



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 21, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Universal Bank
Charter Number 705801

3455 Nogales Street
West Covina, California 91792

Office of the Comptroller of the Currency

Santa Ana Field Office
1551 North Tustin Avenue, Suite 1050
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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 (LMI) 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 following major factors support the institution's rating:

- The bank's loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition and business strategy.
- The bank originated a substantial majority of its loans within its combined CRA assessment areas (AAs).
- Lending among borrowers of different income levels, given the bank's product mix, reflects reasonable penetration.
- The geographic distribution of loans reflects reasonable dispersion.
- The bank provided an adequate level of community development (CD) activities given performance context factors. Management plans to increase CD activities going forward.

Scope of Examination

This examination evaluates the bank's CRA performance. Formerly regulated by the Office of Thrift Supervision (OTS), this is the bank's first examination by the Office of the Comptroller of the Currency (OCC). We used intermediate small bank (ISB) CRA procedures. This process includes an evaluation of CRA activities under the Lending Test criteria, as well as an evaluation of lending, investments, and services under the CD Test.

Lending Test: The bank makes mortgage loans that are reportable under the Home Mortgage Disclosure Act (HMDA). Mortgage loans comprised the substantial majority of the bank's loan originations during our Lending Test evaluation period (calendar years 2010 and 2011). As such, we focused our examination scope on originations of mortgage loan products subject to HMDA reporting. 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 files originated in each year and compared file information to the 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 November 2007 through April 2012.

Description of Institution

Universal Bank (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.

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

The bank had one branch in Orange County, located in the City of Orange, in a middle-income census tract. However, bank management closed that branch in February 2012, due to low loan demand, a highly competitive market, and other operating and external constraints.

UB engages in traditional lending products, but the substantial majority of its loan originations is 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 comprise 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. ATMs comply with the requirements of the Americans with Disabilities Act.

All branches are open for business Monday through Thursday from 9:00 AM to 5:00 PM and Friday 9:00 AM to 6:00 PM. The Los Angeles-Eagle Rock branch also has a drive-through teller that is open during posted branch hours. All branches are open Saturdays from 9:00 AM to 3:00 PM, except West Covina. Bank management determined that the low level of customer traffic did not warrant Saturday hours at the West Covina branch.

UB's Consolidated Reports of Condition and Income reported total assets of \$430 million, total loans of \$357 million, total deposits of \$381 million, and total equity capital of \$44 million as of March 31, 2012. Total loans represented approximately 83 percent of total assets.

The following table summarizes the loan portfolio by major product type by dollars outstanding as of March 31, 2012.

Universal Bank Loan Portfolio Outstanding Balances by Major Product Type As of March 31, 2012		
Loan Type	(000s)	Percent
Multifamily Residential	\$164,108	46%
Commercial Real Estate (RE)	139,228	39%
1-4 Residential RE	16,854	5%
Consumer RE Lines	12,450	4%
Consumer/Other	12,169	3%
Commercial-Industrial	7,648	2%
Construction	4,470	1%
Total	\$356,927	100%

This represents the bank's first evaluation under the "Intermediate Small Bank" rating criteria. UB received a "Satisfactory" rating under the "Small Bank" rating criteria at the last CRA examination conducted by the OTS in November 2007.

Certain impediments constrained the bank's ability to lend during the evaluation period for this examination. Specifically, UB was subject to restrictions of a public enforcement action that has limited its ability to lend and invest. Restrictions of this regulatory enforcement action, together with real estate-related economic conditions in the bank's AAs, resulted in significantly reduced loan and CD investment volumes. We took these context factors into account when reaching our conclusions concerning UB's CRA performance.

Description of AAs

During the evaluation period, UB maintained two AAs for CRA purposes. Both AA delineations meet regulatory requirements, have whole census tracts, and do not arbitrarily exclude LMI geographies.

The bank's primary AA is the entire County of Los Angeles. As noted under "Institution Description" above, management closed the only branch in the bank's Orange County AA in February 2012. We incorporated activity in the Orange County AA only to the extent applicable in this CRA evaluation.

Management stated that primary competition for market share comes from several large banks in each AA. Bank of America and Wells Fargo Bank have the most deposit market share in the AAs. Union Bank, J.P. Morgan Chase Bank, and Citibank also have a strong presence in the AAs.

