



## **PUBLIC DISCLOSURE**

August 24, 1998

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**University National Bank  
14467**

**1354 E. 55th Street  
Chicago, IL 60615**

**Office of the Comptroller of the Currency  
Chicago-North Field Office  
Arlington Place II, Suite 340  
85 West Algonquin Road  
Arlington Heights, IL 60005**

**NOTE: 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.**

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **University National Bank** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 24, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated “**Satisfactory record of meeting its community needs.**” This rating is based on the following conclusions:

- lending to borrowers of different income levels and to small businesses exceeds the standards;
- lending patterns reflect reasonable penetration throughout the assessment area (AA); and
- lending levels within the assessment area meet the standards.

This evaluation period covers January 1, 1996 through July 31, 1998. The previous CRA rating, dated November 1, 1995, was “**Satisfactory record of meeting its community needs**”.

## DESCRIPTION OF INSTITUTION

University National Bank (UNB) is a \$90,000,000 bank located on the South side of the City of Chicago. UNB is owned by University Bancorporation, Inc., a bank holding company. Lending activity represents 18% of average total assets with investments representing 75% of average total assets. The loan portfolio is comprised of 55% real estate related, 35% consumer, with the remainder composed of commercial credits. UNB offers products and makes loans which many other institutions in the area do not. These include loans to finance co-op mortgages, low dollar amount unsecured consumer credits (as low as \$500) and they have a very strong presence in the student loan market providing many alternative financing vehicles for education.

## DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The AA consists of twenty-three census tracts surrounding the bank's main office and one branch facility. These tracts make up the communities of Hyde Park, Woodlawn and South Kenwood. Table 1 breaks down the demographics for the community.

<b>TABLE 1 ASSESSMENT AREA DEMOGRAPHIC INFORMATION</b>									
	Tracts		Families		Housing Units	% Owner Occupied Units	% Renter Occupied Units	% Vacant Units	% Single Family Units
	#	%	#	%					
Low- Income	5	22%	3,182	30%	5,128	10%	66%	24%	18%
Mod- Income	5	22%	1,740	17%	5,212	15%	72%	13%	16%
Mid- Income	9	39%	1,980	19%	12,311	26%	66%	8%	11%
Upper- Income	4	17%	3,631	34%	4,086	38%	56%	6%	18%
Totals	23	100%	10,532	100%	26,737	23%	66%	11%	14%

Source: 1990 U.S. Census Data

Table 1 shows relatively few owner occupied housing units in UNB's AA. The main campus of the University of Chicago and the University of Chicago Hospital are located in this area. As can be expected in such a community, a vast majority of the housing units are multi-family facilities being rented to students. There are also four museums and two major parks located within the AA. The 1998 updated median family income for UNB's AA is \$40,000 with the median family income for the Chicago MSA being \$59,500. The weighted average age of the housing stock is approximately 50 years. The weighted average median housing value is \$170,000.

Business demographics for UNB's AA disclose approximately 1,100 businesses with 850 (77% of the total) producing annual revenues of less than \$1,000,000. The geographic distribution of these businesses indicate that 13% of total businesses are located in low-income areas and another 13% are located in moderate income geographies. Seventy-four percent of the total businesses located in both the low- and moderate-income geographies have annual revenues of less than \$1,000,000 (102 businesses in low-income and 105 businesses in moderate-income areas).

The University and the hospitals are the major employers within the assessment area. The predominant industry is the services industry distantly followed by retail trade.

Competition is strong in UNB's AA with numerous branches of multinational banking companies located within the area. This competition includes the downtown Chicago banks since many people commute downtown for work but live within UNB's AA.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

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

Lending to borrowers of different incomes and businesses of different sizes exceeds the standards. Table 2 shows that 48% of UNB’s loans made during the review period went to low-income borrowers. This percentage compares very favorably with the demographics which indicate 30% of the families in the AA are low-income. Although HMDA reportable loans do not compare favorably with the demographics, the limited number of owner-occupied housing units in the AA can account for part of the disparity. Both secured and unsecured consumer loans exceed the family distribution demographics. The main reason for this success is the fact that UNB offers and originates loans as low as \$500. Virtually all commercial loans made are to small businesses (businesses with annual revenues of less than \$1,000,000).

