MSA 0080. Of the 15 census tracts in this AA, none are low-income or moderate-income, 6 are middle-income (40%), and 9 are upper-income (60%). The population of this AA is 71,862. The local economy is also considered good. The 1990 Census MSA Median Family income is \$35,193. There are 26,697 housing units in this AA. Of this volume, 78% are owner occupied, 17% are rental, and 5% are vacant.

Many financial institutions and mortgage companies serve the assessment area. According to 1996 Home Mortgage Disclosure Act (HMDA) information, 271 financial institutions originated real estate mortgages in the MSA 1680 portion of LBNA's assessment area, and 245 financial institutions originated real estate mortgages in the MSA 0080 portion of LBNA's assessment area. Many of the banks operating in these areas are branches of larger regional and money center banks. Due to the very competitive mortgage loan environment and LBNA's comparatively small size, management's primary target market is small business lending. Management does not actively promote mortgage loan products, but does offer and originate them when requested.

We considered comments from the community in assessing the bank's CRA performance. Our contacts indicated that the community's primary credit needs are small business and residential mortgages.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

LBNA's overall performance is satisfactory. Conclusions for each assessment area are:

MSA 0080 - Satisfactory

MSA 1680 - Satisfactory

The following conclusions are based on both MSA assessment areas. We reviewed the bank's performance since the last CRA examination dated January 4, 1995. The bank was rated "Satisfactory Record of Meeting Community Credit Needs" at that time.

### **Loan-to-Deposit Ratio**

LBNA's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. The average quarterly loan-to-deposit ratio since the last CRA examination is 76%. LBNA's loan-to-deposit ratio was compared to other similar banks with total assets of \$100 million or less within the state of Ohio as of September 30, 1997. The banks meeting this criteria reflected a loan-to-deposit ratio ranging from a low of 40% to a high of 92%. LBNA's loan-to-deposit ratio falls into the middle of this range at 76%.

### **Lending in the Assessment Area**

A sample of 46 business loans originated from January 1, 1996 through September 30, 1997, totaling \$5.6 million shows that LBNA does a substantial majority of its business lending within the assessment areas. MSA 0080 represents the majority of the bank's lending activity. This is reasonable given the bank's size and single office location within MSA 0080. MSA 0080 contained thirty business loans totaling \$4.3 million. MSA 1680 contained nine business loans totaling \$594 thousand. In total, 85% by number of loans and 89% by dollar volume were located within LBNA's assessment areas.

Mortgage loan data also reflects reasonable lending activity. Management stated that a substantial portion of their mortgage loan activity is generated through its commercial customers, who work in the assessment area but reside elsewhere. An analysis of the bank's 1996 and YTD September 30, 1997 HMDA Loan Application Register shows that a majority of the mortgage loans were located within the bank's assessment areas. MSA 1680 contained six mortgage loans totaling \$306 thousand. MSA 0080 contained

29 mortgage loans totaling \$2.7 million. In total, 56% by number of loans and 51% by dollar volume were located within LBNA's assessment areas.

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

LBNA has an acceptable level of mortgage loans to borrowers of different income levels when compared to the characteristics of its assessment areas. Mortgage loan volume to low-income borrowers in MSA 0080 is less than the area's characteristics. The level of lending to moderate-income borrowers is well above the area's characteristics. The volume of mortgage lending in MSA 1680 is limited, again reflecting LBNA's small size and single office location. Given the limited number of loan originations in MSA 1680, this data is inconclusive. Emphasis was placed on loan originations in MSA 0080.

