



PUBLIC DISCLOSURE

April 09, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Universal Bank
Charter Number 705801

3455 Nogales Street-2nd Floor
West Covina, CA 91792

Office of the Comptroller of the Currency

1551 North Tustin Avenue
Suite 1050
Santa Ana, CA 92705

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.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

The Lending Test is rated: "Satisfactory."

The Community Development Test is rated: "Satisfactory."

The major factors that support this rating include:

- The bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and business strategy.
- The bank originated a substantial majority of its loans within its delineated assessment area.
- The geographic distribution of loans reflects reasonable dispersion.
- Lending among borrowers of different income levels, given the bank's product mix, reflects reasonable penetration.
- The bank provides an adequate level of community development activities given performance context factors.

Scope of Examination

This Performance Evaluation (PE) assesses the Community Reinvestment Act (CRA) performance of Universal Bank (UB or bank) using intermediate small bank procedures. We evaluated CRA activities under the Lending Test criteria, and we evaluated lending, investments, and services under the Community Development (CD) Test.

Lending Test: The bank makes mortgage loans that are reportable under the Home Mortgage Disclosure Act (HMDA). Mortgage loans constituted the substantial majority of the bank's originations during our Lending Test evaluation period (calendar years 2012 through 2014). As such, we focused our examination scope on originations of multifamily and home mortgage refinance loans. We placed more weight on multifamily loans because they constituted a substantial majority of the bank's originations. For our examination, we first conducted a "data integrity" test of the bank's regulatory HMDA reports for our evaluation period. We tested a sample of mortgage loans originated during the evaluation period, and compared the information to applicable CRA-related data on the HMDA loan reports. Based on the degree of accuracy in our data testing, we then evaluated the bank's lending patterns using applicable HMDA loan data for the evaluation period.

CD Test: We considered all qualifying CD activities since the bank's last CRA examination, from May 2012 through December 2014.

Description of Institution

UB is an independent community bank headquartered in the city of West Covina, California. UB opened for business in November 1954. The bank is a wholly-owned subsidiary of Universal Financial, Inc., which is a single-bank holding company.

UB operates five branches in various locations in Los Angeles County. The main branch is located in West Covina, California, in an upper-income census tract. UB also has branches in Eagle Rock, Rosemead, and Arcadia (all in middle-income census tracts), and in Monterey Park (in a moderate-income census tract).

UB engages in traditional lending products, but the substantial majority of its loan originations are centered in residential mortgage lending. Consumer-related lending products mainly include home equity lines of credit. Other consumer loan products are also available, as is commercial/industrial lending, but do not compose a significant portion of loan originations.

In addition to loan products, UB offers other traditional banking services. Each branch has an automated teller machine (ATM), except for the main branch in West Covina due to local building code restrictions. All branches are open for business Monday through Thursday from 9:00 AM to 5:00 PM, Friday 9:00 AM to 6:00 PM, and Saturday from 9:00 AM to 1:00 PM (except West Covina). Bank management determined that the low level of customer traffic did not warrant Saturday hours at the West Covina branch.

As of December 31, 2014, UB reported total assets of \$317 million, total loans of \$264 million, total deposits of \$252 million, and total equity capital of \$41 million. Total loans represented approximately 83 percent of total assets. The following chart summarizes the loan portfolio by major product types.

Universal Bank Outstanding Balances by Major Product Type as of December 31, 2014		
Loan Type	(\$000's)	Percent
Multifamily Residential RE	160,802	61.0%
Commercial RE	74,600	28.3%
1-4 Family Residential RE	25,831	9.8%
Commercial-Industrial	1,956	0.7%
Consumer	486	0.2%
Other	43	0.0%
Total	263,718	100.0%

During the evaluation period, UB operated under a formal enforcement action relating to safety and soundness concerns. The enforcement action required time, staff effort, and financial resources to correct certain deficiencies. We considered these factors when evaluating the bank's CRA performance.

UB received a “Satisfactory” rating under the “Intermediate Small Bank” rating criteria at the prior CRA examination dated May 21, 2012.

DESCRIPTION OF ASSESSMENT AREA

UB has designated Los Angeles County as its assessment area (AA). The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies. It includes the 2,346 census tracts in the Los Angeles-Long Beach-Glendale Metropolitan Division (MD). Nine percent of the census tracts are low-income, 28 percent are moderate-income, 27 percent are middle-income, 34 percent are upper-income, and 2 percent of the census tracts have not been assigned an income classification. UB helps meet community credit needs in the Los Angeles AA through its five branches.

