

PUBLIC DISCLOSURE

April 1, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Freedom Security Bank
RSSD# 929044

140 Holiday Road
Coralville, Iowa 52241

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, IL 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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BANK'S CRA RATING

Freedom Security Bank is rated: Satisfactory

Freedom Security Bank is satisfactorily meeting the credit needs of its community based on an analysis of its lending. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The majority of loans are made in the assessment area. The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different revenues. The geographic distribution of loans reflects reasonable penetration throughout the assessment area.

SCOPE OF EXAMINATION

Freedom Security Bank's CRA performance was evaluated within its assessment area, which is Iowa City Metropolitan Statistical Area (MSA) #26980. The Iowa City MSA includes all of Johnson and Washington Counties in Iowa. The lending tests described below are based on Home Mortgage Disclosure Act (HMDA) - reportable loans originated between January 1, 2010 and December 31, 2011 and small business loans originated between March 31, 2009 and December 31, 2012.

Performance in the assessment area was evaluated using streamlined assessment method for small banks based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 16-quarter average loan-to-deposit (LTD) ratio was calculated for the bank and compared to its national peer and a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's HMDA-reportable loans originated from January 1, 2010 through December 31, 2011 and small business loans originated from March 31, 2009 through December 31, 2012 were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** - The bank's HMDA-reportable loans originated from January 1, 2010 through December 31, 2011 and small business loans originated between March 31, 2009 and December 31, 2012, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate- income.
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** - The bank's HMDA-reportable loans originated from January 1, 2010 through December 31, 2011 and small business loans originated between March 31, 2009 and December 31, 2012, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses with different revenue sizes.

- **Response to Substantiated Complaints** – Neither Freedom Security Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

DESCRIPTION OF INSTITUTION

Freedom Security Bank is a subsidiary of Central Bancshares, Inc., which is a four-bank holding company located in Muscatine, Iowa. As of December 31, 2012, the bank had total assets of \$79.4 million. The bank operates two full service branches in Kalona and Coralville, Iowa.

Freedom Security Bank offers standard loan and deposit products and services for consumer and non-consumer purposes. As shown in the following table, the loan portfolio is primarily concentrated in residential real estate and commercial purpose loan products. Loans secured by 1-4 family and multi-family residential real estate comprise 45.0 percent; commercial loans and loans secured by non-farm, non-residential real estate comprise 30.5 percent.

Composition of Loan Portfolio as of December 31, 2012			
(000's)			
Category	Type	\$	%
Real Estate Secured	1-4 Family and Multi-Family Residential	19,230	45.0
	Farmland	4,088	9.6
	Non-farm, Non-residential	9,244	21.6
	Total Real Estate Secured	32,562	76.2
Agricultural	Agricultural	3,218	7.5
Commercial	Commercial and Industrial	3,782	8.9
Consumer	Loans to Individuals	1,460	3.4
Other	Loans to States and Political Subdivisions	1,696	4.0
	All Other Loans	16	0.0
	Total	42,734	100.0

Note: Percentages may not total to 100.0 percent due to rounding.

There are no known legal, financial or other factors impeding the bank's ability to help meet the credit needs in its communities.

The bank was rated satisfactory under the CRA at its previous evaluation conducted on March 30, 2009.

DESCRIPTION OF INSTITUTION'S OPERATIONS in Iowa City, Iowa MSA #26980

Freedom Security Bank operates its main office in Coralville, which is approximately 110 miles east of Des Moines, and one branch in Kalona, located approximately 20 miles southwest of Coralville. Full-service automatic teller machines (ATMs) are available at each location. No banking offices or ATMs have been opened or closed since the previous evaluation.

The bank’s peer group is defined as insured commercial banks with assets between \$50 and \$100 million, with two or fewer banking offices, located in a metropolitan statistical area. Local competitors for loans and deposits include: Hills Bank and Trust Company (Hills, IA); University of Iowa Credit Union (Iowa City, IA); MidWestOne Bank (Iowa City, IA); Farmers and Merchants Savings Bank (Iowa City, IA); Central State Bank (branch of Elkader, IA); and Bank of the West (branch of San Francisco, CA).

