

**UNITED STATES OF AMERICA**  
**Before the**  
**OFFICE OF THRIFT SUPERVISION**

In the Matter of	)	Order No.: NE-10-19
	)	
	)	
<b>LIBERTY SAVINGS BANK, F.S.B.</b>	)	Effective Date: July 23, 2010
	)	
Pottsville, Pennsylvania	)	
OTS Docket No. 03168	)	

**ORDER TO CEASE AND DESIST**

**WHEREAS**, LIBERTY SAVINGS BANK, F.S.B., Pottsville, Pennsylvania, OTS Docket No. 03168 (Association), by and through its Board of Directors (Board), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

**WHEREAS**, the Association, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

**WHEREAS**, pursuant to delegated authority, the OTS Regional Director for the Northeast Region (Regional Director) is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order.

**NOW, THEREFORE, IT IS ORDERED that:**

**Cease and Desist.**

1. The Association and its directors, employees, and agents shall cease and desist from any action (alone or with others) for or toward causing, bringing about, participating in, counseling,

or the aiding and abetting violations of the following laws or regulations:

- (a) 12 C.F.R. § 563.177(c)(2) (requiring independent testing of its Bank Secrecy Act (BSA) compliance program);
- (b) 12 C.F.R. § 572.3(a) (requiring purchase of flood insurance on all loans made, increased, extended, or renewed);
- (c) 12 C.F.R. § 572.9 (requiring delivery of written notice of flood insurance purchase requirements to borrowers and servicers of all loans made, increased, extended or renewed in a special flood hazard area); and
- (d) 12 C.F.R. § 572.9(c) (requiring timely notification of flood insurance purchase requirements to borrowers and servicers).

**BSA Compliance Program.**

2. Within thirty (30) days, the Association shall revise its current written BSA Compliance Program to comply with the Currency and Foreign Transactions Reporting Act, as amended by the USA Patriot Act and other laws (the Bank Secrecy Act), 31 U.S.C. §§ 5311 et seq., and the related regulations issued and/or administered by the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), 31 C.F.R. §§ 103.11 et seq., and the related BSA regulations issued by the OTS, 12 C.F.R. § 563.177 (collectively the BSA Laws and Regulations), the FinCEN regulations governing suspicious activity reports (SARs) set forth at 31 C.F.R. § 103.18, the OTS SAR regulations set forth at 12 C.F.R. § 563.180 (the SAR Regulations), and the Office of Foreign Assets Control (OFAC) regulations set forth at 31 C.F.R. Part 500 (the OFAC Regulations), to ensure that it is based upon an assessment of the Association's BSA and anti-money laundering (AML) risks, and that it addresses the unsafe or

unsound practices and/or violations of law or regulation and corrective actions set forth in the December 14, 2009 examination (2009 ROE).

3. Within thirty (30) days, the Association shall provide the revised BSA Compliance Program to the Regional Director for review. Within thirty (30) days of receipt of any comments from the Regional Director, the Association shall amend the revised BSA Compliance Program to incorporate the comments and thereafter shall implement and adhere to the amended BSA Compliance Program.

**Independent Testing.**

4. Within thirty (30) days, the Association shall ensure that an independent test of its BSA Compliance Program is conducted by a qualified independent employee or independent third party to assess the Association's compliance with all applicable BSA Laws and Regulations, SAR Regulations, and OFAC Regulations (BSA Independent Testing). At a minimum, the BSA Independent Testing must be: (i) performed with an appropriate level of frequency; (ii) fully documented; and (iii) conducted with an appropriate segregation of duties.

5. Within sixty (60) days, the Association shall provide the Regional Director with a copy of the results of the BSA Independent Testing conducted pursuant to Paragraph 4 for review and comment.

**Flood Insurance.**

6. Within thirty (30) days, the Association shall revise its policies, procedures and systems related to flood insurance (Flood Program) to ensure that it addresses all corrective actions set forth in the 2009 ROE relating to flood insurance and complies with all applicable laws, regulations and regulatory guidance, including the requirements of the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973, as amended, 42 U.S.C. §§ 4001-

4129, as implemented by Part 572 of the OTS's Rules and Regulations, 12 C.F.R. Part 572.

7. Within thirty (30) days, the Association shall submit its Flood Program to the Regional Director for review and comment. Upon written notification from the Regional Director that the Flood Program is acceptable, the Association shall implement and adhere to the Flood Program. The Board's review of the Flood Program shall be documented in the Board meeting minutes. A copy of the Flood Program shall be provided to the Regional Director within ten (10) days of adoption by the Board.

