

For Immediate Release

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UNIVERSITY BANK SIGNS \$100,000,000 SHARIA'A HOME ACQUISITION MASTER COMMITMENT WITH FREDDIE MAC

February 20, 2006, Ann Arbor, Michigan—**Stephen Lange Ranzini**, President and Chairman of Ann Arbor's University Bank® (NASDAQ: UNIB), announced that it has entered into a master purchase agreement with Freddie Mac (NYSE:FRE) to create a secondary market for Sharia'a compliant loans to assist in home acquisitions by Islamic homebuyers. The loan utilizes the Murabaha structure, which is a form of installment credit sale. The agreement calls for Freddie Mac to support \$100,000,000 in Sharia'a compliant and conventional mortgage transactions over the next year. Monthly purchase installment payments on Islamic installment credit contracts originated under this master commitment will be comparable to those required under conventional secondary market mortgage transactions. The Murabaha program will be available initially only in Michigan.

Chartered by Congress in 1970 to bring stability, liquidity and affordability to American home financing, Freddie Mac is one of the nation's largest investors in residential mortgages. **Ranzini** commented, "Having a major Government Sponsored Enterprise backing our Islamic Banking activities in such a significant way represents a key milestone in University Bank's Islamic Banking activities and gives us access to tremendous resources. We intend over the coming months to expand our geographic footprint into additional states with the ultimate goal of offering Islamic mortgage alternatives nationwide under future amendments to our agreement with Freddie Mac."

"Today's announcement builds on Freddie Mac's commitment to help America's increasingly diverse communities achieve homeownership," said Iliana Ghanem, vice president of community lending at Freddie Mac. "By supporting a wide range of Islamic home financing models, Freddie Mac is realizing its mission to foster homeownership opportunities in new and exciting ways."

University Islamic Financial Corporation (UIFC), which is the first Islamic Banking subsidiary to be formed in the United States, engages in Islamic Banking with an initial focus on its existing product set: soliciting Islamic Sharia'a FDIC-insured Deposits held by University Bank, originating Islamic Sharia'a compliant mortgage alternatives and selling Sharia'a compliant equity mutual funds through its sister company, University Insurance & Investment Services. UIFC's products have received favorable legal rulings (fatawa) from some of the leading Islamic legal scholars in the U.S. and the world.

For additional information about UIFC's Sharia'a compliant products and its fatawa, see www.university-bank.com/IslamicBanking.

Additional comprehensive investor relations information on University Bancorp is available at www.university-bank.com/bancorp.htm.

Ann Arbor based University Bancorp owns 100% of University Bank which manages a total of \$3.35 billion in assets. University Bank is an FDIC-insured, locally owned and managed Community Bank primarily serving the cities of Ann Arbor and Ypsilanti of Washtenaw County. The Community Banking operation focuses on local businesses, minorities and the non-profit communities. University Bank is the only financial institution headquartered in Washtenaw County to be rated "Outstanding" by the FDIC for Community Service and Community Reinvestment. Other Community Banking specialties include highly competitive deposit products for business owners, residential mortgages, commercial real estate lending and insurance, investments and money management through its wholly-owned subsidiary University Insurance & Investments, Inc. In addition to its Community Banking operations, University Bancorp specializes in Islamic Banking through 80%-owned University Islamic Financial Corporation and also in mortgage subservicing and mortgage origination primarily serving credit unions through the Bank's Houghton-based 80%-owned subsidiary, Midwest Loan Services.

Any prediction of the future is inherently not assured. Investors should read the risk factors listed on pages 21 and 22 in the Company's report on Form 10K for the year ended December 31, 2004 and any prediction in this release is intended to be covered by the Safe Harbor provisions of Section 21E of the Securities Exchange Act of 1934.

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