Freedom Security Bank ranks ninth out of 24 institutions in market share operating in the bank’s assessment area. The bank holds a 2.1 percent market share according to the June 30, 2012 Federal Deposit Insurance Corporation Market Share Report. By comparison, the largest competitors hold 40.0 percent (Hills Bank and Trust Company), 19.0 percent (MidWestOne Bank), and 8.8 percent (US Bank), respectfully.

The following table shows a comparison of the bank’s branch and ATM locations to relevant demographic characteristics in the assessment area under the 2000 census definitions.

DISTRIBUTION OF BRANCHES AND ATMS IN THE ASSESSMENT AREA (2000 CENSUS)						
Tract Income Level	Number of Branches	Percentage of Branches	Number of ATMs	Percentage of ATMs	Percentage of Total Families	Percentage of Businesses
Low-Income	0	0.0	0	0.0	0.2	3.8
Moderate-Income	0	0.0	0	0.0	19.4	20.8
Middle-Income	1	50.0	1	50.0	50.0	49.7
Upper-Income	1	50.0	1	50.0	30.5	25.7
Total	2	100.0	2	100.0	100.0	100.0
<i>Note: Percentages may not total to 100.0 percent due to rounding.</i>						

The bank’s assessment area is the Iowa City MSA, which is comprised of Johnson and Washington Counties. No changes have been made to the assessment area since the previous evaluation. The assessment area includes one low-, seven moderate-, eleven middle-, and eight upper-income census tracts.

Select demographics of the bank’s assessment area are presented in the following table on the following page.

Assessment Area Demographics Iowa City MSA 2011									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	1	3.7	52	0.2	14	26.9	5,190	17.6	
Moderate-income	7	25.9	5,721	19.4	483	8.4	5,693	19.3	
Middle-income	11	40.7	14,747	50.0	793	5.4	7,101	24.1	
Upper-income	8	29.6	8,984	30.5	246	2.7	11,520	39.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	27	100.0	29,504	100.0	1,536	5.2	29,504	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	626	0	0.0	0.0	612	97.8	14	2.2	
Moderate-income	14,939	5,548	17.9	37.1	8,761	58.6	630	4.2	
Middle-income	24,296	15,425	49.7	63.5	7,753	31.9	1,118	4.6	
Upper-income	14,513	10,082	32.5	69.5	3,955	27.3	476	3.3	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
Total Assessment Area	54,374	31,055	100.0	57.1	21,081	38.8	2,238	4.1	
	Total Businesses by Tract	Businesses by Tract & Revenue Size							
		Less Than or = \$1 Million			Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	326	3.8	278	3.6	26	6.0	22	7.1	
Moderate-income	1,763	20.8	1,576	20.3	111	25.8	76	24.5	
Middle-income	4,222	49.7	3,878	50.0	208	48.3	136	43.9	
Upper-income	2,183	25.7	2,021	26.1	86	20.0	76	24.5	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	8,494	100.0	7,753	100.0	431	100.0	310	100.0	
Percentage of Total Businesses:				91.3		5.1		3.6	
	Total Farms by Tract	Farms by Tract & Revenue Size							
		Less Than or = \$1 Million			Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	196	24.1	191	23.8	4	40.0	1	33.3	
Middle-income	495	60.8	487	60.8	6	60.0	2	66.7	
Upper-income	123	15.1	123	15.4	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	814	100.0	801	100.0	10	100.0	3	100.0	
Percentage of Total Farms:				98.4		1.2		.4	
<i>Note: Percentages may not total to 100.0 percent due to rounding.</i>									
<i>Source: 2000 U.S. Census Bureau and 2011 Dunn & Bradstreet</i>									

As presented in the following table, from the 2000 to the 2010 U.S. Census, population in both Johnson and Washington Counties increased by 17.9 and 5.0 percent, respectfully. The population of the state of Iowa increased 4.1 percent over the same period. One community representative mentioned certain communities in Johnson County are increasing in population due to their close proximity to entertainment events in Iowa City and large employer base in Cedar Rapids, Iowa.

The assessment area has a low minority population of 10.0 percent, according to the 2000 U.S. Census information. Within the minority population, 3.8 percent are Asian Not-Hispanic, 2.8 percent are Black Not-Hispanic, 2.5 percent are Hispanic, and 0.4 percent are American Indian Not-Hispanic. The state of Iowa’s minority population is 7.4 percent.