Los Angeles County AA

Los Angeles County is located in southern California and covers 70 miles of coastline along the Pacific Ocean. The County spans over 4,000 square miles and includes San Clemente and Santa Catalina Islands. Los Angeles County 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. The County holds most of the state's principal cities encompassing the Greater Los Angeles Area.

The AA includes the Los Angeles-Long Beach-Glendale Metropolitan Statistical Area (MSA). 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. UB helps meet community credit needs in the Los Angeles AA through its branches located in Los Angeles, West Covina, Eagle Rock, Rosemead, Arcadia, and Monterey Park. Based on the 2010 U.S. Census, the updated population in the Los Angeles County AA is 9.8 million.

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. The more recent economy of Los Angeles County is largely technology driven. This sector includes bio-medical, digital information technology, and environmental technology, 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 in the Los Angeles AA are University of California at Los Angeles, Cedars-Sinai Medical Center, Los Angeles County Sheriff, Nestle USA, Santa Monica College, Sony Pictures Entertainment, Walt Disney Company, and Six Flags Magic Mountain, Inc.

The weak overall employment in the AA is reflective of the struggling national economy. The continuing contractions in the aerospace, construction, and manufacturing sectors are delaying the economic recovery locally. The Kyser Center for Economic Research reported that Los Angeles County has experienced some economic gains, but is lagging behind the statewide recovery. The Center predicted that the county's unemployment rate would improve at a "painfully slow pace." The California Economic Development Department (EDD) reported that the unemployment rate in Los Angeles County was 11.9 percent in March 2012 compared to the state unemployment rate of 11.5 percent and the national unemployment rate of 8.2 percent.

The table that follows provides demographic information for the Los Angeles County AA.

Demographic Information for Los Angeles County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2,054	8.71	28.29	27.99	34.23	0.78
Population by Geography	9,519,338	8.00	29.44	30.88	31.58	0.10
Owner-Occupied Housing by Geography	1,499,694	1.91	15.46	31.30	51.33	0.00
Business by Geography	769,909	7.76	20.54	26.26	44.69	0.75
Farms by Geography	5,966	3.54	14.80	31.11	50.18	0.37
Family Distribution by Income Level	2,154,311	23.87	16.49	17.40	42.24	0.00
Distribution of LMI Families throughout AA Geographies	869,463	13.65	41.46	28.95	15.94	0.00
Median Family Income (MFI)		\$53,036	Median Housing Value		\$276,270	
HUD MFI - 2010		\$64,000	(California Association of			
Households below Poverty Level		15.13%	Realtors - March 2012)			

(*) The “NA” category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census, 2010 HUD updated MFI, and California Association of Realtors

Orange County AA

Orange County is situated along 42 miles of southern California coast and is bounded by the counties of Los Angeles to the north, San Diego to the south, Riverside and San Bernardino to the east, and by the Pacific Ocean to the west. Orange County covers 798 square miles and includes 34 incorporated cities, two national protected areas and several unincorporated areas. The county’s incorporated cities are mostly located in the northwest area, stretching south along the coast. Orange County has extensive transportation facilities including airports, railroads, and freeways. The freeway system connects the county’s labor force to employment centers in Los Angeles as well as providing extensive access within County borders. The AA includes the Santa Ana-Anaheim-Irvine MSA. Based on the 2010 U.S. Census, the updated county population is 3 million.

Orange County has a diverse economy. The economic output and employment is well distributed among the various sectors. The County is known for its tourism with attractions such as Disneyland, Knott’s Berry Farm, and several beaches. However, Orange County also is the headquarters for several Fortune 500 companies, including Ingram Micro, Inc., First American Corporation, Western Digital, and Pacific Life. The major employers include the University of California - Irvine; California State University - Fullerton; First American Title Insurance Company; UC Irvine Healthcare; Hoag Hospital; St. Jude Medical Center; and Orange County Transportation.

Orange County has the lowest unemployment rate in southern California. The Kyser Center for Economic Research predicts the economy will continue to expand in 2012 with all major private industry sectors adding jobs. However, the pace of job growth will

likely be slow. The California EDD reported that the unemployment rate in Orange County was 8.5 percent in March 2012 compared to the state unemployment rate of 11.5 percent and the national unemployment rate of 8.2 percent.

