

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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)	
In the Matter of)	
)	CONSENT ORDER
LIBERTAD BANK, SSB)	
AUSTIN, TEXAS)	FDIC-11-368b
)	
(Insured State Nonmember Bank))	
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)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Libertad Bank, SSB, Austin, Texas (“Bank”), under 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation to the Issuance of a Consent Order” (“Stipulation”), dated October 6, 2011, that is accepted by the FDIC. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation relating to operating without adequate supervision by the Bank’s board of directors, operating without an effective Compliance Management System, and operating without adequate supervision of third-party risk, to the issuance of this Consent Order (“Order”) by the FDIC.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) have been satisfied, the FDIC hereby orders that:

BOARD SUPERVISION

1. Within 90 days after the effective date of this ORDER, the Bank's Board shall increase its supervision and direction in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. This supervision shall include holding meetings no less frequently than monthly, at which it shall review and approve the following, at a minimum, dealing with consumer compliance, fair lending, or third-party supervision: new or modified operating policies and individual committee actions. The Bank's Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

COMPLIANCE MANAGEMENT SYSTEM

2. (a) Within 90 days after the effective date of this ORDER, the Bank shall develop and implement a Compliance Management System commensurate with the level of complexity of the Bank's operations. The Compliance Management System shall:

- (1) Include oversight by the Bank's Board and senior management that includes the following actions:
 - a. Ensures adherence with all the provisions of this ORDER;
 - b. Ensures the Bank operates with an adequate Compliance Management System as described in the Federal Deposit Insurance Corporation's

Compliance Examination Manual, Tab II

(“Compliance Examinations”), pages II-2.1-4

(“Compliance Management System”), and

- c. Ensures that the Compliance Officer receives ongoing training, sufficient time, and adequate resources to effectively oversee, coordinate, and implement the Bank’s Compliance Management System.

(2) Include the development and implementation of a compliance program that the Bank’s Board annually reviews and approves, with the Board’s approval reflected in the minutes of the Bank’s Board. The Compliance Program shall include written policies and procedures that shall:

- a. Provide Bank personnel with all the information needed to perform a business transaction; and
- b. Reflect changes, based on periodic updates, in the Bank’s business and regulatory environment.

(3) Include the implementation and maintenance of a training program related to consumer laws and regulations for all Bank personnel, including senior management and the Bank’s Board, commensurate with their individual job functions and duties. The Compliance Officer shall be responsible for the administration of this program, and shall provide training to officers and employees on a continuing basis.

(4) Include compliance monitoring procedures that have been incorporated into the normal activities of every department. At a minimum, monitoring procedures should include ongoing reviews of:

- a. Applicable departments and branches;
- b. Disclosures and calculations for various loan and deposit products;
- c. Document filing and retention procedures;
- d. Marketing literature and advertising; and
- e. Internal compliance communication system that provides to Bank personnel appropriate updates resulting from revisions to consumer laws and regulations.

(5) Require an annual independent, comprehensive, and written audit covering applicable consumer laws and regulations. The Bank's Board shall document its efforts, including the review of and corrective measures made pursuant to the audit's findings, in the minutes of the Bank's Board. The audit shall:

- a. Provide for sufficient transactional testing, as appropriate, for all areas of significant compliance risk, including those areas identified in the FDIC's Compliance Examination Report dated January 4, 2011 ("Report"); and
- b. Identify the causes that resulted in the violations of law and regulations or exceptions noted in the Audit Report with

sufficient information to provide management direction in formulating corrective action.

