

**University Bank**  
**Community Reinvestment Act**  
**Strategic Plan Proposal**  
**2021-2023**

## **Introduction**

University Bank is an FDIC Insured Michigan state-chartered institution headquartered in Ann Arbor, Michigan. The bank is committed to meeting its obligations under the Community Reinvestment Act as evidenced in the following pages.

The Bank operates within a highly competitive market so the Bank has chosen to deploy a unique business strategy to serve the greater purpose of the Community Reinvestment Act and will be seeking approval from the FDIC to be evaluated under the “Strategic Plan” option as provided in §345.27 of Part 345—Community Reinvestment. The proposed goals of that 3-year Plan are detailed in this document.

The Bank is mainly funded by custodial deposits from its mortgage sub-servicing division which serves a variety of regulated financial entities including small to mid-size credit unions, small community banks, and independent mortgage bankers. The entities are located throughout the United States. The Bank has devoted significant resources to develop mortgage origination companies to effectively deploy the deposits the sub-servicing business generates by making home loans in the local market and around the Country. This strategy serves the greater purpose of the Community Reinvestment Act as it effectively creates a multitude of opportunities for individuals, including low-to-moderate individuals, to obtain home mortgages. In addition, the Bank will continue to operate it’s one-branch full-service banking office in Ann Arbor which provides traditional deposit services and loans to individuals and small to mid-size businesses.

## **Description of the Bank Structure**

University Bank is a Michigan state-chartered bank headquartered in Ann Arbor, Michigan. Ann Arbor-based University Bancorp owns 100% of University Bank. The Bank operates from its main office location at 2015 Washtenaw Avenue, Ann Arbor, Michigan, located in the Ann Arbor MSA. The one-branch Community Bank employs approximately 17 people to service its retail -consumer and business- deposit customers, and make and service consumer and commercial loans in the defined assessment area of Washtenaw County. The Company, together with its Michigan-based subsidiaries and divisions, employs over 500 people.

As noted, the Bank is a one-branch full-service community bank which offers various deposit products and commercial, and consumer loan products. The Bank invests in the local community by making commercial and consumer loans that exceed the locally sourced deposit amounts significantly each year. The Bank utilizes the additional deposits generated by the mortgage subservicing business to fund the operations of its mortgage origination subsidiaries which serve not only the local community, but additional communities in multiple States.

Through its division Midwest Loan Services, the Bank provides reasonably priced mortgage sub-servicing to over 390 financial institutions including hundreds of small to medium sized credit unions across the nation.

The Bank provides funding and support services to its wholly owned subsidiary University Lending Group, LLC (ULG) which provides mortgage loans in Washtenaw County as well as in Southeast Michigan, Florida, Illinois, Indiana, Texas, Tennessee and to a limited extent other States. The vast majority of these loans are sold on the secondary market, but the Bank has recently worked in conjunction with ULG to develop some unique mortgage products which ULG originates and the Bank purchases and holds. One of these products, an Adjustable Rate Mortgage, was designed for professionals and others who may not be able to qualify for conventional financing. It was developed, in part, to support individuals starting their careers with the County's largest employers including the University of Michigan and its Medical Center and/or St. Joseph Hospital, but can be used by anyone who qualifies. The other program was developed in conjunction with Habitat for Humanity (Habitat) in Washtenaw County and provides low cost, long term financing for low-income Habitat clients buying their homes.

The Bank provides funding and support services to its majority owned subsidiary UIF Corporation (UIF), which provides faith-based financing to individuals, businesses, and non-governmental organizations (NGO) in Michigan and other States. This is unique product line appeals to an under-served market segment which consists of people who, based on their religious beliefs, seek to avoid conventional interest-based financing. Through the products made available by UIF, the Bank supports home-ownership for this population.

The Bank's wholly owned independent insurance agency, Ann Arbor Insurance Centre (AAIC), provides competitively priced insurance products to consumers and businesses primarily within Washtenaw County.

