

For Immediate Release  
Contact: Stephen Lange Ranzini, President and CEO  
Phone: 734-741-5858, Ext. 226  
Email: ranzini@university-bank.com

## **UNIVERSITY BANCORP ACQUIRES 37.5% OF UNIVERSITY LENDING GROUP**

Ann Arbor, Michigan, January 3, 2012, -- University Bancorp, Inc. (OTCQB: UNIB) (Pink Sheets: UNIB) announced today that its subsidiary, University Bank, had acquired an additional 37.4925% membership interest in University Lending Group, LLC, effective as of December 31, 2011, bringing its total ownership to 87.5025%. University Bancorp, Inc. issued a total of 366,720 shares of common stock, representing 8.26% of the shares outstanding. As a result of the acquisition, our total outstanding shares of common stock increased to 4,642,598. Shareholders' equity of University Bancorp, Inc. increased by approximately \$400,000 as a result of the acquisition and the Tier 1 Capital of University Bank decreased by approximately \$250,000.

University Lending Group, LLC is a subsidiary of University Bank specializing in retail residential mortgage originations. ULG originates residential mortgage loans for sale to secondary market investors which are guaranteed by FHA, FNMA, FHLMC, USDA Rural Development, VA and various state housing authorities. University Lending Group, LLC ("ULG") began operations in May 2008 and 50.01% of ULG has been owned by University Bank since inception. A total of \$800,000 of shareholders' capital was invested by the shareholders of ULG in founding the firm. Since inception and through December 31, 2011, ULG has originated \$1,199,794,439 in residential mortgage loans, and it has had cumulative earnings from inception through November 30, 2011, of \$1,845,660:

	Earnings	Originations
2008	-\$319,522	\$132,721,654
2009	\$3,259,642	\$488,920,057
2010	\$248,823	\$312,977,078
2011	-\$1,343,283	\$265,175,650
Cumulative	\$1,845,660	\$1,199,794,439

During 2011, ULG suffered losses of \$1,050,000 related to shutting down its wholesale mortgage banking division. Management opted to terminate ULG's wholesale mortgage banking division in June 2012 because massive government intervention in the residential lending business substantially and negatively impacted its traditional customer base of reputable mortgage banking firms. While changes in regulations drove 95% of all mortgage banking firms out of business, 75% of ULG's customers went out of business. When the volume of business was insufficient to generate a critical mass of volume, we closed the business.

During 2011, additional costs were incurred with establishing retail residential mortgage production offices and hiring approximately 100 employees to staff these offices and the related back office operations. The mortgage originators that we hired to staff the

**UNIVERSITY BANCORP ACQUIRES 37.5% OF UNIVERSITY LENDING GROUP  
PAGE TWO OF TWO**

offices of ULG specialize mainly in Realtor® referral purchase mortgage transactions. For the first six months of 2012, ULG projects that it will originate over \$150 million of residential mortgages from its retail residential mortgage production offices and contribute materially to the bank's bottomline.

In December 2010, all residential mortgage originations of University Bank's subsidiary, University Islamic Financial ("UIF"), were transitioned onto the ULG back office mortgage origination technology and operations support platform with ULG providing outsourced services to UIF. In addition to the technology and compliance support, these operations support services included underwriting, closing, post-closing, secondary marketing and quality control. Since then, by being able to focus on retail originations while ULG provided outsourced support services, the capacity constraints on UIF's business have been removed, and UIF generated a record \$79,504,725 of residential financings, up 90.5% from the total of \$41,745,381 generated in 2010.

Effective October 1, 2011, ULG was divided into two firms, ULG retained the retail mortgage origination operations and Midwest Mortgage Solutions (MMS) acquired the back office mortgage origination technology and operations support platform supporting both University Islamic Financial and ULG's retail offices. Effective October 1, 2011, MMS became a wholly-owned subsidiary of University Bank. The mortgage originations of University Bank's Midwest Loan Services subsidiary are in the process of also being transitioned onto the MMS platform, so that all of the mortgage originations of University Bank's various subsidiaries will be through one unified technology and operations support platform going forward.

Ann Arbor-based University Bancorp owns 100% of University Bank which, together with its subsidiaries, holds and manages a total of over \$10.3 billion in loans and assets. University Bank is an FDIC-insured, locally owned and managed community bank, and meets the financial needs of its community through its creative and innovative services. Founded in 1890, University Bank® is proud to have been selected as the "Community Bankers of the Year" by American Banker magazine and as the recipient of the American Bankers Association's Community Bank Award.

Shareholders and investors are encouraged to refer to the financial information available on our investor relations web page at: <http://www.university-bank.com/Bancorp.html>.

**CAUTIONARY STATEMENT:** *This press release contains certain forward-looking statements that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements concerning future growth in assets, mortgage originations and net income, the sustainability of past results, and other expectations and/or goals. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those expressed or implied by such forward-looking statements, including, but not limited to, economic, competitive, governmental and technological factors affecting our operations, markets, products, services, interest rates and fees for services. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release.*