Population Change 2000 and 2010			
Area	2000 Population	2010 Population	Percentage Change
Johnson County, IA	111,006	130,882	17.9%
Washington County, IA	20,670	21,704	5.0%
Iowa	2,926,324	3,046,355	4.1%
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2010—U.S. Census Bureau: Decennial Census</i>			

Median family income is lower in Washington County compared to the state of Iowa as a whole; however, median family income increased in Washington County by a greater percentage than the state of Iowa between 2000 and 2010. Johnson County continues to have a higher median family income compared to the state, but increased at a lower rate from 2000 to 2010.

Median Family Income Change 2000 and 2010			
Area	2000 Median Family Income	2006-2010 Median Family Income	Percentage Change
Johnson County, IA	60,112	74,547	24.0%
Washington County, IA	45,636	60,466	32.5%
Iowa	48,005	61,804	28.7%
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2006-2010—U.S. Census Bureau: American Community Survey</i>			

The bankruptcy filing rate in the assessment area has been lower compared to the state of Iowa in recent years. The 2011 bankruptcy filing rate for Johnson County was 1.4 per 1,000 in population, which is down from the 2010 rate of 1.9. Similarly, the 2011 bankruptcy filing rate for Washington County was 2.2 per 1,000 in population which decreased from 3.11 in 2010. The state of Iowa’s bankruptcy filing rate fell from 3.1 per 1,000 in population in 2010 to 2.5 in 2011.

Housing costs are generally higher in the assessment area compared to the state of Iowa, as indicated in the following table. Median housing values increased by 43.1 and 40.9 percent in Johnson and Washington Counties, respectively, while median housing values for Iowa increased at a higher rate of 45.2 percent. The large student population at the University of Iowa creates high demand and a competitive market for housing in Iowa City, especially in the rental market. Additionally, one community contact mentioned the Iowa City area is saturated with high-income professionals employed by the University of Iowa making the housing stock relatively expensive.

Trends in Housing Costs 2000 and 2010				
Location	2000 Median Housing Value	2006-2010 Median Housing Value	2000 Median Gross Rent	2006-2010 Median Gross Rent
Johnson County, IA	123,700	177,000	564	735
Washington County, IA	84,200	118,600	424	624
Iowa	82,100	119,200	470	617
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2006-2010—U.S. Census Bureau: American Community Survey</i>				

The affordability ratio, which is defined in the Glossary of Appendix B, suggests housing is less affordable in the bank’s assessment area compared to the state of Iowa as a whole. The affordability ratios for Johnson and Washington Counties are 0.32 and 0.46, respectively. The state of Iowa has an affordability ratio of 0.48.

The percentage of owner occupied homes has increased greater in the assessment area than the state of Iowa since 2000. The rate in Johnson County grew from 56.6 percent in 2000 to 60.3 percent in 2010. Washington County realized a gain from 75.3 percent to 77.0 percent during the same period. The owner occupied rate in the state of Iowa increased from 72.3 percent to 73.2 percent from 2000 to 2010.

The foreclosure inventory rate has increased in Johnson and Washington Counties since the previous evaluation. The rate in Johnson County increased from 0.7 percent in March 2009 to 1.4 percent in June 2012. Similarly, the rate in Washington County increased from 1.6 percent to 3.0 percent over the same period. Johnson County’s foreclosure rate remains below the state of Iowa’s rate of 2.8 percent in June 2012, while Washington County is slightly above.

As presented in the following table, Johnson and Washington Counties have lower unemployment than the state of Iowa and United States. Community area representatives stated the University of Iowa Healthcare, which is a major employer in the area, protects the area from adverse economic conditions experienced elsewhere. Furthermore, one representative mentioned other large employers are not affected by seasonality.