University Bank operates in a highly competitive banking environment. A total of 19 FDIC insured institutions operate 87 offices in the Washtenaw County Assessment Area. According to the June 2020 FDIC Summary of Deposits, University Bank ranked 7<sup>th</sup> with approximately a 3.99 percent market share.

Of note, only about 4 percent or approximately \$17 Million of the \$452 Million deposit base consisting of consumer and business checking, savings, and certificate of deposit accounts is derived from the single bank branch. The remaining 96 percent of deposits come from the Bank's Midwest Loan Services sub-servicing division and are all mortgage custodial accounts.

As previously noted, the Bank invests in the local community through commercial and consumer lending products and provides funding for loans held for sale pipelines to its mortgage originating subsidiaries. Loans held in portfolio are either made by the Bank itself, or purchased from one of the subsidiaries in accordance with the aforementioned targeted programs which were designed to meet specific needs within the community.

As of the September 30, 2020 Consolidated Reports of Condition and Income, University Bank had total assets of \$613.929 million, net loans of \$306.660 million, and total deposits of \$500.657 million.

As can be seen in the table below, the Bank's primary lending focus is on 1-4 Family Residential Lending. The majority of these loans are made by the Bank's subsidiaries with the

Bank providing funding to those subsidiaries. Of note, combined, these subsidiaries leveraged that funding to originate over four thousand 1-4 family residential loans totaling in excess of \$1.7 Billion through the first nine months of 2020.

<b>Loan Portfolio Distribution as of 09/30/2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	10,383	3.34
Secured by Farmland	0	0.00
Secured by 1-4 Family Residential Properties	233,819	75.13
Secured by Multifamily (5 or more) Residential Properties	381	0.12
Secured by Non-farm Non-Residential Properties	45,610	14.66
<b>Total Real Estate Loans</b>	<b>290,193</b>	<b>93.25</b>
Commercial and Industrial Loans	14,157	4.55
Agricultural Production and Other Loans to Farmers	0	0.00
Consumer	127	0.04
Other Loans	6,723	2.16
Loans to Non-Depository Financial Institutions and Other Loans	0	0.00
<b>Total Loans</b>	<b>311,200</b>	<b>100.00</b>
<i>Source: Reports of Condition and Income as of September 30, 2020.</i>		

The Midwest Loan Services division provides low cost subservicing (mainly for first lien mortgages) to over 390 financial institutions. Many of these clients are small to mid-size Credit Unions, including many Low-Income Designated Credit Unions. The subservicing activity generates a significant level of stable deposits, the majority of which are held by University Bank both on and off-balance sheet. This business is the main source of University Bank’s deposit base.

Through its subsidiary University Lending Group, LLC (ULG), the company originates mortgage loans throughout the Washtenaw County Assessment Area, and elsewhere in SE Michigan, and several other states. ULG does significant volumes of FHA, VA, and USDA lending and participates in the MSHDA program as well as similar programs in other states that serve first time and low-to-moderate income home buyers.

UIF Corporation (UIF) is a majority owned subsidiary, that offers innovative faith-based products to both consumers and commercial/non-profit entities. There are very few competitors in this space who have been willing to bear the costs to customize programs and documents that meet the unique faith-based requirements of religious minorities that wish to avoid the payment of fixed interest, so the innovative programs that UIF offers serve an underserved group of Americans.

University Bank’s assessment area is Washtenaw County. The Bank provides services to customers in the entire county, including Ypsilanti, Chelsea, Dexter, Manchester and Saline;

these cities are located within 20 miles of the Bank's headquarters in Ann Arbor. The Bank's main office and only branch is located in an upper income census tract.

The Bank has no other branch locations; however, the Bank maintains four administrative facilities: 2755 Carpenter Road, Ann Arbor, MI; 616 Sheldon Ave, Houghton, MI; 6601 Grand Teton Plaza, Madison, WI; and 29777 Telegraph Road, Southfield, MI. Additionally, the Bank's subsidiaries have 24 Loan Production Offices (LPOs) located in 10 States which include Michigan, Florida, New Jersey, Illinois, Virginia, Texas, Washington, California, and Tennessee. In addition, the Bank is opening an LPO in the City of Ypsilanti in Washtenaw County in 2021. This office will provide both the Bank and its wholly owned subsidiary University Lending Group, LLC additional opportunities to serve small businesses and consumers in that community and surrounding LMI geographies.