**Violations of Law.**

8. Within thirty (30) days, the Association shall ensure that all violations of law, rule, and/or regulation and/or matters requiring Board attention discussed in the 2009 ROE are corrected and that adequate policies, procedures and systems are established or revised and thereafter implemented to prevent future violations.

9. Within thirty (30) days of receipt of any subsequent internal or external report citing or discussing any violation of law, rule, or regulation, the Association shall ensure that all identified violations of law, rule, and/or regulation are corrected and that adequate policies, procedures and systems are established or revised and thereafter implemented to prevent future violations.

**Effective Date, Incorporation of Stipulation.**

10. This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

**Duration.**

11. This Order shall remain in effect until terminated, modified, or suspended by written notice of such action by the OTS, acting by and through its authorized representatives.

**Time Calculations.**

12. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be based on calendar days, unless otherwise noted.

13. The Regional Director, or an OTS authorized representative, may extend any of the deadlines set forth in the provisions of this Order upon written request by the Association that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

**Submissions and Notices.**

14. All submissions, including any reports, to the OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

15. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

(a) To: OTS  
Michael E. Finn, Regional Director  
Attn: Joseph Donohue, Assistant Director  
Office of Thrift Supervision  
Harborside Financial Center Plaza Five  
Suite 1600  
Jersey City, New Jersey 07311

(b) To: Liberty Savings Bank, F.S.B.  
Robert W. Pugh, Jr., President and Chairman  
21 S. Centre Street  
Pottsville, Pennsylvania 17901-3003

**No Violations Authorized.**

16. Nothing in this Order or the Stipulation shall be construed as allowing the Association, its Board, officers, or employees to violate any law, rule, or regulation.

**IT IS SO ORDERED.**

**OFFICE OF THRIFT SUPERVISION**

By: \_\_\_\_\_ /s/  
Michael E. Finn  
Regional Director, Northeast Region

Date: See Effective Date on page 1

**UNITED STATES OF AMERICA**  
**Before the**  
**OFFICE OF THRIFT SUPERVISION**

In the Matter of	)	Order No.: NE-10-19
	)	
	)	
<b>LIBERTY SAVINGS BANK, F.S.B.</b>	)	Effective Date: July 23, 2010
	)	
Pottsville, Pennsylvania	)	
OTS Docket No. 03168	)	

**STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST**

**WHEREAS**, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Northeast Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed LIBERTY SAVINGS BANK, F.S.B., Pottsville, Pennsylvania, OTS Docket No. 03168 (Association), that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Association pursuant to 12 U.S.C. § 1818(b);

**WHEREAS**, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order; and

**WHEREAS**, the Association desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraphs

1 and 2 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

**Jurisdiction.**

1. The Association is a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, the Association is “an insured depository institution” as that term is defined in 12 U.S.C. § 1813(c).
2. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, the Association is subject to the authority of the OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

**OTS Findings of Fact.**

3. Based on its December 14, 2009 examination of the Association, the OTS finds that the Association has violated laws and regulations, including:
  - (a) 12 C.F.R. § 563.177(c)(2) (requiring independent testing of its Bank Secrecy Act (BSA) compliance program);
  - (b) 12 C.F.R. § 572.3(a) (requiring purchase of flood insurance on all loans made, increased, extended, or renewed);
  - (c) 12 C.F.R. § 572.9(a) (requiring delivery of written notice of flood insurance purchase requirements to borrowers and servicers of all loans made, increased, extended or renewed in a special flood hazard area); and
  - (d) 12 C.F.R. § 572.9(c) (requiring timely notification of flood insurance purchase requirements to borrowers and servicers).

**Consent.**

4. The Association consents to the issuance by the OTS of the accompanying Order to Cease and Desist (Order). The Association further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

**Finality.**

5. The Order is issued by the OTS under 12 U.S.C. § 1818(b). Upon the Effective Date, the Order shall be a final order, effective, and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

**Waivers.**

6. The Association waives the following:

- (a) the right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (b) the right to an administrative hearing of the OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (c) the right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order; and
- (d) any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and or the Order, whether arising under common law, federal statutes, or otherwise.

**OTS Authority Not Affected.**

7. Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar, or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

**Other Governmental Actions Not Affected.**

8. The Association acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 7 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

**Miscellaneous.**

9. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order.

10. If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

11. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns.

12. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order.

13. The terms of this Stipulation and of the Order represent the final agreement of the parties

with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

14. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Regional Director or other authorized representative.

**Signature of Directors/Board Resolution.**

15. Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance of the Order and the execution of the Stipulation.

**[Remainder of Page Intentionally Left Blank]**

