

PUBLIC DISCLOSURE

April 12, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Liberty Bank, Inc.
Certificate Number: 26816

326 South 500 East
Salt Lake City, Utah 84102

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco Regional Office

25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

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.

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF ASSESSMENT AREA	3
SCOPE OF EVALUATION	5
CONCLUSIONS ON PERFORMANCE CRITERIA	6
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	8
APPENDICES	9
SMALL BANK PERFORMANCE CRITERIA	9
GLOSSARY	10

INSTITUTION RATING

INSTITUTION'S CRA RATING: Liberty Bank, Inc. (LBI) is rated **Substantial Noncompliance**.

An institution in this group has a substantially deficient record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities

The performance has significantly declined since the previous evaluation. The following points summarize the bank's performance.

- The loan-to-deposit (LTD) ratio is less than reasonable given the institution's size, financial condition, and AA credit needs.
- A substantial majority of loans are originated outside of the bank's AA.
- The geographic distribution of loans was not analyzed due to a nominal amount of loans originated inside of the AA.
- The borrower profile was not analyzed due to a nominal amount of loans originated inside of the AA.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

DESCRIPTION OF INSTITUTION

LBI is a locally owned, state-chartered, non-member community bank that services Salt Lake County in Utah since 1956. LBI operates one office located and headquartered in Salt Lake City, Utah. The bank is owned by the Phillips Family. The institution has no holding company, subsidiaries or affiliates. There have been no branches opened or closed, and no merger or acquisition activity since the previous Community Reinvestment Act (CRA) Performance Evaluation.

The institution received a “Needs to Improve” CRA Rating at its previous FDIC CRA Performance Evaluation dated September 9, 2019, based on the Interagency Small Institution Examination Procedures.

The bank’s primary lending product is a consumer loan referred to as Tiny Home Loans. The bank also offers mortgages to borrowers that do not have social security numbers. The bank originated three home mortgages during the evaluation period. LBI’s business strategy has changed since the previous evaluation when home mortgages were the primary lending product. LBI brokers home mortgage loans to other brokers/investors as a service. The bank does not originate the loans or make the credit decision; therefore, these loans were not evaluated under the Lending Test. In 2019, the bank referred 126 mortgages to another financial institution where 4 loans were made inside the bank’s AA. In 2020, the bank referred 110 mortgages to another financial institution where 13 loans were made inside the bank’s AA. LBI referred 92.8 percent of the brokered mortgage loans outside the bank’s AA.

LBI offers savings products and certificates of deposit with maturities as early as six months and as long as five years. Internet banking services are available at www.libertybankofutah.com; however, customers can only access account balances. Lobby hours are from 9:00 a.m. to 5:00 p.m., Monday through Friday.

According to the bank’s December 31, 2020 Call Report, it had total assets of \$12.0 million, total loans of \$6.3 million, total deposits of \$9.9 billion, and securities of \$721,000. The following table indicates the loan portfolio distribution.

Loan Portfolio Distribution as of December 31, 2020		
Loan Category	\$(000s)	%
Construction and Land Development	0	0.0
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	1,349	21.6
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	91	1.5
Total Real Estate Loans	1,440	23.1
Commercial and Industrial Loans	152	2.4
Agricultural Loans	0	0.0
Consumer	4,659	74.5
Other Loans & Leases	0	0.0
Less: Unearned Income	0	0.0
Total Loans & Leases	6,251	100.0
<i>Source: Call Report</i>		

The bank's capital levels remained low during the evaluation period. The bank is also operating under a formal enforcement action, presenting legal and/or financial impediments, which have prohibited the bank from certain lending activities. While the bank is facing financial and legal impediments, LBI has been able to originate loans, but the substantial majority of those activities have occurred outside of their designated AA, as described later in this evaluation.

DESCRIPTION OF ASSESSMENT AREA

LBI has designated Salt Lake County as its AA, which is located within the Salt Lake City, Utah Metropolitan Statistical Area (MSA) #41620. The AA meets regulatory requirements and does not arbitrarily exclude any LMI areas. The AA remains unchanged since the previous evaluation. Examiners relied on bank records, public financial information, demographic data from the 2015 American Community Survey (ACS) Census, business demographics, and other public sources, as well as information obtained from a community contact.

