



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 01, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**University National Bank
Charter Number 14991**

**200 University Avenue West
St. Paul, MN 55103**

**Comptroller of the Currency
Minneapolis West Field Office
920 Second Avenue South, Suite 800
Minneapolis, MN 55402**

NOTE: 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.

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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of University National Bank prepared by The Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of July 1, 2002. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING: This institution is rated **Outstanding.**

University National Bank is a leader in helping to meet the credit needs of its assessment area.

University National Bank's rating is based on the following factors:

- The bank's performance in lending to borrowers of different incomes and businesses of different sizes is excellent.
- The geographic distribution of the bank's loans is excellent. The majority of the bank's loans are in low- or moderate-income areas.
- The bank's lending within its assessment area exceeds the standards for satisfactory performance for commercial and consumer loans. A substantial majority of loan originations of these types are made in the bank's assessment area.

Description of Institution

University National Bank (University) is a \$66 million bank located in St. Paul, Minnesota, an ethnically diverse area near the state capitol. The bank is a part of the Minneapolis-St. Paul Metropolitan Statistical Area (MSA). University Financial Corporation, a one-bank holding company, owns 100 percent of the bank.

University offers a full range of traditional commercial and personal banking services. The primary loan products are residential real estate loans and commercial loans. These loan types comprise more than 90 percent of the bank's lending activities. Construction loans equal 7.1 percent and consumer loans are 2.3 percent of the portfolio. Total loans represent 84 percent of total bank assets. University was the first bank in Minnesota to be designated a Community Development Financial Institution (CDFI). The CDFI designation allows the bank access to funds to expand its lending in distressed areas.

The bank has a drive-up facility and one ATM, located in the bank's parking lot. The bank does not have any branches. The bank offers on-line banking, bank-by-mail, and low-cost

check cashing services for non-account holders. Customers can also make deposits and cash University National Bank checks at two sister banks in the Minneapolis/St. Paul area. There are no legal or financial impediments limiting University's ability to help meet community credit needs.

The bank was rated "Outstanding" at the last CRA evaluation dated October 24, 1996.

As of June 30, 2002, the composition of the bank's loan portfolio was as follows:

Loan Portfolio Composition	\$ (000)	%
Residential Real Estate	\$26,039	46.9%
Commercial (Including Real Estate)	\$24,306	43.7%
Construction Loans	\$3,928	7.1%
Consumer Loans	\$1,286	2.3%
Other Loans	\$17	<.1%
Total	\$55,576	100.0%

Source: Bank Call Report 6-30-02

Description of University Bank's Assessment Area

The bank's assessment area (AA) includes 58 contiguous census tracts located in central St. Paul, Minnesota and meets all regulatory requirements. The area includes 13 low-income, 27 moderate-income, 16 middle-income, and 2 upper-income census tracts. More than 16 percent of the households within AA are below the poverty level. The median income for the Minneapolis/St. Paul MSA is \$76,700. Primary employers in the AA include a produce distributor, retailers, hospitals and state government. The July 2002 unemployment rate for the MSA is 4.3 percent.

There are 28 banks located in Ramsey County, 19 of which are within the bank's assessment area. The banks range in size between \$20 million to \$2.7 billion. University has less than half of one percent of Ramsey County deposits.

During our evaluation, we contacted a housing and economic development group and reviewed five recent community contacts performed during other recent CRA evaluations. All agreed that housing, home improvement, small consumer, and small business development loans were primary needs in the area. The need for employees who speak the language of the diverse population was also mentioned as a need. Two community contacts specifically mentioned University as meeting these needs.

AA demographics are illustrated in the table below. Information is based on the most recent information available, the 1990 census, unless otherwise noted.

Demographic and Economic Characteristics of AA	
Population	185,835
Number of Families	42,271
Number of Households	75,559
Number/Percent of Low-Income Families	14,321/33.9%
Number/Percent of Moderate-Income Families	9,589/22.7%
Number/Percent of Middle-Income Families	10,033/23.7%
Number/Percent of Upper-Income Families	8,328/19.7%
Percent Minority Population	24.2%
Geographies	
Number of Census Tracts	58
Number of Low-Income Tracts	13/22.4%
Number of Moderate-Income Tracts	27/46.6%
Number of Middle-Income Tracts	16/27.6%
Number of Upper-Income Tracts	2/3.4%
Median Family Income (MFI)	
1990 MFI for AA	\$30,844
2002 HUD Adjusted MFI	\$76,700
Economic Indicators	
Unemployment Rate as of July 2002	4.3%
Median Housing Value	\$71,328
Owner-Occupied Housing	47.7%
Percent of Households below Poverty	16.4%

Conclusions about Performance Criteria

The bank's performance is based on the assessment of five criteria. The primary loans products for University Bank are residential real estate and commercial loans. We evaluated the bank's HMDA loans for the period January 1, 1997, through December 31, 2001. We selected a sample of commercial loans originated since January 2002. Based on the stated community need, we also sampled consumer loans originated since January 2002. We reviewed the bank's public CRA file as a part of our evaluation.

University National Bank's stated mission is to increase home ownership and business development in its assessment area, which is primarily comprised of low- and moderate-income tracts.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank's record of lending to borrowers of different incomes and to businesses of different sizes is strong and exceeds standards for satisfactory performance. In addition to being the bank's primary loan products at 46.9 and 43.7 percent, respectively, real estate and commercial lending fulfills the bank's mission of increasing home ownership and business development in its assessment area.

Residential Real Estate Loans

The following table demonstrates the bank's strong commitment to residential real estate lending to borrowers of different incomes. Almost 16 percent of the families in the bank's AA are below the poverty level; however, University Bank was able to demonstrate excellent lending performance, particularly by numbers of loans, to low- and moderate-income families.

Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Percent of AA Families	33.9%		22.7%		23.7%		19.7%	
	%No.	% Amt	% No.	% Amt	% No.	% Amt	% No.	% Amt
Home Purchase	40.5%	29.6	21.4%	24.3%	21.4%	17.7%	16.7%	28.4%
Home Improvement	35.8%	19.3%	38.1%	21.8%	19.0%	44.5%	7.1%	14.4%
Refinance	31.6%	30.9%	15.8%	14.0%	21.1%	14.0%	31.5%	41.1%

Source: HMDA reports

Commercial Loans

The bank also has an excellent record of lending to small businesses with revenues of less than \$1 million, with the number of loans exceeding demographics and loans by amount less than 5 percent below demographics. Additionally, of the loans sampled, only one loan exceeded \$250 thousand and none were originated for \$500 thousand or more. The 95 percent of the bank loans to businesses in amounts less than \$250 thousand,

demonstrates the bank's commitment to small business development in its assessment area.

Borrower Distribution - Loans to Small Businesses		
Business Revenue	<\$1,000,000	>\$1,000,000
Percent of Businesses in AA	88.5%	11.5%
Bank Loans In AA By Number	90.9%	9.1%
Bank Loans in AA By Amt	83.6%	16.4%

Source: Loan Sample

Consumer Loans

The bank's record of consumer lending to low-income households is below demographics, both by number and amount. However, the bank exceeded demographics by very large percentages for loans to moderate-income individuals. These figures are demonstrated in the following table.

Borrower Distribution – Consumer Loans				
	Low	Moderate	Middle	Upper
AA – Income	37.5%	20.6%	21.0%	20.9%
Bank Loan By No.	20.0%	75.0%	5.0%	0
Bank Loans By Amt.	13.3%	82.7%	4.0%	0

Source: Loan Sample

Geographic Distribution of Loans

The bank has an excellent record of lending to borrowers in low- and moderate-income areas. The bank exceeds or is very close to demographics in number and dollar amount for residential lending. The bank also exceeds demographics for small loans to businesses by geographic distribution. Likewise, consumer lending exceeds demographic distribution.

The following table summarizes the bank's performance for real estate loans compared to the percentage of owner occupied housing for each tract category.

Real Estate Lending								
	Low		Moderate		Middle		Upper	
% of owner-occupied housing	29.2%		48.2%		55.3%		40.8%	
	% No.	% Amt	% No.	% Amt	% No.	% Amt	% No.	% Amt
Purchase	29.3%	26.8%	57.9%	57.8%	12.0%	13.2%	.8%	2.2%
Refinance	32.4%	22.1%	64.7%	72.2%	2.9%	5.7%	0	0
Home Improvement	28.3%	48.0%	43.5%	30.5%	26.9%	15.1%	0	0

Source: HMDA report

The following tables demonstrate the geographic distribution of the bank's residential real estate and commercial loans, respectively.

Residential Real Estate Loans								
Tract Income Level	Low		Moderate		Middle		Upper	
Percent of Tracts	22.4%		46.6%		27.6%		3.4%	
	% No.	% Amt	% No.	% Amt	% No.	% Amt	% No.	% Amt
Home Purchase	29.3	26.8	57.9	57.8	12.0	13.2	.8	2.2
Home Improvement	28.3	48.0	43.5	30.5	26.1	15.1	2.2	6.4
Refinance	32.4	22.1	64.8	72.2	2.9	5.7	0	0
Multi-Family	23.5	10.5	70.6	85.6	5.9	4.0	0	0

Source: HMDA reports

Business Loans								
Tract Income Level	Low		Moderate		Middle		Upper	
Businesses by Tract	20.3%		34.9%		42.1%		2.7%	
	% No.	% Amt	% No.	% Amt	% No.	% Amt	% No.	% Amt
Business Loans	30.0%	21.9%	60.0%	49.7%	10.0%	28.4%	0	0

Source: Loan Sample

The following table summarizes the bank's performance for consumer loans compared to the percentage of population in each tract category.

Consumer Loans								
	Low		Moderate		Middle		Upper	
% of population	33.9%		22.7%		23.7%		19.7%	
	% No.	% Amt	% No.	% Amt	% No.	% Amt	% No.	% Amt
Consumer Loans	65%	22.9%	25%	45.4%	0	0	10.0%	31.7%

Source: Loan Sample

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is very good, particularly considering the competition in the bank's assessment areas. The bank's quarterly average loan-to-deposit ratio since the last evaluation is 78.0 percent. Five banks that are similar in size and lending activities were compared to University. The five similarly situated community banks in the assessment areas we used for comparison had average quarterly loan-to-deposit ratios from 65 percent to 73 percent. The average ratio of those other five banks is 70 percent.

Lending in Assessment Area

Lending within the assessment area is excellent for commercial and consumer loans

and satisfactory for residential real estate loans.

The bank originated the majority of its lending, both by number and dollar amount, in its assessment area. We sampled 20 business and 20 consumer loans. We also reviewed the bank's HMDA information. The following tables represent the results of these reviews.

	Consumer Loans <i>Source: Loan Sample</i>		Commercial Loans <i>Source: Loan Sample</i>		Residential Loans <i>Source: HMDA Reports</i>	
	% No.	% Amt	% No.	% Amt	% No.	% Amt
In AA	85.0%	85.8%	90.0%	81.8%	53.1%	49.3%
Out of AA	15.0%	14.2%	10.0%	18.2%	46.9%	50.7%

Responses to Complaints

University Bank has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

Fair Lending Review

An analysis of five years of public comments and consumer complaint information (1-1-97 to 12-31-01) was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination need not be conducted in connection with the CRA evaluation this year. A comprehensive fair lending examination was performed during the October 1996, evaluation.