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## **LibertyBank closed, acquired by Home Federal Bank** *Customers can expect business as usual*

(Salem) — The Oregon Department of Consumer and Business Services today ordered the closure of LibertyBank and appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. Home Federal Bank of Idaho acquired LibertyBank deposits, assets, and a portion of its loans from the FDIC.

LibertyBank is headquartered in Eugene, and it has 15 branches in Eugene/Springfield, Central Oregon, and Southern Oregon, and a loan office in Portland. All deposit accounts of LibertyBank are being transferred to Home Federal Bank, and will be available immediately. All branches will reopen Monday as Home Federal Bank. In the meantime, depositors of LibertyBank will see no disruption; they can continue to access their accounts through automated teller machine transactions, checks, and debit transactions. All loan customers should make their payments as usual.

LibertyBank was significantly undercapitalized, primarily due to nonperforming residential construction loans. Without an infusion of capital, the bank was unable to recover given the prolonged downturn in real estate markets, particularly in Central and Southern Oregon where it had lent to a number of developers. As those loans continued to deteriorate, the bank was no longer able to meet its financial obligations and became insolvent.

“This has been a sobering period in Oregon’s banking history,” said Cory Streisinger, director of the Department of Consumer and Business Services. “Any time a bank closes, it’s a real loss for the community, but we are pleased that Home Federal Bank is expanding its presence in Oregon by acquiring LibertyBank.”

LibertyBank began in 1979 as Central Oregon Savings & Loan Association in Bend. It moved to Eugene in 1987. As of March 31, 2010, LibertyBank had total assets of approximately \$794 million and total deposits of \$718 million.

Based in Nampa, Idaho, Home Federal Bank has \$822 million in total assets and \$522 million in total deposits. Home Federal Bank was founded in 1920 and has 16 branches in southwestern Idaho and eight branches in Central Oregon. Home Federal expanded into Oregon in August 2009 when it acquired Community First Bank of Prineville.

Because Home Federal Bank is acquiring all of LibertyBank’s deposits, there will not be any losses for former LibertyBank depositors, including those who have deposits exceeding the FDIC Deposit Insurance amount. The FDIC is retaining \$300 million of LibertyBank’s loans, but Home Federal will service all loans. The acquisition will ensure a seamless transition for Liberty’s customers.

“LibertyBank management made many attempts to raise capital and worked hard to improve its financial condition,” said David Tatman, administrator of the department’s Division of Finance and Corporate Securities. “Closing LibertyBank was a difficult but necessary step to protect depositors.”

Declining real estate values and general economic weakness continue to pose problems for banks in Oregon and across the country. There were 140 bank closures nationwide in 2009, including three in Oregon, and more than 100 banks have closed in 2010. LibertyBank is the third Oregon bank to close in 2010, and the second this month. Each time a bank has closed in Oregon, another bank has taken over the deposits of the failed bank. No Oregon depositor has lost money as the result of a bank closure.

Oregon banks with a heavy concentration of real estate loans continue to struggle, as developers are unable to make payments. Several banks have raised capital to help them weather the economic downturn, which is a good sign and a vote of confidence in Oregon community banks, according to Streisinger.

“Although no other Oregon banks are in immediate danger of closing, we expect that some banks will continue to have challenges until the economy fully recovers,” Streisinger said.

The FDIC has established a website and a toll-free phone number to answer questions from depositors, creditors, and other interested parties regarding the receivership of LibertyBank. The website is <http://www.fdic.gov/bank/individual/failed/libertyor.html>, and the toll-free phone number is 1-800-523-8159. The phone number will be operational this evening until 9 p.m., Pacific Daylight Time (PDT); on Saturday from 9 a.m. to 6 p.m., PDT; on Sunday from noon to 6 p.m., PDT; and thereafter from 8 a.m. to 8 p.m., PDT.

Deposits of all banks are now insured by the FDIC up to \$250,000; this extended insurance coverage was made permanent by the federal financial reform bill signed recently by President Obama. Special rules are in place for accounts held in trust status, joint accounts, and non-interest bearing transaction accounts that may further expand deposit insurance coverage. You can find additional information on FDIC deposit insurance and other protections for your financial accounts at [http://egov.oregon.gov/DCBS/safe\\_money.shtml](http://egov.oregon.gov/DCBS/safe_money.shtml).

The Department of Consumer and Business Services is Oregon’s largest business regulatory and consumer protection agency. The department’s Division of Finance and Corporate Securities regulates Oregon financial institutions. For more information on Oregon banks as well as frequently asked questions about today’s transaction, visit [www.dfcs.oregon.gov](http://www.dfcs.oregon.gov).

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