



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**January 25, 2006**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Liberty National Bank  
Charter Number 24378**

**4425 Singing Hills Boulevard  
Sioux City, Iowa 51106**

**Comptroller of the Currency  
Omaha North Field Office  
13710 FNB Parkway #110  
Omaha, Nebraska 68154**

**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 bank's lending level is more than reasonable given its size and age, financial condition, and the credit needs of the assessment area (AA).
- The majority of the bank's loans are within the AA.
- The bank's lending to businesses of different sizes and residential borrowers of different income levels is satisfactory.
- The bank's geographic distribution of loans within the AA is reasonable.
- The bank has not received any formal complaints related to its Community Reinvestment Act (CRA) performance.

## DESCRIPTION OF INSTITUTION

Liberty National Bank (LNB) is a \$67 million bank serving the Sioux City Metropolitan Statistical Area (MSA), which includes Woodbury County, Iowa, Dakota and Dixon County, Nebraska, and Union County, South Dakota. The bank is located on the southern edge of Sioux City. It opened as a de novo bank on March 17, 2003. The bank opened in downtown Sioux City in late July 2005. The bank operates two cash dispensing automated teller machines (ATMs). The ATMs are located at the downtown branch and the drive-up at the main office. The bank is wholly owned by Liberty Financial Services, Inc., a single bank holding company headquartered in Sioux City, Iowa.

As of September 30, 2005, LNB had \$59.9 million in credit extended directly to borrowers. The bank has no legal or financial impediments limiting its ability to meet area credit needs. LNB's loan portfolio represents 89% of total assets. LNB's primary loan products are commercial and residential loans by loan volume and number. The following table shows the percentage of each loan type originated from March 17, 2003 through December 31, 2005.

<b>Loan Portfolio Originations</b>		
<b>Loan Type</b>	<b>Originated Loans by Dollars</b>	<b>Originated Loans by Number</b>
Commercial Loans	77%	45%
Residential Loans	17%	28%
Agricultural Loans	4%	4%
Consumer Loans	2%	23%
Total Loans	100%	100%

*Source: LNB's loan trial balance and residential loans sold report.*

There has been no previous assessment of LNB's performance under the CRA.

## **DESCRIPTION OF ASSESSMENT AREA**

LNB has one AA, which is the Sioux City MSA. The AA meets the legal requirements of CRA. Individuals can refer to LNB's CRA public file for the maps outlining the bank's AA.

The AA consists of all 37 census tracts (CTs) in the MSA. One CT is considered low-income, and seven CTs are considered moderate-income tracts. Twenty-one CTs are middle-income and seven are upper-income. Middle- and upper-income CTs total 76% of all CTs. One CT does not have an income designation due to its limited size and population.

The total population of the AA is 143,053 persons, with a weighted average updated median family income of \$55,050. The area includes 53,701 households of which 10% are below the poverty level. AA family incomes are 18% low-income, 19% moderate-income, 25% middle-income, and 38% upper-income. The weighted median housing value in the AA has risen to \$76,061, and 65% of households are owner occupied.

The local economy is generally stable, but has not fully recovered from downsizing by a major employer (Gateway). The area has benefited from housing growth south and east of the Southern Hills Mall in Sioux City, and in Sergeant Bluff and Dakota Dunes. The Lakeport Commons Development, Lowe's, and Super Wal-Mart have expanded retail shopping in the southeast part of Sioux City. A new medical center and related medical offices have expanded into the Dakota Dunes area. The growth in the medical community and retail has offset employment declines at Gateway. However, unemployment is still just over 5%. Other major employers include MCI, Mercy Medical Center, St. Lukes Medical Center, Sioux City Community Schools, Tyson Foods, Inc., and John Morrell & Company.

Examiners made one community contact for the AA during the performance period. The contact represented a local government agency. The contact revealed small commercial loans as the primary credit need for the area. Additionally, residential and consumer loans were identified as credit needs for new homeowners and workers at the new retail outlets in the area. The contact indicated loans to upgrade the quality of the current housing stock are always needed. The wages provided in the expanding retail area have not matched corporate wages lost at Gateway and Tyson Foods, Inc. LNB offers and originates business and residential loans, but their primary focus has been commercial lending.

The bank faces heavy competition in the AA. There are 32 other national and state chartered financial institutions with offices in the bank's AA. The area is also home to eight credit unions.

We compared LNB's lending performance to seven similarly situated community banks. Banks with \$250MM or less in assets and with the majority of their deposits in the MSA were considered similarly situated. We did not include banks on the fringe of the MSA as similar if they did not at least have a branch in Sioux City, South Sioux City, or Dakota Dunes.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

LNB's loan-to-deposit (LTD) ratio is more than reasonable and exceeds that of similarly situated banks in the AA. The bank's average LTD ratio over the past 11 quarters is 97%. As of September 30, 2005, the bank's LTD ratio increased to 117%. The quarterly average of the seven similarly situated banks in the AA was 76%. The LTD ratios of these banks ranged from 42% to 92%. LNB's LTD ratio would be significantly higher when considering the \$7,383,500 in home loans originated and sold in the secondary home loan market and \$11,375,766 in commercial loans participated to other banks.

### Lending in the Assessment Area

LNB originates a majority of its loans within the AA. We reviewed a sample of 20 commercial and residential loans to determine the bank's lending performance to businesses and homeowners within the AA. All the loans sampled were originated since the bank opened March 17, 2003. The table below lists the in/out ratios by number of loans and volume of loans.