Unemployment Rates			
Region	2009	2010	2011
Johnson County, IA	3.9%	4.4%	4.3%
Washington County, IA	4.9%	5.3%	5.0%
Iowa	5.6%	6.1%	5.9%
United States	9.3%	9.6%	8.9%

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

Employment opportunities in Johnson and Washington Counties are diverse. Healthcare ranks at the top of employers with the highest number of employees followed by industrial and hospitality sectors.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
University of Iowa Health Care	7,135	General Medical & Surgical Hospitals
VA Medical Center-Iowa City	1,800	General Medical & Surgical Hospitals
Mercy Hospital	1,208	General Medical & Surgical Hospitals
Pearson, Inc.	1,000	Data Processing, Hosting & Related Services
International Automotive	948	Other Motor Vehicle Parts Manufacturing
University of Iowa - College of Medicine	890	Colleges, Universities & Professional Schools
Rockwell International Corp	750	Search Detection & Navigation Instruments
Riverside Casino & Golf Resort	750	Other Gambling Industries
Riverside Hotel	700	Hotels (Except Casino Hotels) & Motels
Centro, Inc.	600	All Other Plastics Product Manufacturing

Source: America's Labor Market Information System (ALMIS) - A United States Department of Labor employment

Community Representatives

Information obtained from two community representatives was considered for this evaluation to provide perspective of the conditions in the communities where the bank operates. Contacts had favorable opinions of area banks meeting the community's credit needs. All contacts acknowledged the University of Iowa's presence in the area helps insulate the local community from deteriorating economic conditions experienced elsewhere.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income levels and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the preceding standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.

LENDING TEST

Freedom Security Bank’s performance relative to the lending test is rated satisfactory based on reasonable LTD ratio, a majority of loans made within the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes, and reasonable distribution of loans to geographies of different income levels, particularly those designated as low- and moderate-income.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. The 16-quarter average ratio was compared to the national peer group, which includes commercial banks with assets between \$50 and \$100 million with two or fewer banking offices located in an MSA.

Lack of loan growth since the previous evaluation has contributed to the bank’s lower LTD ratio. Gross loans decreased from \$59.0 million in March 31, 2009 to \$42.7 million in December 31, 2012, which represents a decline of 27.6 percent. The bank noted there is turnover in their loan portfolio due to loans being sold on the secondary market. The ratio is comparable to the bank’s national peer group, but falls below its local competitors.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16 – Quarter Average
Freedom Security Bank	72.4
National Peer Group 10	73.0
Competitors	
Hills Bank & Trust	106.7
MidWestOne Bank	81.4
Bank of the West	104.9
Central State Bank	86.9
Farmers & Merchants Savings Bank	76.8

Assessment Area Concentration

A majority of lending is in the assessment area. As presented in the following table, lending patterns are consistent between HMDA-reportable loans and small business loans, with over 80 percent of loans originated in the assessment area. For comparison, during the previous evaluation, the bank originated 77.7 percent of its HMDA-reportable loans and 85.0 percent of its commercial loans in the assessment area

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$	%	#	%	\$	%
Home Purchase Loans	34	77.3	3,468	80.5	10	22.7	841	19.5
Refinanced Loans	60	84.5	6,164	87.2	11	15.5	902	12.8
Home Improvement Loans	11	91.7	301	74.5	1	8.3	103	25.5
Multi-Family Loans	1	100.0	1,244	100.0	0	0.0	0	0.0
Total HMDA-Reportable Loans	106	82.8	11,177	85.8	22	17.2	1,846	14.2
Total Small Business Loans	82	86.3	6,566	80.5	13	13.7	1,588	19.5
Total Loans	188	84.3	17,743	83.8	35	15.7	3,434	16.2

Note: Percentages may not add to 100.0 percent due to rounding.

Geographic Distribution of Loans

Overall, the geographic distribution of loans is reasonable. HMDA-related lending reflects a reasonable penetration throughout the assessment area. The assessment area consists of one low-, seven moderate-, eleven middle-, and eight upper-income census tracts. The bank's HMDA loan outperformed lending to low- and moderate-income census tracts in both percent of number and dollar amount compared to peer. Freedom Security Bank originated 32.7 percent by number and 21.8 percent by dollar amount of its HMDA-related loans within moderate-income census tracts, which is greater than peer at 12.1 and 11.9 percent, respectively. For the purposes of this review, loans made in calendar year 2011 or before were analyzed based on 2000 census demographic characteristics.

