



PUBLIC DISCLOSURE

March 09, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Liberty FSB
Charter Number 701532

401 W Broadway Ave
Enid, OK 73701-3839

Office of the Comptroller of the Currency

8282 South Memorial Drive
Suite 300
Tulsa, OK 74133

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.

State Name: Oklahoma Rating: Satisfactory

State Name: Texas Rating: Satisfactory

The bank's overall rating is a blend of the State of Oklahoma rating and the State of Texas rating. The major factors supporting the institution's rating include the following:

- The loan-to-deposit (LTD) ratio is *more than reasonable*, and the bank *exceeds the standards of satisfactory performance*, based on the bank's performance context and lending opportunities within its assessment areas (AA's).
- A *substantial majority* of the number of the bank's loans originated during the review period is inside the bank's AA's, and the bank *exceeds the standards of satisfactory performance*.
- The bank's distribution of loans reflects *reasonable distribution* among borrowers of different income levels, and the bank *meets the standards of satisfactory performance*.
- The geographic distribution of loans reflects a *reasonable distribution* throughout the bank's AA's, and the bank *meets the standards of satisfactory performance*.

SCOPE OF CRA EVALUATION

We evaluated Liberty Federal Savings Bank ("Liberty" or "bank") using the Small Bank standards for assessing performance, which includes a lending test to evaluate the bank's record of meeting the credit needs of the bank's AA's. Liberty's primary loan product is centered in residential real estate loans, and we assessed the bank's performance under the lending test using Home Mortgage Disclosure Act (HMDA) data, comprising 61 residential mortgage loans originated from January 2, 2012 through December 31, 2013. The sample is representative of the bank's business strategy since the last CRA Performance Evaluation.

DESCRIPTION OF INSTITUTION

Liberty is a \$94 million dollar federally chartered, mutual savings bank with a home office in Enid, Oklahoma. The bank does not operate under a holding company. A CRA Performance Evaluation was last prepared February 26, 2008, and a "Satisfactory" rating was assigned. There are known legal, financial, or other factors impeding the bank's ability to meet the credit needs of its AA's, as Liberty is subject to a Consent Order (Order) dated November 15, 2013. The Order replaced an Order to Cease and Desist, dated March 23, 2010. In addition, based on Call Report data, the bank's total loan portfolio declined by \$115 million since the previous CRA Performance Evaluation.

During the review period, Liberty had three full-service branch locations. The main bank office in Enid, OK, is located within a moderate-income census tract. The remaining full-service branches are located in Stillwater, OK, and Frisco, TX, and both are located within middle-income tracts. A drive-thru motor bank, also in Enid, OK., is located in an upper-income census tract. The bank provides Automated Teller Machines (ATM) at its three full service branch locations, the drive-thru motor bank, and a stand-alone ATM in Enid, OK. Liberty offers a variety of loan and deposit services during reasonable hours, Monday through Saturday. Liberty also offers banking services by telephone and the internet.

Liberty's current primary business strategy is to achieve compliance with the requirements of the Order. Secondly, the strategy includes providing a variety of loan and deposit services inside the bank's designated AA's, consistent with safe and sound operations. The AA's consist of the Oklahoma AA and Texas AA, and these are described in detail later in the Performance Evaluation. The bank's loan and deposit activities are centered in the Oklahoma AA, as 95 percent of their deposit base is located in this area. Liberty's business strategy for the Texas AA is centered on commercial loan products and, on a smaller scale, consumer loans, as only 5 percent of their deposit base is located in this area.

The following table describes the composition of the bank's loan portfolio as of December 31, 2014, which represents approximately forty-nine percent of total assets. Management does not anticipate any significant changes in the composition of the loan portfolio in the near future.

Loan Type	Dollar (000's)	% of Portfolio
Construction and Land Development	\$5,820	12.69%
1-4 Family Real Estate	\$30,955	67.50%
Commercial Real Estate	\$5,890	12.84%
Multifamily Residential	\$1,704	3.72%
Commercial and Industrial	\$1,120	2.44%
Consumer Loans	\$370	0.81%
Total Loan Portfolio	\$45,859	100%

Source: December 31, 2014 Consolidated Reports of Condition and Income

RATINGS

The bank's overall rating is a blend of the Oklahoma rating and the Texas rating. We placed significantly more weight on the State of Oklahoma rating due to the substantial amount of deposits (95%) from this area. See the respective sections for a full description of each AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Liberty does a reasonable job of meeting the credit needs in its AA's, including low- and moderate-income borrowers, given the demographics, economic factors, and competitive pressures faced by the bank.

Loan-to-Deposit Ratio (LTD)

The bank has an *outstanding* LTD ratio relative to their financial condition, local banking competition, and credit needs of the AA's. Since the previous CRA Performance Evaluation, the bank's quarterly average LTD ratio averaged 90 percent, compared to a 67 percent aggregate average by six other competing banks within or near the Oklahoma AA during the same period. Based on discussions with bank management, loan demand for residential loans is low, and the bank does not sell loans on the secondary market.

The chart below details the quarterly average for Liberty, and the six primary competing banks in or near the Oklahoma AA.

