



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**April 5, 2004**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**University National Bank  
Charter Number 14467**

**1354 East 55<sup>th</sup> Street  
Chicago, Illinois 60615**

**Office of the Comptroller of the Currency  
Chicago-North Field Office  
85 West Algonquin Road, Suite 340  
Arlington Heights, Illinois 60005**

**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 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 Community Reinvestment Act (CRA) performance of The University National Bank, Chicago, Illinois, as prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of April 5, 2004. The agency rates the CRA Performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

## **INSTITUTION RATING**

**This institution is rated “Satisfactory.”**

The major factors that support the University National Bank’s (UNB) rating include:

- UNB’s net loan-to-deposit ratio (LTD) is reasonable.
- UNB’s record of lending within its assessment area (AA) is reasonable.
- The bank’s record of extending credit to individuals of different income levels is reasonable.
- Geographic distribution of UNB’s home mortgage loans reflects a reasonable penetration throughout the AA.
- UNB has not received any written complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

## DESCRIPTION OF INSTITUTION

The University National Bank (UNB) is a \$109 million intrastate financial institution headquartered in the Hyde Park neighborhood of Chicago, Illinois. Hyde Park is located on the south side of the City of Chicago. UNB is a wholly owned subsidiary of University Bancorp, Inc. a one-bank holding company. As of December 31, 2003, University Bancorp had consolidated assets of \$118 million.

As of December 31, 2003, UNB had approximately \$21.3 million in outstanding net loans, and deposits of approximately \$99.7 million, for a net loan-to-deposit ratio of 21 percent. UNB had approximately \$8 million in Tier One capital as of December 31, 2003. The substantial majority of UNB's loans were residential real estate. Commercial real estate, commercial, consumer and other loans (agricultural) were not evaluated for UNB because they do not represent primary product types for the bank. The gross loan portfolio consisted of the following:

| <b>Loan Category</b>         | <b>\$(000s)</b> | <b>Percent</b> |
|------------------------------|-----------------|----------------|
| Residential Real Estate      | 12,201          | 52.7           |
| Commercial Real Estate Loans | 2,337           | 14.2           |
| Commercial Loans             | 2,863           | 13.6           |
| Consumer Loans               | 3,797           | 18.8           |
| Other Loans                  | 164             | 0.7            |
| <b>Total</b>                 | <b>\$21,362</b> | <b>100.00</b>  |

Table data from December 31, 2003 Call Report

UNB has one main office, which is a full-service facility, and a limited service walk-up facility that is separate from the main office. Both are located in Chicago, Illinois. UNB maintains four automated teller machines; two at the main office, one at the walk-up facility and one stand-alone at The University of Chicago Hospitals.

UNB was rated "Satisfactory" at its last CRA evaluation dated August 24, 1998. There are no financial conditions, legal constraints or other factors that would hinder its ability to meet the credit needs of its community.

## **DESCRIPTION OF ASSESSMENT AREA**

UNB has one assessment area (AA) that comprises a small portion of the Chicago metropolitan area (MA) in northeastern Illinois. The AA consists primarily of the neighborhoods of Grand Boulevard, Kenwood, Hyde Park and Woodlawn, all on the south side of the City of Chicago. This AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The total population of the AA is 50,573 persons based on 1990 census data. The AA contains 30 percent low, 17 percent moderate, 19 percent middle and 35 percent upper-income families, also based on the 1990 census.

The current AA consists of twenty-three geographies. Five (22 percent) are low-income, five (22 percent) are moderate-income, nine (39 percent) are middle-income and four (17 percent) are upper-income geographies.

The median family income in the bank's AA, based on 1990 census data, is \$39,811. The 2003 HUD adjusted median family income for the Chicago MA is \$75,400. There are 26,700 housing units in UNB's AA. Of these, 14 percent are 1-4 family units with 23 percent of these being owner-occupied. The median home value, based on 1990 census data, is \$169,791. Poverty levels in the AA are high at 20 percent, thus 1-4 family housing is out of the affordability range of many low-income individuals and families. A majority of the housing units in the AA are multi-family units, many being rented to students and staff of The University of Chicago and The University of Chicago Hospitals.