Home Mortgage Lending, 2011 Geographic Distribution (000s)							
Census Tract Income Level	Bank Loans				Aggregate of All Lenders (Peer)		Owner-Occupied Housing
	#	%	\$	%	#	%	%
Home Purchase Loans							
Low	0	0.0	0	0.0	0.2	0.5	0.0
Moderate	6	30.0	343	20.6	12.6	9.6	17.9
Middle	10	50.0	887	53.3	60.2	58.7	49.7
Upper	4	20.0	433	26.0	26.6	31.0	32.5
Unknown	0	0.0	0	0.0	0.3	0.3	0.0
Total	20	100.0	1,663	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	0	0.0	0	0.0	0.0	0.1	
Moderate	8	34.8	815	34.2	10.8	8.8	
Middle	11	47.8	1,249	52.5	53.1	50.7	
Upper	4	17.4	316	13.3	36.0	40.4	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	23	100.0	2,380	100.0	100.0	100.0	
Home Improvement Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	2	40.0	3	6.4	15.4	11.4	
Middle	3	60.0	44	93.6	55.2	46.6	
Upper	0	0.0	0	0.0	29.3	42.0	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	5	100.0	47	100.0	100.0	100.0	
Multifamily Loans							
Low	0	0.0	0	0.0	1.6	1.1	
Moderate	0	0.0	0	0.0	54.1	56.1	
Middle	1	100.0	1,244	100.0	32.8	29.4	
Upper	0	0.0	0	0.0	11.5	13.5	
Unknown	0	0.0	0	0.0	0.0	0.0	
Total	1	100.0	1,244	100.0	100.0	100.0	
Total Home Mortgage Loans							
Low	0	0.0	0	0.0	0.1	0.3	
Moderate	16	32.7	1,161	21.8	12.1	11.9	
Middle	25	51.0	3,424	64.2	55.7	52.0	
Upper	8	16.3	749	14.0	31.9	35.8	
Unknown	0	0.0	0	0.0	0.1	0.1	
Total	49	100.0	5,334	100.0	100.0	100.0	

Note: Percentages may not add to 100.0 percent due to rounding.

Small business lending reflects a poor penetration throughout the assessment area. Small business lending is greatest in the middle-income census tracts which are also the census tracts with the greatest number of businesses in the assessment area. However, lending in low- and moderate-

income census tracts has declined since the previous evaluation and is significantly below the demographics. The distribution of small business lending by tract income level is presented in the following table.

Small Business Lending March 31, 2009 – December 31, 2012 Geographic Distribution					
Census Tract Income Level	Bank Loans				Businesses by Census Tract Income Level
	#	%	\$	%	%
Low	0	0.0	0	0.0	3.8
Moderate	7	8.5	701	10.7	20.8
Middle	68	82.9	5,230	79.7	49.7
Upper	7	8.5	635	9.7	25.7
Total	82	100.0	6,566	100.0	100.0
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>					

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

The distribution of loans to individuals of different income levels and businesses of different sizes is reasonable given the demographics of the bank’s assessment area. Lending to low- and moderate-income borrowers represents 40.8 percent by number and 20.0 percent by dollar amount of the bank’s total HMDA-related loans. In comparison, peer lending was 30.1 percent by number and 18.9 percent by dollar amount to low- and moderate-income borrowers.

For the purposes of this review, loans made in calendar year 2011 or prior were analyzed based on 2000 census demographic characteristics. The following table presents the distribution of HMDA-related lending to borrowers of different income levels compared to peer lenders and distribution of families by income levels.