### **ATM Locations**

University Bank provides banking services through Allpoint, an ATM network that gives the customer access to over 55,000 ATMs across the United States, Canada, Mexico, the United Kingdom, Australia and the Caribbean. The ATMs can be found in destination retailers like Target®, CVS Pharmacy®, Walgreens®, Kroger®, 7 Eleven®, Sunoco®, Costco® and Safeway® that are frequented by people from all income categories and are located in Low- and Moderate- Income Census Tracts. University Bank provides a locator service for an AllPoint Surcharge FREE ATM near the customer. Customers can also locate a VISA ATM through the VISA ATM Locator.

University Bank has two additional locations available to banking customers and will be installing a third location in 2021. The ATMs are highly accessible for people from all income categories and for diverse geographies.

Located on the Liberty St. side of Potbelly's Sandwich Shop  
300 S. State St.  
Ann Arbor, MI 48104

Located in the drive thru at Bear Claw Coffee Co.  
2460 Washtenaw Avenue  
Ann Arbor, MI 48104

To be located at new LPO in 2021  
301 W. Michigan Avenue  
Ypsilanti, MI 48197

## Description of Assessment Area

University Bank’s designated assessment area is comprised of Washtenaw County (Ann Arbor MSA 11460), Michigan. The assessment area (AA) is comprised of whole, contiguous geographies and does not arbitrarily exclude any low- or moderate-income census tracts.

### *Economic and Demographic Data*

According to the 2010 FFIEC Census Report., the AA contains 100 census tracts with the following income levels:

- 16 low-income tracts
- 16 moderate-income tracts
- 37 middles-income tracts
- 25 upper-income tracts
- 6 unknown-income tracts

Demographic Information of the Assessment Area						
Assessment Area: Ann Arbor MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	100	16.0	16.0	37.0	25.0	6.0
Population by Geography	354,092	14.9	12.9	40.2	27.6	4.4
Housing Units by Geography	149,098	15.8	14.1	40.5	27.5	2.0
Owner-occupied Units by Geography	82,525	6.6	12.0	44.7	36.5	0.2
Occupied Rental Units by Geography	55,542	28.7	17.6	34.3	15.0	4.4
Vacant Units by Geography	11,031	20.0	12.6	41.1	23.1	3.2
Businesses by Geography	21,877	8.9	9.1	43.0	31.6	7.4
Farms by Geography	813	2.5	5.0	59.4	33.0	0.1
Family Distribution by Income Level	79,373	22.7	17.0	19.6	40.7	0.0
Household Distribution by Income Level	138,067	25.4	15.9	15.8	42.9	0.0
Median Family Income MSA - 11460 Ann Arbor, MI MSA		\$87,331	Median Housing Value			\$208,543
			Median Gross Rent			\$1,001
			Families Below Poverty Level			8.0%
<i>Source: 2010 US Census &amp; 2015 ACS Census and 2017 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## ***Business Demographic Data***

Prior to the impact of Covid-19, the economy in the Ann Arbor MSA continued to be strong with employment levels above State and US averages. The single largest employer in the AA continues to be the University of Michigan and U-M Health System. Trinity Health is the second largest employer. Eastern Michigan University, Washtenaw Community College, Ann Arbor Public Schools coupled with other public-school systems and local and county governments dominate the rest of the top 25 employers in the AA. Both the University of Michigan and Eastern Michigan University have limited school supported housing/dormitories, so there is an active student housing rental market in both Ann Arbor and Ypsilanti which is dominated by smaller investors who own and manage individual rental units around the Universities. In addition, small employers with four or fewer employees account for well over 50% of the AA businesses.