Major employers in the area include The University of Chicago and The University of Chicago Hospitals. A majority of small businesses in the AA employ between one and four employees. There are approximately 1000 small businesses with revenues less than a million dollars in the bank's AA. Recently, some larger chain businesses such as Border's Books, BP Amoco and McDonalds have located in the AA. A large majority of the small businesses in the AA are in the services industry, and the next largest is retail trade. The 2003 unemployment rate for the AA was 7.3 percent. This is above the 2003 State of Illinois unemployment rate of 6.7 percent and the 2003 national unemployment rate average of 6.0 percent.

We conducted one community contact interview during our evaluation with the local chamber of commerce. The contact indicated the economy was stable. She stated that credit needs of the community are: small loans to businesses, small business start-up loans, and affordable housing. The contact felt that banks were doing a good job of meeting the credit needs in their area.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio:

UNB's net loan-to-deposit ratio (LTD) is reasonable given the AA demographics and competition from large mortgage companies, credit card banks and larger regional institutions. The bank's LTD ratio as of December 31, 2003 is 21 percent. The bank's average quarterly net LTD ratio from September 1998 to December 31, 2003 was 23 percent, which is an increase from 21 percent during the previous evaluation period. UNB's LTD ratio has fluctuated from a high of 24 percent in June 2001 to a low of 21 percent at December 31, 2003. In comparison, the peer net LTD ratio ranged from 37 percent to 89 percent as of December 31, 2003. Peer group institutions were chosen based on similarities in size, type and branch locations in the Chicago M A 1600. Historically, UNB has a few large depositors, which also influences this ratio. The fifteen largest depositors hold over \$13 million in the bank. This equates to 13 percent of the bank's total deposits.

### Lending in Assessment Area

UNB's record of lending within its AA is reasonable. The following table details the bank's lending within the AA by number of loan originations and dollar volume since its last CRA evaluation.

| Loan Type                | Number of Loans |    |         |     |       | Dollars of Loans (000 omitted) |    |         |     |          |
|--------------------------|-----------------|----|---------|-----|-------|--------------------------------|----|---------|-----|----------|
|                          | Inside          |    | Outside |     | Total | Inside                         |    | Outside |     | Total    |
|                          | #               | %  | #       | %   | #     | \$                             | %  | \$      | %   | \$       |
| <b>Home Purchase*</b>    | 62              | 82 | 14      | 18  | 76    | \$5,064                        | 75 | \$1,681 | 33  | \$ 6,745 |
| <b>Home Refinance*</b>   | 30              | 56 | 24      | 44  | 54    | \$3,091                        | 71 | \$1,284 | 29  | \$ 4,375 |
| <b>Home Improvement*</b> | 31              | 74 | 11      | 26  | 42    | \$1,035                        | 68 | \$ 476  | 32  | \$ 1,511 |
| <b>Multi-Family</b>      | 0               | 0  | 3       | 100 | 3     | \$ 0                           | 0  | \$ 327  | 100 | \$ 327   |
| <b>Total HMDA*</b>       | 123             | 72 | 49      | 28  | 172   | \$9,190                        | 71 | \$3,768 | 29  | \$12,958 |

\* Represents loans originated between January 1, 1999 and December 31, 2002 as reported under the Home Mortgage Disclosure Act.

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

The bank's record of extending credit to individuals of different income levels reflects reasonable lending to low- and moderate-income individuals within this AA. The bank's record of lending to small businesses and small farms was not evaluated since these are neither primary product lines nor constitute any significant loan volume.

### HMDA Loan Originations

The borrower distribution of home purchase loans is reasonable. Home purchase loans to low-income borrowers are below the percentage of low-income families within the AA. The poverty

level within the bank's AA is significant. Much of the housing stock is not affordable for low-income borrowers. However, home purchase loans made to moderate-income borrowers significantly exceeded the percentage of moderate-income families within the AA. The bank made sixty-two home purchase loans within its AA between January 1, 1999 and December 31, 2002. Five loans for a total of \$282 thousand were made to low-income borrowers and sixteen loans for a total of \$898 thousand were made to moderate-income borrowers.

The borrower distribution of home improvement loans is reasonable. Home improvement loans made to low-income borrowers are below the percentage of low-income families within the AA. However, home improvement loans made to moderate-income borrowers meets the percentage of moderate-income families within the AA. The bank made thirty-one home improvement loans within their AA between January 1, 1999 and December 31, 2002. Three loans were made to low-income borrowers for a total of \$16 thousand and five loans for a total of \$51 thousand were made to moderate-income borrowers.