The following table provides demographic information for the Orange County AA.

Demographic Information for Orange County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	577	3.64	26.86	33.10	36.22	0.17
Population by Geography	2,846,289	4.95	30.96	31.84	32.26	00.0
Owner-Occupied Housing by Geography	574,193	1.25	19.56	33.56	45.63	0.00
Business by Geography	368,357	2.38	25.49	33.63	37.70	0.80
Farms by Geography	3,788	2.48	26.03	32.87	38.36	0.26
Family Distribution by Income Level	673,912	3.68	26.72	32.40	37.21	0.00
Distribution of LMI Families throughout AA Geographies	260,573	7.49	41.66	32.12	18.34	0.00
MFI		\$69,844	Median Housing Value			
HUD Adjusted MFI - 2010		\$84,200	(California Association			
Households Below the Poverty Level		8%	of Realtors - March 2012)		\$485,300	

(*) The "NA" category consists of geographies that have not been assigned an income classification. Source: 2000 U.S. Census, 2010 HUD updated MFI, and California Association of Realtors

Examiners contacted organizations to assess community needs as part of this examination. Contacts included a statewide community economic development organization. This organization supports revitalizing LMI areas by assisting small business development through various information and training programs, including programs targeted for LMI persons. Local and federal agencies meet about one-half of the program funding needs. The organization relies upon banks to donate the remaining funding.

Examiners also contacted a statewide affordable housing intermediary, which focuses on ways to provide affordable and safe housing solutions for LMI persons and families, an ongoing need in both AAs. Other agencies and organizations also reported the continued need for loans for small businesses.

Conclusions with Respect to Performance Tests

The following sections of this evaluation present the data that support our conclusions under the Lending Test and the CD Test, respectively. Also refer to the "Institution's CRA Rating" section of this report for summary conclusions regarding UB's performance under each test.

Lending Test

UB's performance under the CRA Lending Test is satisfactory. A substantial majority of UB's loan originations during the evaluation period were HMDA-reportable loans. For the Lending Test (other than the LTD ratio), we first tested the data integrity of the bank's regulatory HMDA report. We compared file information from a sample of loans originated during each of the calendar years 2010 and 2011 and found the HMDA reported data to be reliable in critical fields for CRA analysis purposes. We then assessed the bank's distribution of lending patterns using all reported HMDA data for the evaluation period to reach our conclusions.

LTD Ratio

UB's LTD ratio is reasonable and meets the standard for satisfactory performance.

We evaluated the bank's quarterly average LTD ratio for the 20 quarters since the last CRA examination through December 2011. During this period, the bank's LTD ratio averaged 107 percent. We compared the bank's average LTD ratio with that of peer banks that are similar in asset size and headquartered in areas having similar AA demographics. The combined quarterly average LTD ratio of peer banks was 94 percent over the same period. UB's average LTD ratio exceeds the peer average and is reasonable.

Lending in AA

UB granted a substantial majority of the number and dollar volume of loans inside its AAs and meets the standard for satisfactory performance. UB granted 82 percent of the number of loans and 89 percent of the dollar volume within its delineated AAs.

The following table reflects the volume of the bank's HMDA loan originations granted inside and outside its combined Los Angeles and Orange County AAs.

Table 1 - Lending in Los Angeles and Orange Counties (Combined) January 1, 2010 through December 31, 2011										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	17	65.39	9	34.61	26	4,645	72.22	1,787	27.78	6,432
Home Refinance	31	91.18	3	8.82	34	9,745	92.34	808	7.66	10,553
Multifamily	8	100.00	0	0.00	8	6,468	100.00	0	0.00	6,468
Total	56	82.35	12	17.65	68	20,858	88.93	2,595	11.07	23,453

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

As noted earlier in this report, a regulatory action placed restrictions on the bank's lending, including restrictions on multifamily real estate lending, a historically significant portion of UB's originations. Combined with weak economic conditions in Los Angeles

and Orange Counties, these factors resulted in a greatly reduced lending volume during this evaluation period. Accordingly, we found that the volume of mortgage loan originations in the Orange County AA was far too low to reach meaningful conclusions regarding UB's distribution of lending in that AA.