Economic and Demographic Data

The AA consists of 212 census tracts: 7 low-, 51 moderate-, 86 middle-, 65 upper-income, and 3 census tracts where income information was not available. There were no distressed or underserved non-metropolitan middle-income census tracts within the AA. The following table shows select demographic, housing, and business information of the AA.

Demographic Information of the AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	212	3.3	24.1	40.6	30.7	1.4
Population by Geography	1,078,958	3.2	22.8	43.1	30.0	0.9
Housing Units by Geography	372,990	3.1	24.3	42.6	29.2	0.7
Owner-Occupied Units by Geography	233,092	1.5	17.5	44.9	35.6	0.5
Occupied Rental Units by Geography	118,800	6.4	36.9	39.4	16.1	1.2
Vacant Units by Geography	21,098	2.3	28.9	35.3	33.3	0.2
Businesses by Geography	118,981	2.8	21.0	39.2	36.1	0.9
Farms by Geography	1,829	2.3	19.7	41.1	36.5	0.4
Family Distribution by Income Level	247,693	19.9	17.6	22.0	40.5	0.0
Household Distribution by Income Level	351,892	22.3	16.6	20.4	40.6	0.0
Median Family Income MSA - #41620 Salt Lake City, UT MSA		\$71,849	Median Housing Value			\$247,942
			Median Gross Rent			\$966
			Families Below Poverty Level			9.2%
Source: 2015 ACS and 2020 D&B Data. Due to rounding, totals may not equal 100.0 percent. (*) The NA category consists of geographies that have not been assigned an income classification.						

The following table shows unemployment trends in the AA in comparison with the state and national unemployment levels. The Salt Lake County unemployment rate peaked at 11.0 percent in April 2020 as a result of the global pandemic, referred to as COVID-19. Salt Lake County has recuperated most of the job losses the occurred since April 2020.

Unemployment Rates			
Area	January 2019	January 2020	January 2021
	%	%	%
Salt Lake County	2.8	2.5	3.5
State of Utah	3.1	2.7	3.5
National Average	4.4	4.0	6.3
<i>Source: Bureau of Labor Statistics</i>			

According to the November 2020 Moody's Analytics, the Salt Lake City MSA had a strong economy, robust job growth and low unemployment during a majority of the evaluation period. However, Salt Lake County was significantly impacted by COVID-19, but is now experiencing a rapid recovery. Retail, leisure, and hospitality jobs in the AA were impacted the most by COVID-19. The AA is experiencing an appreciation of residential real estate values, the technology industry is expanding in Salt Lake County, and the AA has below-average business costs in comparison to national levels. Major employers include the University of Utah, Intermountain Health Care Inc., and Walmart.

Competition

The AA is highly competitive for financial services. There are a total of 41 banks competing for the area's deposit market share. These banks operate 212 offices within the AA and share \$684.8 billion in deposits. According to the Summary of Deposits Market Share Report dated June 30, 2020, LBI ranked 39th with \$9.2 million in total deposits. The largest competitors are Morgan Stanley Bank at 21.6 percent, Ally Bank at 19.5 percent, and American Express National Bank at 12.4 percent of the total AA deposits.

Community Contact(s)

As part of the evaluation process, examiners reviewed a recent community contact with an organization serving Salt Lake County that provides entrepreneurial development counseling, training, and financing to small businesses. This contact noted that financial institutions have been active in participating in the Small Business Administration's Paycheck Protection Program; however, there continues to be more opportunities for local financial institutions to provide further assistance to businesses affected by the economic impact of COVID-19.

Credit Needs

Considering the information from the community contacts, bank management, and demographic and economic data, examiners determined that small business and affordable housing represent the primary credit needs of the AA.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated September 9, 2019, to the current evaluation dated April 12, 2021. Examiners used the Interagency Small Institution Examination Procedures to evaluate LBI's CRA performance, which evaluates the bank's performance under the Lending Test.