The borrower distribution of home refinance loans is reasonable. Home refinance loans made to low-income borrowers are below the percentage of low-income families within the AA. However, home refinance loans made to moderate-income borrowers significantly exceeded the percentage of moderate-income families within the AA. The bank made 30 home refinance loans within their AA between January 1, 1999 and December 31, 2002. One loan for \$41 thousand was made to a low-income borrower and seven loans for a total of \$449 thousand were made to moderate-income borrowers.

| <b>Table 2a – Borrower Distribution of Residential Real Estate Loans (1998 – 2002)</b> |                  |                      |                  |                      |                  |                      |                  |                      |
|--|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| Borrower Income Level  | Low              |                      | Moderate         |                      | Middle           |                      | Upper            |                      |
|  | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans |
| Home Purchase*   | 30.2             | 8.2                  | 16.5             | 26.2                 | 18.8             | 27.8                 | 34.5             | 37.7                 |
| Home Improvement*  | 30.2             | 9.7                  | 16.5             | 16.1                 | 18.8             | 19.4                 | 34.5             | 54.8                 |
| Home Refinance*  | 30.2             | 3.3                  | 16.5             | 23.3                 | 18.8             | 23.3                 | 34.5             | 50.0                 |
| Total HMDA*  | 30.2             | 7.3                  | 16.5             | 23.6                 | 18.8             | 24.4                 | 34.5             | 44.7                 |

\* Represents loans originated between January 1, 1999 and December 31, 2002 as reported under the Home Mortgage Disclosure Act.

### **Geographic Distribution of Loans**

Geographic distribution of UNB's home mortgage loans reflects a reasonable penetration through out the AA. Opportunity to make home mortgage loans in the bank's AA is limited by the small number of owner-occupied units in the low- and moderate-income geographies and strong competition from large mortgage companies and regional banks.

Geographic distribution of home purchase loans is reasonable. Home purchase loans in the low-income geographies are below the percentage of owner-occupied units in those geographies. Home purchase loans in moderate-income geographies meet the percentage of owner-occupied units in those geographies. The bank made sixty-two home purchase loans in the AA during the evaluation period. Two home purchase loans for a total of \$211 thousand were in low-income geographies, and eight home purchase loans for a total of \$715 thousand were in moderate-income geographies.

Geographic distribution of home improvement loans is reasonable. Home improvement loans in the low-income geographies exceed the percentage of owner-occupied units in those geographies. Home improvement loans made in the moderate-income geographies is near the percentage of owner-occupied units in those geographies. The bank made thirty-one home improvement loans in the AA during the evaluation period. There were three home improvement loans for a total of \$39 thousand in low-income geographies, and three home improvement loans totaling \$14 thousand were in moderate-income geographies.

Geographic distribution of home refinance loans is reasonable. Home refinance loans in low-income geographies is near the percentage of owner-occupied units in those geographies. Home refinance loans in moderate-income geographies is also near the percentage of owner occupied units in those geographies. The bank made thirty home refinance loans in the AA during the evaluation period. Two home refinance loans for a total of \$440 thousand were in low-income geographies and three for a total of \$465 thousand were in moderate-income geographies.

**Table 3 - Geographic Distribution of Residential Real Estate Loans in UNB'sAA**

| Census Tract Income Level | Low                            |                      | Moderate                       |                      | Middle                         |                      | Upper                          |                      |
|---------------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| Loan type                 | % Of AA Owner Occupied Housing | % Of Number of Loans | % Of AA Owner Occupied Housing | % Of Number of Loans | % Of AA Owner Occupied Housing | % Of Number of Loans | % Of AA Owner Occupied Housing | % Of Number of Loans |
| Home Purchase             | *8.3                           | 3.2                  | **12.9                         | 12.9                 | 53.2                           | 62.9                 | 25.7                           | 21.0                 |
| Home Improvement          | *8.3                           | 9.7                  | **12.9                         | 9.7                  | 53.2                           | 19.4                 | 25.7                           | 61.3                 |
| Home Refinance            | *8.3                           | 6.7                  | **12.9                         | 10.0                 | 53.2                           | 30.0                 | 25.7                           | 53.3                 |

\*8.3 percent represents only 424 owner occupied units.  
 \*\*12.9 percent represents only 669 owner occupied units.

**Responses to Complaints**

UNB has not received any written complaints about its performance in helping to meet the credit needs within its AA during this evaluation period.

**Fair Lending Review**

We found no evidence of illegal discrimination or other illegal credit practices.