Given the very low loan volume, together with the bank's decision to close its only branch in Orange County, we determined that there was no value in evaluating loan distribution performance in the Orange County AA. As such, the following loan distribution analyses focus only on lending performance in UB's Los Angeles County AA.

Also as noted earlier, a substantial majority of UB's loan originations during the evaluation period were HMDA-reportable loans. As such we did not sample commercial loans to evaluate lending to businesses of different sizes.

In the distribution analyses that follow, we compared the bank's loan distribution performance to the area demographics. We also compared UB's performance to the HMDA aggregate data (other financial institutions in the AA that also report HMDA loan data).

The overall distribution of UB's mortgage loans to borrowers of different income levels reflects reasonable penetration. The following narrative describes UB's borrower distribution performance by product type.

Home Mortgage Refinance Lending

The distribution of home mortgage refinance loans by borrower income level in the Los Angeles County AA is reasonable. UB originated 27 home refinance loans totaling \$8.1 million in the AA during the evaluation period. As noted earlier, weak economic conditions limited opportunities for mortgage products overall (e.g., high unemployment rates and deteriorated home values).

UB's distribution of home refinance loans among moderate-income borrowers of 8.3 percent is less than the demographic percentage of moderate-income families of 16.5 percent in the AA. However, the distribution among moderate-income borrowers in the AA is reasonable when compared with the HMDA aggregate percentage of 7.8 percent for this product type.

The bank did not make any home refinance loans to low-income borrowers. The distribution of HMDA aggregate home refinance lending among low-income borrowers was only 2.9 percent, which is not much better than UB's performance. The percentage of low-income families in Los Angeles County is 23.9 percent. High unemployment rates and deteriorated home values make it a challenge to qualify LMI borrowers for home refinancing.

Home Purchase Lending

UB's distribution of home purchase lending by borrower income level in the Los Angeles County AA is reasonable. UB originated 15 home purchase loans totaling \$4.3 million in the AA during the evaluation period.

The distribution of UB's home purchase loans among moderate-income borrowers of 35.7 percent well exceeds the percentage of moderate-income families of 16.5 percent in the AA. The distribution also exceeds the HMDA aggregate home purchase lending among moderate-income borrowers at 13.4 percent.

The distribution of UB's home purchase loans among low-income borrowers of 7.4 percent is well below the percentage of low-income families in Los Angeles County of 23.9 percent. However, UB's performance well exceeds the 2.9 percent HMDA aggregate home purchase lending among low-income borrowers.

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.

The tables that follow summarize the "Borrower Distribution" data for UB's home refinance and home purchase loans originated during the evaluation period.

Distribution of Home Mortgage Purchase Loans By Borrower Income Level Los Angeles County AA			
Borrower Income Level	Review Period 2010-2011		Peer Aggregate 2010
	% of Families	% Number of Bank Loans	%
Low	23.9	7.1	2.9
Moderate	16.5	35.7	13.4
Middle	17.4	14.3	25.5
Upper	42.2	42.9	58.2

Source: All 15 home purchase loans UB originated within its Los Angeles County AA between January 1, 2010, and December 31, 2011.

Distribution of Home Mortgage Refinance Loans By Borrower Income Level Los Angeles County AA			
Borrower Income Level	Review Period 2010-2011		Peer Aggregate 2010
	% of Families	% Number of Bank Loans	%
Low	23.9	0.0	2.9
Moderate	16.5	8.3	7.8
Middle	17.4	20.8	16.4
Upper	42.2	70.9	72.9

Source: All 27 home refinance loans UB originated within its Los Angeles County AA between January 1, 2010, and December 31, 2011.

Geographic Distribution of Loans

The overall geographic distribution of UB's home mortgage loans reflects reasonable dispersion. The following narrative describes UB's geographic distribution of loans by product type.

Home Mortgage Refinance Lending

The geographic distribution of UB's home refinance lending in the Los Angeles County AA is reasonable. UB originated 27 home refinance loans totaling \$8.1 million in the AA during the evaluation period.

Favorably, the distribution of UB's home refinance loans within moderate-income census tracts of 18.5 percent exceeds the demographic percentage of owner-occupied units in the AA of 15.5 percent in those tracts. UB's performance in moderate-income census tracts compares very favorably with the HMDA aggregate performance of other financial institutions of 8.1 percent.