<b>TABLE 2 BORROWER DISTRIBUTION</b>						
	<b>HMDA</b>	<b>CONSUMER UNSECURED</b>	<b>CONSUMER SECURED</b>	<b>TOTAL # OF Borrowers</b>		<b>FAMILIES</b>
<b>LOW-INCOME</b>	7	59	54	120	48%	30%
<b>MOD-INCOME</b>	10	6	31	47	19%	17%
<b>MID-INCOME</b>	21	12	9	42	17%	19%
<b>UPPER-INCOME</b>	36	0	0	36	15%	34%
<b>N/A</b>	3	0	0	3	1%	0%
<b>TOTALS</b>	<b>77</b>	<b>77</b>	<b>94</b>	<b>248</b>	<b>100%</b>	<b>100%</b>

Source: Verified HMDA Reports and Internal Management Reports

- **Geographic Distribution of Loans**

The geographic distribution meets the standard. Although the geographic distribution of HMDA related products do not reflect the distribution by tracts with respect to low-income geographies, it is important to remember the very limited HMDA related lending opportunities in the five low-income geographies (less than 500 owner-occupied units) as these areas contain mostly rental units and surround the University. No commercial lending has taken place in low-income geographies, while 20% of such lending took place in moderate-income areas. Consumer lending also shows limited activity in low-income tracts with appropriate activity in moderate-income tracts. Table 3 illustrates that for moderate-income geographies, UNB’s lending activity is

consistent with the demographics. A participation loan to the Neighborhood Housing Services of Chicago (NHS) is included in the commercial loan totals below. NHS originates smaller loans from this loan participation.

TABLE 3 GEOGRAPHIC LOAN DISTRIBUTION							
	HMDA	CONSUMER UNSECURED	CONSUMER SECURED	COMML	TOTAL # OF LOANS		TRACTS
LOW-INCOME	8	5	5	0	18	6%	22%
MOD-INCOME	7	24	21	7	59	21%	22%
MID-INCOME	32	29	43	21	125	44%	39%
UPPER-INCOME	30	19	25	7	81	29%	17%
TOTALS	77	77	94	35	283	100%	100%

Source: Verified HMDA Reports and Internal Management Reports

- **Lending in the Assessment Area**

The bank's lending in its assessment area is considered to meet the standard at 63% for the evaluation period. Lending levels inside the assessment area are commensurate with the size and available resources of the bank. There are two types of credit which keep this ratio low. One is student loans which comprise approximately 25% of the bank's lending activity, however due to the way information is provided (home address versus local school address) a vast majority of these loans are reported as outside the AA. The other type of credit is the indirect piano loans which are received from a dealer who does business on a broader regional basis than UNB's AA.

- **Loan to Deposit Ratio**

The Loan to Deposit ratio was 20.3% as of June 30, 1998. The average for the last 10 quarters was 20.6% . This ratio fluctuated between a low of 19.6% (March 31, 1998) to a high of 21.3% as of March 31, 1997. Although this ratio is low, there has been an increasing trend since 1995 when this ratio was approximately 13%. Many of UNB's loans are for small dollar amounts, contributing to the low ratio. UNB has historically had a few large depositors as well which influence this ratio. The fifteen largest depositors hold over \$15,000,000 in the bank.

- **Responses to Complaints**

There have been no CRA related complaints since the prior CRA examination.

**Compliance with Anti-Discrimination Laws:**

The bank is in compliance with the substantive provisions of the anti-discrimination and fair housing laws and regulations. We tested rates and terms of consumer unsecured loans provided to single females to those provided to married couples.