The AA is part of the Los Angeles-Long Beach-Anaheim Metropolitan Statistical Area (MSA). Los Angeles County is located in southern California and covers over 4,000 square miles. It has an extensive transportation network, including seaports and airports, freeway systems, mass transit systems, rail systems, and cross-country railroads. The neighboring counties include Orange to the southeast, Kern to the north, San Bernardino to the east, and Ventura to the northwest. There are 88 incorporated cities in Los Angeles County and many unincorporated areas. The northern half of the county is lesser populated in inland areas; however, the southern half of the county is heavily urbanized. Based on the 2010 U.S. Census, the population in the Los Angeles County AA is 9.8 million.

The banking environment in the AA is highly competitive. The June 30, 2014 FDIC Deposit Market Share Report indicated that 111 institutions with 1,811 offices compete for deposits in Los Angeles County. The major competing institutions include Bank of America, N.A., Wells Fargo Bank, N.A., MUFG Union Bank, N.A., JPMorgan Chase Bank, N.A., City National Bank, N.A., and Citibank, N.A. These banks collectively hold 67 percent of the deposit market share. UB ranks 98th and holds a market share of 0.01 percent. The banks that compete for deposits in the AA also compete for loans. In addition, there are numerous other institutions in the AA that do not collect deposits, but compete for loans in the AA, making it even more difficult for banks to compete for loans than deposits.

Los Angeles County has a diverse economic base. Historically, the leading industry clusters were tourism and hospitality, professional and business services, entertainment (motion picture and TV production), wholesale distribution, and health services and biomedical. More recently, the Los Angeles County economy has been largely technology driven, specifically the biomedical, digital information technology, and environmental technology sectors, all of which build on the vibrant technical research capabilities in the county. The county also is the largest manufacturing center in the United States, and the seaports and airports support international trade. The Port of Los Angeles/Long Beach and the Los Angeles International Airport are two of the busiest transportation networks in the nation. The top employers are Kaiser Permanente; University of California Los Angeles; Northrop Grumman Corporation;

University of Southern California; Target Corporation; Kroger Corporation; Cedars Sinai Medical Center; Bank of America Corporation; The Boeing Company; Providence Health Systems, The Home Depot, USA Inc.; Vons; Wells Fargo; Edison International; and AT&T.

The economy in the AA showed strong signs of improvement during the review period. In April 2013, the unemployment rate dropped below 10 percent for the first time in four years. According to the Employment Development Department (EDD), the current unemployment rate for Los Angeles County is 7.5 percent as of December 2014. This is above the 6.7 percent unemployment rate for the State of California and the 5.6 percent national unemployment rate but still a significant improvement since the recent severe recession.

We participated on a conference call with several development organizations that provide credit resources to small businesses in underserved communities in Los Angeles County. We also contacted a national organization that provides capital and solutions to develop affordable housing for LMI persons and communities across the country, an ongoing need in the AA. The representatives we spoke with stated that high unemployment is still a major issue. Small business financing and technical assistance are a concern and still needed. Entrepreneurship is more visible in this county than in other areas of the state. Affordable housing is a challenge, and the high foreclosure rate continues to be an issue.

Conclusions with Respect to Performance Tests

UB's performance under the CRA Lending Test is "Satisfactory." The bank meets the standard for satisfactory performance on three tests and exceeds the standard on one test.

Loan-to-Deposit Ratio

UB's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and local economic conditions. We evaluated the bank's quarterly average LTD ratio for the 12 quarters since the prior CRA examination through December 31, 2014. During this period, the bank's LTD ratio averaged 89 percent. This ratio ranged from a quarterly low of 79 percent to a quarterly high of 101 percent during the period. The bank's LTD ratio reasonably compares with eight other banks of similar asset size in the AA. The average LTD ratio for peer banks was 94 percent over the same period, and the ratio ranged from a quarterly low of 70 percent to a quarterly high of 114 percent. While the bank's average ratio was lower than the peer bank average, it meets the standard for satisfactory performance.

Lending in Assessment Area

UB granted a substantial majority of the number and dollar volume of loans inside its delineated AA and exceeds the standard for satisfactory performance. The bank

granted 82 percent of the number of loans and 80 percent of the dollar volume within its delineated AA during our evaluation period. See Table 1 for details.

Table 1 - Lending in Defined Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (\$000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Mortgage Loans	106	81.54	24	18.46	130	107,323	80.15	26,588	19.85	133,911

Source: HMDA loan originations.

