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## **Closure of LibertyBank**

### **Frequently Asked Questions**

#### **Why did LibertyBank close?**

The state closed LibertyBank because it was insolvent. LibertyBank was significantly undercapitalized, due primarily to nonperforming residential construction and development loans. In December 2009, the Oregon Department of Consumer and Business Services (DCBS) and the Federal Deposit Insurance Corp. (FDIC) issued a consent order against LibertyBank for unsafe and unsound banking practices. To read about the specific problems the agencies found, go to <http://www.cbs.state.or.us/dfcs/securities/enf/orders/FDIC-09-376b.pdf>. The FDIC subsequently issued a directive in May 2010 addressing the bank's capitalization. To read the directive, go to <http://www.fdic.gov/bank/individual/enforcement/2010-05-53.pdf>.

The LibertyBank management team made many attempts to raise capital and worked hard to restore the bank to financial health. Unfortunately, its capital level sunk so low that the bank could no longer meet its financial obligations, and DCBS had no other option but to order its closure.

#### **I'm a customer of LibertyBank - are my deposits safe?**

Yes. If you have an account with Liberty Bank, you should expect business as usual. Home Federal Bank has acquired Liberty Bank, and you will automatically become a depositor of Home Federal Bank. All of Liberty Bank's 16 offices will reopen Monday, Aug. 2, as branches of Home Federal Bank. In the meantime, you can continue to access your account through automated teller machine transactions, checks, and debit transactions. Retailers should have no concerns and should continue to honor all LibertyBank checks and debit cards.

Home Federal Bank also will be servicing all LibertyBank loans. Loan customers should make their payments as usual.

For more information about your account, please visit the FDIC's webpage on the closure of LibertyBank at <http://www.fdic.gov/bank/individual/failed/libertyor.html>, or call the FDIC's toll-free phone number at 1-800-523-8159.

#### **Will Liberty Bank's closure affect other banks in Oregon?**

No. Liberty Bank's closure has no impact on other Oregon banks.

#### **Should customers of LibertyBank switch banks?**

There is no need for LibertyBank customers to change banks. All branches will reopen Monday, Aug. 2, as Home Federal Bank. All deposits at Home Federal Bank will continue to be insured up to \$250,000. There continues to be a variety of local and federal banking institutions that serve Eugene/Springfield, Southern Oregon, and Central Oregon.

### **How are other banks performing?**

Community banks across the nation continue to face significant challenges due to the downturn in the economy, particularly the real estate market. In 2009, 140 banks closed nationwide, including three in Oregon. This year, more than 100 banks have closed nationwide. LibertyBank is the third Oregon bank to close in 2010.

In Oregon, many banks have high concentrations of real estate loans that funded construction and development projects when the economy was growing. When the real estate market dropped, these banks were faced with an increasing number of nonperforming loans, which reduced capital and earnings. With continued softness in both the residential and commercial real estate markets, many banks are in critical need of capital. Several Oregon banks have successfully raised capital in recent months, which will help them weather the downturn.

### **How do I know if my bank accounts are safe?**

Deposits in all state-chartered banks and financial institutions are federally insured up to \$250,000. In addition, unlimited insurance coverage on non-interest bearing transactional accounts is available through 2012 at institutions participating in the FDIC's Transaction Account Guarantee Program.

Go to [http://egov.oregon.gov/DCBS/safe\\_money.shtml](http://egov.oregon.gov/DCBS/safe_money.shtml) for more information on the safety of your banking and other types of financial accounts.

Even if a bank does fail, another institution typically acquires the failed bank's deposits. In that case, customers see no disruption. They can still access their deposits and conduct transactions. In the six bank closings in Oregon during this current economic downturn, no depositors have lost money.

### **How does the state protect bank customers?**

DCBS' Division of Finance and Corporate Securities conducts regular examinations of Oregon's state-chartered banks to monitor their safety and soundness. To address the increasing challenges banks are facing during the current economic downturn, the division has expanded its examination staff and in many cases increased the frequency of exams.

The division, along with the FDIC, examines all state banks at least once every two years, and when banks are rated less than satisfactory, the division revisits institutions at least every six months and often more frequently until their performance improves. Like all bank regulators, the division uses the "CAMELS" rating system adopted by the Federal Financial Institutions Examination Council. The acronym, CAMELS, includes an individual rating for Capital, Asset (loan and investments) quality, Management, Earnings, Liquidity, and Sensitivity to market risk.

When banks score less than satisfactory on their exams, they must enter into an agreement with the division – either formal or informal, depending on the severity of the problems – to take corrective action. The division will close the bank if the bank cannot make the necessary improvements and no longer can meet its financial obligations.

### **Where can I learn more about Oregon banks?**

Visit the banks and trusts section of the Division of Finance and Corporate Securities' website at [http://www.cbs.state.or.us/dfcs/banks\\_trusts.html](http://www.cbs.state.or.us/dfcs/banks_trusts.html) or call the division at 503-378-4140 or toll-free 866-814-9710.