Lending in the Assessment Area										
Commercial & Residential Loans	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Totals	16	80%	4	20%	100%	\$4,276	94%	\$293	6%	\$4,569

Source: Loan sample.

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

Overall, LNB has a satisfactory record of lending to businesses of different sizes and residential borrowers of different income levels within its AA. More weight was given to the distribution of commercial loans as that is the bank's major product. The following paragraphs detail the bank's lending performance by loan type.

#### Commercial Loans

LNB has a satisfactory record of lending to commercial borrowers of different sizes. We reviewed 20 commercial loans totaling \$4,173,555 in loan volume to determine the bank's performance. All of the loans in the sample were made to business borrowers located within the bank's AA and originated since March 17, 2003. Lending levels reflect a satisfactory penetration among smaller business borrowers. Thirteen of twenty loans (65%) had gross revenues below \$1,000,000, and nine of those had revenues below \$250,000. Sixty percent of the businesses in the AA have revenues below \$1,000,000.

#### Borrower Distribution of Loans to Businesses

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Businesses Not Reporting Revenue Data
% of AA Businesses	60%	6 %	34%
% of Bank Loans in AA by #	65%	35%	0%
% of Bank Loans in AA by \$	51%	49%	0%

Source: Loan sample and 2005 Business Geodemographic Data.

The bank is also using government-sponsored programs to meet business credit needs. The bank originated four direct business loans totaling \$322,000 with the Small Business Administration (SBA) 7A and 504 Guarantee Loan Programs. Also, the bank partnered with the Siouxland Economic Development Corporation (SEDC) to make credit available to three businesses. LNB provided direct credit of \$1,605,000 while SEDC provided funds of \$1,406,416 under the SBA 504 Program. The bank used the small business guarantee program with the Bureau of Indian Affairs to extend a \$135,000 loan. The bank has a direct loan to both the Winnebago and Omaha Tribes of Nebraska.

### Residential Loans

The bank's lending to borrowers of different incomes is acceptable given the demographics of the AA. As the bank is subject to the Home Mortgage Disclosure Act (HMDA), we reviewed the 2004 and 2005 HMDA data. (The bank was not required to collect HMDA data in 2003.) The bank made 59 residential loans during 2004 and 2005. Of those loans, six were outside of the AA and sixteen were for rental units. The remaining 37 loans were extended to homeowners. We reviewed home purchase and refinance loans together.

The 2000 Census data shows 18% of families are low-income and 19% are moderate-income. The bank's lending to moderate-income borrowers is in line with the demographics. Lending to low-income borrowers is significantly below the demographics. However, 10% of households in the AA are below the poverty level. In addition, the median housing value has increased to \$76,061. Low-income families generally have a more difficult time qualifying for mortgage loans of this size.

In late August 2005, the bank entered into an agreement to offer and sell mortgages with Iowa Bankers Mortgage Corporation (IBMC). This allows the bank to originate loans through IBMC's First Time Home Buyer program. In addition, the bank recently opened its downtown branch, which is in a moderate-income CT.

Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential	18%	0%	19%	19%	25%	22%	38%	59%

Source: Data reported under HMDA and 2000 U.S. Census data.

### **Geographic Distribution of Loans**

We completed a geographic distribution analysis to determine whether LNB is lending to borrowers in low- and moderate-income CTs. The bank's AA includes one low-income and seven moderate-income CTs. The low- and moderate-income tracts are located in downtown Sioux City, just north of downtown Sioux City, and the northern most CT in South Sioux City. The WinnaVegas Casino is located in CT 9402 in the very southwest corner of the AA. This tract does not have an income designation and was not included in our analysis. The remaining 28 CTs in the bank's AA are middle- and upper-income.

The bank's geographic distribution is reasonable. The distribution of loans to commercial and residential borrowers is consistent with the demographic information. The paragraphs below detail the geographic distribution for each loan type sampled.

### Commercial Loans

We sampled 20 business loans from within the AA originated since March 17, 2003.

Commercial loan distribution is satisfactory and matches the demographics for the low- and moderate-income CTs. The commercial loan sample revealed most of the bank's commercial loans are originated in Sioux City where the bank is located.

<b>Geographic Distribution of Businesses Loans</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses \$	% of Number of Loans	% of AA Businesses \$	% of Number of Loans	% of AA Businesses \$	% of Number of Loans	% of AA Businesses \$	% of Number of Loans
Business Loans	15%	15%	11%	10%	33%	20%	41%	55%

*Source: Loan sample and 2005 Business Geodemographic Data.*

### Residential Loans

We reviewed the 37 HMDA reported loans to homeowners made within the AA in 2004 and 2005. We analyzed home purchase and refinance loans together. As shown in the following table, the distribution of residential loans is satisfactory and matches the demographics for the low- and moderate-income CTs in the AA.

<b>Geographic Distribution of Residential Real Estate Loans</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0%	0%	12%	13%	60%	49%	28%	38%

*Source: Data reported under HMDA and 2000 U.S. Census data.*

In addition to these loans, the bank has three customers who purchase abandoned home or homes up for tax sale in the downtown area. They refurbish these home doing major remodeling. They then rent or resell the homes, adding to the housing stock in the moderate-income CTs. The bank has provided nearly \$2.9MM in credit for this purpose.

### **Responses to Complaints**

The bank has not received any complaints regarding its CRA performance. Also, the Office of the Comptroller of the Currency has not received any complaints regarding the bank's CRA performance.

### **Fair Lending or Other Illegal Credit Practices Review**

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