Institution	Average Assets (as of December 31, 2014)	Average LTD Ratio
Liberty FSB	\$96,532	90.01
Stroud National Bank	\$83,720	82.26
Acb Bank	\$89,688	79.39
Payne County Bank	\$151,127	72.34
Exchange Bank & Trust Company	\$280,351	70.12
First Bank & Trust Company	\$150,153	53.66
Bank of Cushing	\$120,898	46.08

Source: December 31, 2014 Consolidated Reports of Condition and Income; Uniform Bank Performance Report

Lending in Assessment Area

Our loan sample disclosed that a *substantial majority* of the number of loans originated during the review period are inside the bank's AA's. For 2012 and 2013, Liberty reported 91 HMDA applications and 30 of these were either denied for failure to meet credit requirements, or withdrawn by the borrower. The following table presents a more specific identification of loan types inside and outside of the bank's AA's.

Loan Type	Number of Loans					Dollars of Loans (\$000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	24	77%	7	23%	31	\$3,504	44%	\$4,443	56%	\$7,947
Home Improvement	12	100%	0	0%	12	\$1,016	100%	\$0	0%	\$1,965
Home Refinance	15	83%	3	17%	18	\$1,575	80%	\$390	13%	\$1,016
Totals	51	84%	10	16%	61	\$6,095	56%	\$4,833	44%	\$10,928

Source: 2012 HMDA and 2013 HMDA.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. § 25.28(c), or 12 C.F.R. § 195.28(c), in determining a national bank's (bank) or Federal Savings Association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

Community Contact

The OCC contacted two community leaders within the AA's to get a better understanding of the general community credit and development needs, and discuss local economic conditions. Both contacts indicated a need within the AA's for more affordable housing, better employment opportunities, and funding for infrastructure improvements as well as lending programs tailored to small businesses.

STATE RATING

State of Oklahoma

The CRA rating for Oklahoma is Satisfactory.

The major factors supporting the institution's rating include the following:

- The bank's distribution of loans reflects *reasonable distribution* among borrowers of different income levels.
- The geographic distribution of loans reflects a *reasonable distribution* throughout the bank's AA.

Oklahoma Assessment Area

The Oklahoma AA consists of 25 census tracts, comprising all of Garfield County, and Western Payne County to the Cimarron River. In aggregate, one census tract is designated as a low-income tract, two are designated as moderate-income tracts, sixteen are designated as middle-income tracts, and six are designated as upper-income tracts. The level of banking competition in the AA is high, and includes approximately 29 banks and branches of non-local banks. Based on the June 30, 2014 Federal Deposit Insurance Corporation (FDIC) Market Share Report, the bank's presence in the Oklahoma AA is low, as they have only three percent of the deposit market share in the AA. This places the bank ninth out of the twenty-nine financial institutions servicing the Oklahoma AA. The local economy is diversified, and the most significant employers include military, light manufacturing, city government and public schools, farming, and Oklahoma State University – Stillwater.

The following table provides key demographic and economic characteristics of the Oklahoma AA.

Demographic Information – Oklahoma AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	25	4%	8%	64%	24%
Population by Geography	123,693	5%	10%	58%	27%
Owner-Occupied Housing by Geography	53,711	0%	9%	57%	34%
Businesses by Geography	8,196	3%	13%	58%	26%
Farms by Geography	611	1%	2%	61%	36%
Family Distribution by Income Level	27,888	18%	18%	18%	46%
Household Distribution by Income Level	47,064	25%	17%	16%	42%
Weighted average of Median Family Income (MFI)	\$55,532	Median Housing Value 2014			\$104,824
Weighted average of HUD updated MFI: 2014	\$51,200	Households Below the Poverty Level			20%

Source: 2012 Geo-demographic Data; 2010 United States Census Data

Lending to Borrowers of Different Incomes in Oklahoma Assessment Area

Lending patterns during the review period indicate a *reasonable distribution* among borrowers of different income levels. However, the overall level of lending declined substantially since the last CRA Performance Evaluation due to the bank’s legal factors described earlier, significant competition in the AA, and the bank’s business strategy to focus on commercial lending in the Texas AA. Bank management attributes the low percentage of residential mortgage loans to low-income borrowers to the general inability of borrowers in that income category to meet the bank’s credit standards, consistent with safe and sound lending. The following table presents a more specific identification of loan distribution patterns among borrowers within the Oklahoma AA.

Data Comparator details Aggregate Lending

Table 2 - Borrower Distribution of Residential Real Estate Loans in Oklahoma AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	18	2	18	15	18	19	46	50
Home Improvement	18	3	18	11	18	22	46	59
Home Refinance	18	2	18	8	18	15	46	57
Totals	18	2	18	12	18	18	46	54

Source: 2012 HMDA and 2013 HMDA; 2012 Geo-demographic Data; 2010 United States Census Data. Data reported under HMDA. Income NA for 8% of home purchase and 27% of refinancing of bank loans. Income NA for 14% of home purchase and 17% of refinancing loans from HMDA aggregate.

