



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 04, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Liberty SA, FSA
Charter Number 704214

24 South Judson Street
Fort Scott, KS 66701

Office of the Comptroller of the Currency

7101 College Boulevard, Suite 1600
Overland Park, KS 66210

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: Satisfactory

The Lending Test rating is Satisfactory.

The major factors supporting this rating for The Liberty SA, FSA (LSA) are:

- LSA originated a majority of its loans within its assessment area (AA).
- The loan-to-deposit (LTD) ratio reflects reasonable responsiveness toward meeting the credit needs of the community.
- LSA's distribution of loans to borrowers of different income levels is reasonable.
- The bank received no consumer complaints concerning its performance in meeting the community's credit needs.

SCOPE OF EXAMINATION

The scope of the examination included evaluating LSA based on the small bank CRA examination procedures, and focused primarily on the lending test. Our objective was to assess the bank's ability to serve and meet the community's needs within its AA. LSA's primary loan products are 1-4 family residential real estate (RRE) loans (68 percent by dollar amount) and consumer loans (78 percent by number). To assess the bank's performance, we selected a random sample of 20 loans from each primary loan product. Our loan sample included originations from January 1, 2010 through December 31, 2011. We used the sample to determine the bank's lending record to individuals of different income levels, the bank's lending record within low and moderate income geographical census tracts, and the percent of the bank's loan originations extended to individuals located within the AA.

DESCRIPTION OF INSTITUTION

LSA is a \$38 million federal mutual savings association operating from one location in Fort Scott, Kansas. The city is located 55 miles north of Joplin, Missouri and 90 miles south of Kansas City, Missouri and has a population of approximately 8,000. The local economy is diversified with health care, insurance, education, and manufacturing. LSA primarily originates 1-4 family RRE and consumer loans. There are multiple financial institutions within Bourbon County competing for loans and deposits. The bank's financial condition, size, and other factors enable it to meet the credit needs within its AA. LSA received a Satisfactory rating at its last CRA examination dated January 25, 2008.

DESCRIPTION OF ASSESSMENT AREA

LSA has one AA consisting of Bourbon County in Southeast Kansas. The AA includes one moderate-income census tract and four middle-income census tracts. The AA does not include a metropolitan statistical area. Demographic data shows the 2011 median family income is \$53,700. The AA has 6,136 households, of which 37 percent receive social security, 4 percent receive public assistance, and 14 percent are below the poverty level. The AA meets the regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

We made one community contact with a local community business organization during this examination. The contact indicated one of the community's needs is a national chain hotel, which is currently in the early planning stages. He spoke positively of the banking environment in Fort Scott and said LSA remains heavily involved in the community. His perception is that the banking community generally is willing to work with individuals to meet their financial needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

LSA's average quarterly LTD ratio reflects reasonable responsiveness toward meeting the credit needs of the community. The bank's LTD ratio over the 20-quarter evaluation period averaged 44 percent. This ratio has improved from 39 percent at the prior CRA examination. Given the high number of banks and branches in Fort Scott, as well as the low loan demand in the bank's primary products of RRE and consumer loans, the LTD ratio is reasonable. The quarterly average LTD ratio for similarly situated institutions ranged between 50 percent and 85 percent.

Lending in Assessment Area

The bank's record of lending to borrowers within its AA is more than reasonable. A substantial majority of all loans originated are located within the AA. For loans sampled, the bank originated 85 percent of loans by number and 67 percent of loans by dollar amount inside its AA. Refer to Table 1 for more details.

Table 1 - Concentration of Thrift Loans Originated Inside and Outside the Assessment Area								
Loan Type	Number of Loans				Dollars of Loans			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$ (000)	%	\$ (000)	%
Mortgage Loans	16	80%	4	20%	\$934	61%	\$598	39%
Consumer Loans	18	90%	2	10%	\$316	98%	\$6	2%
Totals	34	85%	6	15%	\$1,250	67%	\$603	33%

Source: Loan Sample

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

LSA’s lending to borrowers of different income levels is reasonable. The bank’s 1-4 family RRE distribution is slightly above the aggregate industry distribution for both low- and moderate-income borrowers. Refer to Table 2 for details.

The bank’s consumer loan distribution among moderate-income borrowers is also slightly above the aggregate industry distribution. However, the bank’s consumer lending to low-income borrowers is slightly below the aggregate industry distribution. This is reasonable given that approximately 30 percent of our consumer loan sample did not have income information. A majority of sampled consumer loans without income information were loans secured by certificates of deposit. These loans may have increased the number of loans to low- to moderate-income borrowers had income information been provided. Refer to Table 3 for details.

The demographic data shows a higher level of low-income families and households within the bank’s AA compared to the aggregate industry data and the bank’s borrower distribution data for both 1-4 family RRE and consumer loans. However, 14 percent of households in the bank’s AA are below the poverty level, which helps to explain the lower level of lending compared to the demographic data.

Table 2 - Distribution of LSA’s Mortgage Loans By Borrower Income Level in the Assessment Area				
Borrower Income Category	% of Loans	% of \$ Volume	% Family Distribution	% of Aggregate
Low	5%	5%	19%	4%
Moderate	20%	12%	23%	18%
Middle	40%	35%	26%	26%
Upper	35%	48%	32%	31%
Unknown	N/A	N/A	N/A	21%

Source: Loan Sample and 2000 U.S. Census Data.

Table 3 - Distribution of LSA’s Consumer Loans By Borrower Income Level in the Assessment Area				
Borrower Income Category	% of Loans	% of \$ Volume	% Household Distribution	% of Aggregate
Low	10%	1%	26%	15%
Moderate	20%	19%	18%	16%
Middle	20%	5%	20%	34%
Upper	20%	8%	36%	27%
Unknown	30%	67%	0%	8%

Source: Loan Sample and 2000 U.S. Census Data.

Geographic Distribution of Loans

LSA’s geographic distribution of loans in its AA is reasonable. Our analysis reflects lending activity in all of the bank’s census tracts. The bank’s AA does not have any low-income census tracts. We compared the bank’s lending within its one moderate-income census tract to its competitors and found similar distribution for 1-4 family RRE and consumer loans. As a secondary review, we compared the distribution of the bank’s 1-4 family RRE loans to the number of owner-occupied units, and the bank’s consumer loans to the number of households within the bank’s AA. The analysis of this demographic data supported our conclusion of reasonable performance for geographic distribution. Refer to Tables 4 and 5 for more details.

Table 4 - Distribution of LSA's Mortgage Loans By Census Tract Income Level in the Assessment Area				
Census Tract Income Category	% of Loans	% of \$ Volume	% Owner Occupied	% of Aggregate
Moderate	20%	13%	18%	20%
Middle	80%	87%	82%	80%

Source: Loan Sample and 2000 U.S. Census Data.

Table 5 - Distribution of LSA's Consumer Loans By Census Tract Income Level in the Assessment Area				
Census Tract Income Category	% of Loans	% of \$ Volume	% Households	% of Aggregate
Moderate	15%	55%	22%	14%
Middle	85%	45%	78%	86%

Source: Loan Sample and 2000 U.S. Census Data.

Responses to Complaints

LSA did not receive any written complaints regarding its CRA performance during the evaluation period.

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 the CRA rating of a national bank (bank) or federal savings association (FSA), respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.