The Lending Test considered the institution's performance according to the following criteria:

- LTD ratio;
- AA concentration;
- Geographic distribution;
- Borrower profile; and
- Response to CRA-related complaints.

Activities Reviewed

LBI's primary product is a consumer loan referred to as Tiny Home Loans. This is consistent with the number and dollar volume of loans originated during the evaluation period. The bank originated three home mortgages, no small business, no small farm, and no other consumer loans during the evaluation period. Examiners evaluated the total universe of consumer loans and home mortgages originated in the period of January 1, 2019, through December 31, 2020. The 2019 lending performance was not reviewed at the previous evaluation. In 2019 and 2020, the bank originated a total of 58 Tiny Home Loans and 3 home mortgages. The AA concentration received the most weight in the overall rating. Since a nominal amount of loans were originated inside the AA, the geographic distribution and borrower profile criteria were not analyzed as a meaningful conclusion could not be reached.

The following table represents the number and dollar volume of loans reviewed each year and by product type.

Loan Products Reviewed				
Loan Category	2019		2020	
	#	\$(000s)	#	\$(000s)
Home Mortgage	1	75	2	436
Consumer – Tiny Home Loans	17	1,137	41	2,535
<i>Source: Bank Records</i>				

For the Lending Test, examiners reviewed the number and dollar volume of home mortgages and consumer loans. While the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the individuals served

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

LBI demonstrated a very poor performance under the Lending Test. The LTD ratio and AA concentration performance criteria support this conclusion. Additionally, the geographic distribution and borrower profile criteria were excluded from the analysis due to the insignificant level of lending in the AA. The AA concentration received the most weight in the overall performance.

Loan-to-Deposit Ratio

The LTD ratio is less than reasonable given the institution's size, financial condition, and AA credit needs. The bank's net LTD ratio, calculated from Call Report data, averaged 54.2 percent over the past six calendar quarters from September 30, 2019, to December 31, 2020. The ratio ranged from a low of 50.0 percent as of September 30, 2019, to a high of 60.8 percent as of December 31, 2020. The average net LTD was 59.6 percent at the previous evaluation where it was also rated less than

reasonable. There are no similarly situated financial institutions based on business strategy, loan portfolio composition, branching, or financial capacity from which to draw sound comparisons.

Loan-to-Deposit Ratio		
Bank	Total Assets as of 12/31/2020 (\$000s)	Average Net LTD Ratio (%)
Liberty Bank, Inc.	12,014	54.2
<i>Source: Call Reports</i>		

Assessment Area Concentration

A substantial majority of loans and other lending related actives are outside of the institution's AA. The bank's AA concentration performance represents a significant decline from the previous evaluation. LBI originated 3.3 percent of total loans inside the bank's AA. During the evaluation period, only two loans totaling \$80,000 were inside the bank's AA. The table below reflects the AA concentration performance.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage – First and Second Lien										
2019	0	0.0	1	100.0	1	0	0.0	75	100.0	75
2020	0	0.0	2	100.0	2	0	0.0	436	100.0	436
Subtotal	0	0.0	3	100.0	3	0	0.0	511	100.0	511
Consumer – Tiny Home Loans										
2019	1	5.9	16	94.1	17	1	0.1	1,136	99.9	1,137
2020	1	2.4	40	97.6	41	79	3.1	2,456	96.9	2,535
Subtotal	2	3.4	56	96.6	58	80	2.2	3,592	97.8	3,672
Total	2	3.3	59	96.7	61	80	1.9	4,103	98.1	4,183
Source: Evaluation Period: 1/1/2019 - 12/31/2020 Bank Data; Due to rounding, totals may not equal 100.0 percent.										

Geographic Distribution

The geographic distribution criterion could not be analyzed. The very low volume of lending inside of the bank's AA prevented the examiners from reaching any meaningful conclusions.

Borrower Profile

The borrower profile criterion could not be analyzed. The very low volume of lending inside of the bank's AA prevented the examiners from reaching any meaningful conclusions.

Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.