Geographic Distribution of Loans in Oklahoma Assessment Area

Lending patterns during the review period indicate *reasonable distribution* throughout the Oklahoma AA. There are two moderate-income census tracts and one low-income census tract within the Oklahoma AA. The following table reflects the geographic distribution of residential real estate loans, home improvement loans, and home refinance loans, relative to the income level of the census tracts inside the AA.

Data Comparator reflects Aggregate Lending

Table 3A - Geographic Distribution of Residential Real Estate Loans in Oklahoma AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	0	0	9	5	57	51	34	44
Home Improvement	0	0	9	10	57	57	34	33
Home Refinance	0	0	9	2	57	57	34	42

Source: 2012 HMDA and 2013 HMDA; 2012 Geo-demographic Data; 2010 United States Census Data

Responses to Complaints

There have been no consumer complaints regarding Liberty’s performance under the Community Reinvestment Act (CRA) during the evaluation period. The bank’s CRA Public File contains all of the required information.

STATE RATING

State of Texas

The CRA rating for Texas is Satisfactory.

The major factors supporting the institution's rating include the following:

- The bank's distribution of loans reflects *reasonable distribution* among borrowers of different income levels.
- The geographic distribution of loans reflects a *reasonable distribution* throughout the bank's AA.

Texas Assessment Area

The Texas AA consists of 200 census tracts, comprising a part of Denton County and a part of Collin County. Specifically, the AA is bounded on the north and south by the respective county lines, on the east by the East Fork Trinity River, and on the west by the Elm Fork Trinity River. In aggregate, one census tract is designated as a low-income tract, thirteen are designated as moderate-income tracts, forty-seven are designated as middle-income tracts, and one hundred thirty-nine are designated as upper-income tracts. The level of banking competition in the AA is very high, and includes approximately 43 banks and branches of non-local banks. Based on the June 30, 2014 Federal Deposit Insurance Corporation (FDIC) Market Share Report, the bank’s presence in the Texas AA is very low, as they have less than one percent of the deposit market share in the AA. This places the bank sixty-ninth out of the seventy-one financial institutions servicing the AA. The local economy is diversified, and no single industry fundamentally influences the area. The most significant employers include technology, local school districts, healthcare, and city government.

The following table provides key demographic and economic characteristics of the Texas AA.

<i>Demographic Information – Texas AA</i>					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	200	1%	7%	23%	69%
Population by Geography	1,019,177	1%	6%	24%	69%
Owner-Occupied Housing by Geography	242,543	0%	3%	21%	76%
Businesses by Geography	102,129	0%	7%	19%	74%
Farms by Geography	2,046	1%	6%	24%	69%
Family Distribution by Income Level	252,159	12%	12%	17%	59%
Household Distribution by Income Level	347,168	13%	13%	16%	58%
Weighted average of Median Family Income (MFI)	\$98,654	Median Housing Value 2012			\$219,275
Weighted average of HUD updated MFI: 2012	\$69,100	Households Below the Poverty Level			6%

Source: 2012 Geo-demographic Data; 2010 United States Census Data

Lending to Borrowers of Different Incomes in Texas Assessment Area

Lending patterns during the review period indicate a *reasonable distribution* among borrowers of different income levels. However, the overall level of lending declined substantially since the last CRA Performance Evaluation due to the bank’s legal factors described earlier and significant competition in the AA. Bank management attributes the low percentage of residential mortgage loans to low-income borrowers to the general inability of borrowers in that income category to meet the bank’s credit standards, consistent with safe and sound lending. Liberty faces intense competition from numerous local and regional financial institutions in the Texas AA.

The following table presents a more specific identification of loan distribution patterns among borrowers inside the Texas AA.

Data Comparator details Aggregate Lending

Table 2 - Borrower Distribution of Residential Real Estate Loans in Texas AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	12	2	12	12	17	18	59	58
Home Improvement	12	2	12	6	17	13	59	75
Home Refinance	12	2	12	8	17	15	59	57
Totals	12	2	12	10	17	17	59	58

Source: 2012 HMDA and 2013 HMDA; 2012 Geo-demographic Data; 2010 United States Census Data. Data reported under HMDA. Income NA for 10% of home purchase and 19% of refinancing loans from HMDA aggregate.

Geographic Distribution of Loans in Texas Assessment Area

Lending patterns during the review period indicate *reasonable distribution* throughout the AA. There are thirteen moderate-income census tracts and one low-income tract within the Texas AA. The level of banking competition in the AA is very high and includes approximately 43 banks and branches of non-local banks. The following table describes the demographic and economic characteristics of this AA.

Data Comparator reflects Aggregate Lending

Table 3A – Geographic Distribution of Residential Real Estate Loans in Texas AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans	% of AA Aggregate	% of Number of Loans
Home Purchase	0	0	3	3	21	22	76	76
Home Improvement	0	0	3	3	21	14	76	83
Home Refinance	0	0	3	2	21	17	76	81

Source: 2012 HMDA and 2013 HMDA; 2012 Geo-demographic Data; 2010 United States Census Data

Responses to Complaints

There have been no consumer complaints regarding Liberty's performance under the Community Reinvestment Act (CRA) during the evaluation period. The bank's CRA Public File contains all of the required information.