## **Community Needs**

Considering information obtained from demographic data, economic data, community contact interviews, and participation in various activities as described below, University Bank executives determined that affordable housing represents the AA's primary community development need. Financial literacy education is the second most significant need. In addition, given the need for student rental housing in both Ann Arbor and Ypsilanti to serve the student populations of the University of Michigan and Eastern Michigan University, making credit available to individuals and small businesses that own and maintain such properties is another need.

## **University Bank in the Community**

Despite University Bank being constrained by its size and the competitive pressure of the marketplace, the Bank does have a solid track record of making loans and providing services in the community to address these needs.

For example, by funding its subsidiaries, ULG and UIF, the Bank has helped to address the problem of affordable housing by making a number of loan programs available which make home loans more affordable to low- and moderate- income (LTMI) individuals. Programs such as those offered by MSHDA, FHA, VA, and USDA are all in the suite of products offered by ULG.

In 2019, the Bank entered into an agreement with the largest non-bank independent mortgage company in the County which resulted in the hiring of approximately 30 mortgage loan originators and 20 backroom support staff by the Bank's wholly owned subsidiary ULG. Since the company offers so many products that make home loans more affordable for low- and moderate-income people including first time home buyers, ULG has increased the amount of home financing for LTMI people within Washtenaw County significantly.

Our records indicate that ULG closed the following number and amount of home mortgages to LTMI borrowers in Washtenaw County:

Year	# of Loans to LTMI	\$ of Loans to LTMI
2018	32	5,669,871
2019	102	19,477,070
2020	246	45,539,920

UIF offers the unique faith-based lending programs that a percentage of the local population, including low- and moderate-income people, seek as well.

Our records indicate that UIF closed the following number and amount of home mortgages to LTMI borrowers in Washtenaw County:

Year	# of Loans to LTMI	\$ of Loans to LTMI
2018	2	76,000
2019	1	184,624
2020	1	240,000

In addition, in late 2019, University Bank worked with the Washtenaw County Habitat for Humanity to design a loan program to be offered by its wholly owned subsidiary ULG. The program is designed to assist Habitat’s clients in obtaining low-cost mortgages. In addition to providing a low rate, the program is designed to overcome barriers in the credit profiles of borrowers that may prevent them from obtaining a conventional mortgage. The loans are originated by ULG and then sold to and held by University Bank. In 2020, the Bank purchased 4 of these loans for a total amount of \$474,185.

University Bank also serves the small business community by originating SBA loans within the assessment area and in the greater area of Southeast Michigan. SBA backed loans provide opportunities for financing which small businesses might not otherwise be able to obtain.

For example, in 2019, University Bank helped the only buyer, interested in acquiring and continuing to operate the business, purchase a 100-year-old hardware store in downtown Ypsilanti from its owner who wished to retire. The SBA backed financing, made available by University Bank, helped preserve a vital business in this downtown which is surrounded by low income geographies, thereby preserving jobs and helping stabilize the community.

University Bank also offers Business Manager®, a program that allows small to mid-size businesses grow by managing accounts receivables. The program can help the business bridge the gap between payables due to suppliers today and receivables that its customers won’t remit for 30 days or more. For example, in 2020, the Bank approved a \$250,000 line-of-credit for local a small business, with average 3-year revenues under \$1 Million.

The Bank stands behind small businesses as evidenced by its relationship with a small baked goods store serving the Ann Arbor community. In 2019, the store was about to pay off its original SBA backed loan with the Bank. The current landlord of the rental space the business had been operating in notified them that the building had been sold and their long-standing lease was not renewable. The business had found a suitable new location, but needed funds to help with the build-out and move. University Bank was there to help with a \$150,000 loan for construction and longer-term financing to keep this small business operating in a new location.

In addition, in 2020 when the SBA made funding available through the Paycheck Protection Program to help sustain small business during the economic upheaval created by Covid-19, University Bank stepped up and funded 127 of these loans totaling over \$10.5 Million. Roughly 60 percent or 76 loans totaling over \$4.1 Million were to small businesses within the assessment area.