CORRECTION OF VIOLATIONS

3. Within 90 days after the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of consumer laws and regulations identified in the Report, and ensure that the Bank's Compliance Management System will facilitate compliance with all consumer laws and regulations in the future. The Bank's actions under this section shall include, at a minimum:

(a) Within 90 days from the effective date of this ORDER, the Bank shall adopt and implement systems and controls to ensure compliance with Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, *et seq.* (the "FTC Act" or "Section 5") in connection with its contractual relationship with any prepaid stored value cards program; and

(b) Within 90 days from the effective date of this ORDER, the Bank shall adopt and implement systems and controls to ensure compliance with the Real Estate Settlement Procedures Act ("RESPA"), 12 U.S.C. §§ 2601 *et seq.*, and Regulation X of the Department of Housing and Urban Development ("HUD") ("Regulation X"), 24 C.F.R. Part 3500, provisions that require accurate disclosures on the good faith estimate ("GFE"), the HUD-1 settlement statement, and the provision of mortgage servicing disclosure statements in connection with consumer mortgage loans.

(c) Within 90 days from the effective date of this ORDER, the Bank shall adopt and implement systems and controls to ensure compliance with the Electronic Fund Transfers Act ("EFTA"), 15 U.S.C. §§ 1693 *et seq.*, and Regulation E of the Federal

Reserve Board, 12 C.F.R. Part 205, with respect to specific disclosures in any prepaid stored value cardholder agreements.

THIRD-PARTY RISK

4. Within 90 days after the effective date of this ORDER, the Bank's Board shall conduct a risk assessment that addresses all the risks discussed in Financial Institution Letter ("FIL")-44-2008, dated June 6, 2008 ("FIL-44-2008"), on each significant third-party relationship, and prior to entering into any new third-party relationships. The risk assessment should include, at a minimum, the following points:

- (a) That the relationship is consistent with the institution's strategic planning and overall business strategy;
- (b) That benefits, costs, legal aspects, and potential risks of the Bank's third party relationships are in the Bank's best interest;
- (c) That the Board and senior management can provide adequate oversight and management of third-party relationships on an ongoing basis; and
- (d) That the long-term financial effect of the Bank's third party relationships are in the Bank's best interest.

5. Within 90 days after the effective date of this ORDER, the Bank shall develop policies and procedures to appropriately assess, measure, monitor, and control third-party risks as addressed in FIL-44-2008. The policies and procedures should include, at a minimum, the following points:

- (a) Policies requiring the evaluation of the risks associated with third-party relationships before entering into and during the relationship;
- (b) Procedures for periodic monitoring of all third-party relationships; and

(c) Audit procedures which encompass review of third-party relationships.

6. Within 90 days after the effective date of this ORDER, the Bank's oversight of third-party relationships, consistent with FIL-44-2008, shall include, at a minimum, the following actions:

(a) Maintain adequate oversight of third-party activities and adequate control over those products and services provided through third-party arrangements in order to minimize exposure to potential and significant financial loss, reputation damage, and other risks;

(b) Maintain appropriate documentation to facilitate the monitoring and management of risks associated with third-party relationships; and

(c) Maintain documents and records on all aspects of third-party relationships, including contracts, business plans, risk analyses, due diligence, and oversight activities, including reports to the Bank's Board.

SHAREHOLDER NOTIFICATION

7. After the effective date of this ORDER, the Bank shall send a copy of this ORDER, or otherwise furnish a description of this ORDER, to its shareholders (1) in conjunction with the Bank's next shareholder communication, and also (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC Accounting and Securities Disclosure Section, Washington, D.C. 20429, for review at least 20 days prior to dissemination to shareholders. Any changes requested by the FDIC

shall be made prior to dissemination of the description, communication, notice, or statement.

PROGRESS REPORTS

8. Within 30 days after the end of the first calendar quarter following the effective date of this ORDER, and within 30 days after the end of each successive calendar quarter, the Bank shall furnish written progress reports to the Regional Director detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports may be discontinued when the corrections required by the ORDER have been accomplished and the Regional Director has released the Bank in writing from making additional reports.

The provisions of this ORDER shall not bar, estop, or otherwise prevent the FDIC or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

This ORDER shall be effective on the date of issuance.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside by the FDIC.

Issued Pursuant to delegated authority this 13th day of October, 2011.

/s/

Kristie K. Elmquist
Acting Regional Director
Dallas Region
Federal Deposit Insurance Corporation