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

The bank’s distribution of home refinance loans to borrowers of different income levels is reasonable compared to area demographics. The distribution of UB’s home refinance loans among LMI borrowers is below the percentage of LMI families in the AA. However, UB’s performance exceeds the HMDA aggregate lending among LMI borrowers. See Table 2 for details.

Note: There is no “multifamily” income distribution analysis because borrowers were entities other than individuals or families. As such, income is not required to be reported for HMDA data purposes.

Table 2 - Distribution of Home Mortgage Refinance Loans By Borrower Income Level Los Angeles County AA			
Borrower Income Level	Review Period 2012-2014		Peer Aggregate 2013
	% of Families	% Number of Bank Loans	%
Low	24.05	5.88	4.64
Moderate	16.43	11.76	9.89
Middle	17.64	35.29	17.99
Upper	41.88	47.06	67.48

Source: All 22 home refinance loans UB originated within its Los Angeles County AA between January 1, 2012, and December 31, 2014. However, no income information was available for 22.7% of the loans originated.

Geographic Distribution of Loans

Overall, the geographic distribution of UB’s mortgage loans reflects reasonable dispersion throughout the AA compared to area demographics, and meets the standard for satisfactory performance. As mentioned above, we placed more weight on multifamily loans because they comprised a substantial majority of the bank’s originations.

Multifamily Lending

The geographic distribution of UB’s multifamily loans is reasonable. The distribution of multifamily loans within low-income census tracts reasonably compares to both the

percentage of multifamily units and HMDA peer aggregate data. The distribution of multifamily loans within moderate-income census tracts exceeds the percentage of multifamily units and compares reasonably to the HMDA peer aggregate data. See Table 3A for details.

Table 3A - Geographic Distribution of Multifamily Residential Loans Los Angeles County AA			
Census Tract Designation	Review Period 2012-2014		Peer Aggregate 2013
	% of Multifamily Units	% Number of Bank Loans	%
Low	13.18	10.53	13.88
Moderate	31.63	34.21	39.35
Middle	24.71	28.95	24.20
Upper	30.48	26.32	22.56

Source: All 76 multifamily residential real estate loans UB originated within its Los Angeles County AA between January 1, 2012, and December 31, 2014.

Home Mortgage Refinance Lending

The overall geographic distribution of UB’s home refinance loans is reasonable. The bank did not make any home refinance loans within low-income census tracts. However, the percentage of owner-occupied units is comparatively low at 2.13 percent, which helps explain this performance given the limited opportunity to lend. In addition, the HMDA aggregate performance of other financial institutions within low-income census tracts was only 1.76 percent. The distribution of home refinance loans within moderate-income census tracts reasonably compares to the HMDA peer aggregate data. See Table 3B for details.

Table 3B - Geographic Distribution of Home Mortgage Refinance Loans Los Angeles County AA			
Census Tract Designation	Review Period 2012-2014		Peer Aggregate 2013
	% of Owner Occupied Units	% Number of Bank Loans	%
Low	2.13	0.0	1.76
Moderate	16.61	9.09	13.56
Middle	28.65	31.82	25.76
Upper	52.61	59.09	58.92

Source: All 22 home refinance loans UB originated within its Los Angeles County AA between January 1, 2012, and December 31, 2014.

Responses to Complaints

The bank has not received any complaints about its performance under the Community Reinvestment Act during the evaluation period.

COMMUNITY DEVELOPMENT TEST

UB's performance under the CD test is "Satisfactory." The bank's CD performance is adequate and meets the standard for satisfactory performance in its responsiveness to the CD needs of its AA.

Number and Amount of Community Development Loans

UB originated two CD loans that totaled \$853 thousand. Both loans are secured by multifamily residential properties dedicated to providing affordable housing to LMI individuals, an identified and significant need within the bank's AA.

Number and Amount of Qualified Investments

The bank made 14 qualifying CD investments totaling \$3.5 million in various minority-owned institutions. UB also made qualified in-kind CD donations of \$361 thousand to various organizations that provide services to LMI persons. These organizations help empower LMI persons to achieve self-sufficiency.

Extent to Which the Bank Provides Community Development Services

UB employees contributed 356 hours of qualified CD services to a variety of nonprofit organizations that provide financial literacy and community services to LMI residents in the AA.

Responsiveness to Community Development Needs

The bank's CD activities demonstrate adequate responsiveness to the CD needs of its AS, in particular when considering the bank's capacity, performance context, and the competition for CD opportunities in the AA.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.