University Bank has also a solid track record of providing services to assist in the economic development of the community. For example, Stephen Lange Ranzini, President and CEO of University Bank serves as the Vice President of the Economic Development Corporation for the City of Ann Arbor. He has previously served as President of the organization and has been on the board for over 13 years. Through his involvement with this group, Mr Ranzini has used his banking and financial knowledge to provide hundreds of hours of service while gaining insight into ongoing and emerging and unmet needs in the community.

University Bank’s staff have utilized their financial expertise in a number of ways to assist in the delivering of services to the community. For example, by partnering with local non-profits serving low- and moderate-income populations, the Bank has provided the following services:

Year	Partner Organization	Type of Service	Hours of Service
2018	Ozone House (at risk youth)	Financial Literacy workshops focused on credit, budgeting, saving, etc.	16
2018, 2019, 2020	Michigan Youth Opportunities Initiative (MYOI) (at risk youth)	Financial Literacy workshops focused on credit, budgeting, saving, etc.	16
2018	Alpha House (support for homeless families)	Credit Repair	4
2019	MI SBDC (Washtenaw)	Small Business Workshop focused on business planning, budgeting, applying for credit	8
2019, 2020	Family Learning Institute	Youth mentoring program with a rewards program	20

		designed to teach about saving and spending	
2018, 2019	Habitat for Humanity (Washtenaw)	University Bank staff, including our facilities staff which includes a former licensed builder and a certified master electrician, assisted in annual home build events	20

University Bank has also maintained a long-standing partnership with Michigan Youth Opportunities (MYOI) to provide Individual Development Accounts. The MYOI program helps at risk youth learn about establishing a relationship with a bank and saving money. In 2018-2020, we established 17 of these accounts.

While University Bank has primarily focused on making loans, the Bank has made some donations to support the low- and moderate-income residents of the community. Examples include:

2018	Donations to organizations serving the homeless populations in Washtenaw County	\$500
2019 and 2020	Donations to Habitat for Humanity to assist low-income with home-ownership	\$2,000
2019-2020	Donations to support mentoring programs which include financial literacy initiatives serving low-income youth	\$13,926
2020	Donations to Food Banks	\$150

In 2020, the Bank also invested \$1 Million in a mortgage backed securities pool comprised of single-family housing residential loans to low- to moderate-income individuals in Washtenaw County. These loans were originated by its wholly owned subsidiary University Lending Group, LLC.

### Plan Goals 2021-2023

In order to continue its commitment to its defined assessment area which is comprised of Washtenaw County in Michigan, University Bank is proposing that the FDIC commit to examining our compliance under the Community Reinvestment Act using the Strategic Plan methodology and approving the following goals for years 2021, 2022, 2023.

These goals have been established based on the identified needs of the community we serve and the constraints we operate under which include the economic realities of our community, our size, and the competitive environment within the community.

### Lending Goals

In order to support low-to-moderate income individuals, University Bank commits to making or purchasing the following dollar amounts of loans to low-to-moderate income individuals within Washtenaw County Michigan:

<b>Loans to LMI Borrowers in the Assessment Area</b>		
Year	Satisfactory	Outstanding
2021	\$1.5 Million	\$2.0 Million
2022	\$1.8 Million	\$2.3 Million
2023	\$2.1 Million	\$2.5 Million

### Community Development Investments and Donations Goals

In order to support the needs of low-to-moderate income individuals within Washtenaw County, University Bank commits to making donations or purchasing investments totaling the following dollar amounts:

<b>Qualified Community Development Investments</b>		
Year	Satisfactory	Outstanding
2021	\$1.5 Million	\$2.0 Million
2022	\$2.0 Million	\$2.5 Million
2023	\$2.5 Million	\$3.0 Million

**Community Development Services**

In order to support the needs of low-to-moderate income individuals within Washtenaw County, University Bank commits to assuring qualified staff provide the following number of hours of service engaged in qualified community development services:

<b>Qualified Community Development Services</b>		
<b>Year</b>	<b>Satisfactory</b>	<b>Outstanding</b>
2021	50-65 Hours	66+ Hours
2022	66-70 Hours	71+ Hours
2023	71-80 Hours	80+ Hours