Home Mortgage Lending, 2011 Borrower Distribution (000s)							
Income Level of the Borrower	Bank Loans				Aggregate of All Lenders		Families by Family Income Level
	#	%	\$	%	# %	\$ %	%
Home Purchase Loans							
Low	3	15.0	155	9.3	13.7	8.6	17.6
Moderate	8	40.0	686	41.3	26.0	19.9	19.3
Middle	5	25.0	454	27.3	21.6	20.8	24.1
Upper	2	10.0	140	8.4	28.4	39.4	39.0
Unknown	2	10.0	228	13.7	10.2	11.4	0.0
Total	20	100.0	1,663	100.0	100.0	100.0	100.0
Refinanced Loans							
Low	2	8.7	70	2.9	6.0	3.2	
Moderate	4	17.4	122	5.1	17.9	12.3	
Middle	11	47.8	1,174	49.3	23.1	20.0	
Upper	5	21.7	932	39.2	41.6	53.1	
Unknown	1	4.3	82	3.4	11.3	11.4	
Total	23	100.0	2,380	100.0	100.0	100.0	
Home Improvement Loans							
Low	2	40.0	3	6.4	12.0	6.6	
Moderate	1	20.0	30	63.8	19.6	11.9	
Middle	2	40.0	14	29.8	22.5	22.4	
Upper	0	0.0	0	0.0	31.7	46.9	
Unknown	0	0.0	0	0.0	14.1	12.3	
Total	5	100.0	47	100.0	100.0	100.0	
Multifamily Loans							
Low	0	0.0	0	0.0	0.0	0.0	
Moderate	0	0.0	0	0.0	0.0	0.0	
Middle	0	0.0	0	0.0	0.0	0.0	
Upper	0	0.0	0	0.0	0.0	0.0	
Unknown	1	100.0	1,244	100.0	100.0	100.0	
Total	1	100.0	1,244	100.0	100.0	100.0	
Total Home Mortgage Loans							
Low	7	14.3	228	4.3	9.2	4.9	
Moderate	13	26.5	838	15.7	20.9	14.0	
Middle	18	36.7	1,642	30.8	22.3	19.1	
Upper	7	14.3	1,072	20.1	35.9	45.3	
Unknown	4	8.2	1,554	29.1	11.7	16.7	
Total	49	100.0	5,334	100.0	100.0	100.0	

Note: Percentages may not add to 100.0 percent due to rounding.

Businesses with \$1 million or less in revenue comprise 91.3 percent of businesses in the assessment area; similarly, 82.9 percent of the bank's small business loans are originated to businesses with revenues of \$1 million or less. Small businesses typically seek loans with origination amounts of

less than \$100,000 to meet credit needs. A majority of the bank's loans are for amounts of \$100,000 or less at over 70 percent, which indicates the bank makes credit available to small businesses.

Small Business Loan Distribution						
March 31, 2009 – December 31, 2012						
By Revenue and Loan Size						
(000s)						
Category	Bank Loans				Businesses By Annual Revenues	
	#	%	\$	%	#	%
By Revenue						
\$1 Million or Less	68	82.9	5,484	83.5	7,753	91.3
Over \$1 Million	14	17.1	1,082	16.5	431	5.1
Not Known	0	0.0	0	0.0	310	3.6
Total	82	100.0	6,566	100.0	8,494	100.0
By Loan Size						
\$100,000 or less	60	73.2	2,079	31.7		
\$101,000 - \$250,000	17	20.7	2,564	39.1		
\$251,000 - \$1 Million	5	6.1	1,923	29.3		
Total	82	100.0	6,566	100.0		
By Loan Size and Revenue \$1 Million or Less						
\$100,000 or less	50	73.5	1,847	33.7		
\$101,000 - \$250,000	14	20.6	2,064	37.6		
\$251,000 - \$1 Million	4	5.9	1,573	28.7		
Total	68	100.0	5,484	100.0		

Note: Percentages may not add to 100.0 percent due to rounding.

Response to Complaints

The bank or this Reserve Bank has not received any CRA-related complaints since the previous evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		HMDA-reportable loans originated between January 1, 2010 – December 31, 2011 Small business loans originated between March 31, 2009 – December 31, 2012	
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Freedom Security Bank			HMDA-reportable loans Small Business Loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None			
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Iowa City MSA 26980	Full scope	Kalona	Product offerings do not differ by branch.

APPENDIX B - Glossary

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Consumer loan: A loan 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 of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

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, which 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).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the

rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home mortgage loans: Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

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 lenders in the MSA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area: A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area (MMSA). Performance within each MMSA is analyzed separately as a full-scope review and receives its own ratings under the

Lending, Investment and Service Tests provided the financial institution has its main office, branch, or deposit-taking ATM located in each applicable state making up the MMSA.

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 percent 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 percent and less than 80 percent in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

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.

Small loans to business: 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 loans to farms: 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 thousand 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 more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.