UB did not make any home refinance loans within low-income census tracts. However, the percentage of owner-occupied units is comparatively low at 1.9 percent, which helps explain this performance given the limited opportunity to lend. The HMDA aggregate performance of other financial institutions within low-income census tracts was 0.8 percent.

Home Purchase Lending

The geographic distribution of home purchase lending by income level of borrower in the Los Angeles County AA is reasonable. UB originated 15 home purchase loans totaling \$4.3 million in the AA during the evaluation period.

Favorably, the distribution of UB's home purchase lending within moderate-income census tracts of 20.0 percent exceeds the demographic percentage of owner-occupied units in the AA of 15.5 percent in those tracts. UB's performance also exceeds the HMDA aggregate distribution of 17.3 percent in moderate-income census tracts in the AA.

The bank did not make any home purchase loans within low-income census tracts. The percentage of owner-occupied units in low-income census tracts is comparatively low at 1.9 percent. The HMDA aggregate geographic distribution in low-income census tracts compared more favorably to the demographic but was still relatively low at 3.3 percent.

Multifamily Lending

The geographic distribution of multifamily loans is reasonable. UB originated seven loans secured by multifamily dwellings totaling \$5.9 million in the Los Angeles County AA.

The distribution of UB’s multifamily loans within moderate-income census tracts of 57.1 percent well exceeds the demographic percentage of multifamily units of 31.7 percent in moderate-income census tracts. UB’s distribution also well exceeds the HMDA aggregate geographic distribution in moderate-income census tracts of 36.4 percent.

UB did not make any multifamily loans within low-income census tracts. The percentage of multifamily units within low-income census tracts was 13.0 percent. The HMDA aggregate geographic distribution in low-income census tracts compared similarly to the demographic at 12.8 percent. Performance context described under the “Institution Description” section of this report explains this result with respect to UB.

The tables that follow summarize the “Geographic Distribution” of UB’s mortgage loan data.

Geographic Distribution of Home Mortgage Refinance Loans Los Angeles County AA			
Census Tract Designation	Review Period 2010-2011		Peer Aggregate 2010
	% of Owner Occupied Units	% Number of Bank Loans	%
Low	1.9	0.0	0.8
Moderate	15.5	18.5	8.1
Middle	31.3	22.2	24.4
Upper	51.3	59.3	66.7

Source: All 27 home refinance loans UB originated within its Los Angeles County AA between January 1, 2010, and December 31, 2011.

Geographic Distribution of Home Purchase Loans Los Angeles County AA			
Census Tract Designation	Review Period 2010-2011		Peer Aggregate 2010
	% of Owner Occupied Units	% Number of Bank Loans	%
Low	1.9	0.0	3.3
Moderate	15.5	20.0	17.3
Middle	31.3	26.7	32.7
Upper	51.3	53.3	46.7

Source: All 15 home purchase loans UB originated within its Los Angeles County AA between January 1, 2010, and December 31, 2011.

Geographic Distribution of Multifamily Residential Loans Los Angeles County AA			
Census Tract Designation	Review Period 2010-2011		Peer Aggregate 2010
	% of Multifamily Units	% Number of Bank Loans	%
Low	13.0	0.0	12.8
Moderate	31.7	57.1	36.4
Middle	28.3	28.6	27.3
Upper	27.0	14.3	23.5

Source: All 7 multifamily residential real estate loans UB originated within its Los Angeles County AA between January 1, 2010, and December 31, 2011.

CD Test

UB provided an adequate level of CD activities, and we consider performance to be satisfactory given the bank's various constraints as described in the "Description of Institution" section of this report. We took into account the regulatory restrictions on loan and investment activity and UB's operating losses during the evaluation period.

Since the bank's last CRA examination, UB made two qualified CD loans totaling \$2,250,000 in its Los Angeles County AA for affordable housing in moderate income-census tracts. Affordable housing is an identified and ongoing community credit need. UB also contributed \$7,500 to a qualifying nonprofit organization. This organization helps provide leadership and personal finance training to LMI women. Bank staff also participated in three qualified CD service activities, two of which included service on boards of directors.

On the basis of context and findings as described above, UB's CRA performance under the CD test is satisfactory. Management plans to increase the volume of CD lending, investments, and services going forward.

Responses to Complaints

The bank has not received any complaints associated with its CRA performance.

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.