| <b>Mortgage Loans Originated within the AAs to Borrowers of Different Income Levels</b> |          |          |                 |          |                     |                 |          |                 |          |                     |
|---|----------|----------|-----------------|----------|---------------------|-----------------|----------|-----------------|----------|---------------------|
| <b>January 1, 1996 to September 30, 1997</b>  |          |          |                 |          |                     |                 |          |                 |          |                     |
| <b>MSA 1680</b>   |          |          |                 |          |                     | <b>MSA 0080</b> |          |                 |          |                     |
| <b>Borrower Income</b>  | <b>#</b> | <b>%</b> | <b>\$ (000)</b> | <b>%</b> | <b>Area Percent</b> | <b>#</b>        | <b>%</b> | <b>\$ (000)</b> | <b>%</b> | <b>Area Percent</b> |
| <b>Low Income</b>   | 2        | 33%      | \$19            | 6%       | 12%                 | 1               | 3%       | \$36            | 2%       | 7%                  |
| <b>Moderate Income</b>  | 0        | 0%       | \$0             | 0%       | 16%                 | 6               | 21%      | \$518           | 20%      | 10%                 |
| <b>Middle Income</b>  | 0        | 0%       | \$0             | 0%       | 22%                 | 8               | 28%      | \$741           | 27%      | 21%                 |
| <b>Upper Income</b>   | 4        | 67%      | \$287           | 94%      | 48%                 | 14              | 48%      | \$1,356         | 51%      | 62%                 |
| <b>Total</b>  | 6        | 100%     | \$306           | 100%     | 100%                | 29              | 100%     | \$2,651         | 100%     | 100%                |

Source: 1996 and 1997 HMDA-Lar data

LBNA's overall lending to businesses of different sizes is strong. Commercial lending represents 49% of the loan portfolio. Of the 46 business loans sampled during our review, 39 totaling \$5 million were originated within the bank's AAs. The information shows that 100% of the loan volume and 100% of the dollar volume was made to small businesses. A small business loan is defined as a loan in the amount of \$1 million or less. All business loans would be considered small due to the size of the bank and the corresponding legal lending limit.

### Geographic Distribution of Loans

LBNA's geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas. Mortgage loan information maintained under the HMDA was reviewed to determine the volume and distribution of such lending.

Census data shows that the assessment areas contain no low-income census tracts. MSA 0080 also has no moderate-income tracts. Moderate-income census tracts represent 10% of the MSA 1680 portion of the assessment area.

LBNA has no originations in the moderate-income census tracts of the MSA 1680 assessment area. However, these census tracts are located on the edge of the assessment area, and are not in close proximity to the bank. Again, this data is inconclusive given the limited volume of lending in this area. Many competing financial institutions are more conveniently located to persons in these areas. HMDA information shows that 106 financial institutions originated mortgage loans in these moderate-income areas during 1996. Also, LBNA's level of lending to low-income and moderate-income persons combined in the assessment areas indicates that it is adequately reaching persons in those income categories. As stated in the performance context, LBNA is primarily a business lender.

| <b>Mortgage Loans Originated in the Assessment Area<br/>January 1, 1996 to September 30, 1997</b> |          |          |                     |          |                              |                 |          |           |          |                         |
|---|----------|----------|---------------------|----------|------------------------------|-----------------|----------|-----------|----------|-------------------------|
| <b>MSA 1680</b>   |          |          |                     |          |                              | <b>MSA 0080</b> |          |           |          |                         |
| <b>Loans in<br/>the AA</b>  | <b>#</b> | <b>%</b> | <b>\$<br/>(000)</b> | <b>%</b> | <b>Area<br/>Perce<br/>nt</b> | <b>#</b>        | <b>%</b> | <b>\$</b> | <b>%</b> | <b>Area<br/>Percent</b> |
|   |          |          |                     |          |                              |                 |          |           |          |                         |

|                        |    |      |       |      |      |    |      |         |      |      |
|------------------------|----|------|-------|------|------|----|------|---------|------|------|
| <b>Low Income</b>      | NA | NA   | NA    | NA   | 0%   | NA | NA   | NA      | NA   | 0%   |
| <b>Moderate Income</b> | 0  | 0%   | \$0   | 0%   | 10%  | NA | NA   | NA      | NA   | 0%   |
| <b>Middle Income</b>   | 4  | 67%  | \$109 | 36%  | 51%  | 13 | 45%  | \$1,081 | 41%  | 40%  |
| <b>Upper Income</b>    | 2  | 33%  | \$197 | 64%  | 39%  | 16 | 55%  | \$1,570 | 59%  | 60%  |
| <b>Total</b>           | 6  | 100% | \$306 | 100% | 100% | 29 | 100% | \$2,651 | 100% | 100% |

Source: 1996 and 1997 HMDA-Lar data

**Compliance with Fair Lending Laws and Regulations**

A fair lending examination was conducted with this CRA examination. A sample of residential and consumer loans originated in 1996 and 1997 was reviewed to determine if LBNA engaged in illegal lending practices. No illegal discriminatory lending practices were evident.