



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

**November 17, 2008**

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

University National Bank  
Charter Number 14991

200 University Avenue West  
St. Paul, MN 55103

Office of the Comptroller of the Currency

MINNEAPOLIS NORTH  
222 South Ninth Street Suite 800  
Minneapolis, MN 55402-3393

**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 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 Outstanding.**

The major factors supporting this rating include:

- The bank's average loan to deposit (LTD) ratio is more than reasonable given the bank's size, financial condition and credit needs of the assessment area (AA).
- The bank originates a substantial majority of its loans to borrowers within its AA by number and by dollar.
- The bank has excellent penetration among businesses of different sizes and reasonable penetration among families of different incomes.
- The bank's record of lending to borrowers in low- and moderate- income geographies is excellent and lending to borrowers in low to moderate income geographies exceeds demographics.

**SCOPE OF EXAMINATION**

We completed a Community Reinvestment Act (CRA) examination and assessed University National Bank's record in meeting the credit needs of their community. We assessed performance over an evaluation period of July 1, 2002 to September 30, 2008. We focused our assessment upon the bank's primary lending products, commercial loans including commercial real estate and residential real estate loans. We selected 20 commercial loans originated from 2006 to November 2008. We relied on Home Mortgage Disclosure Act (HMDA) data for the residential real estate loans which we used to evaluate lending within the AA and borrower distribution. We used 2000 U.S Census information and 2008 Business Geodemographic Data for comparison purposes.

**DESCRIPTION OF INSTITUTION**

University National Bank (UNB) is a \$121 million bank located in St. Paul, MN. The bank's sole location is near the state Capitol building on University Avenue. The bank and its entire assessment area are within the Minneapolis - St. Paul Metropolitan Area. The bank is 100% owned by University Financial Corporation, doing business as Sunrise Community Banks, a three-bank holding company. The bank does not have any branches or deposit-taking ATM's. However, customers can make deposits or initiate other transactions at any of its two sister bank locations, which are also located within the bank's assessment area.

UNB is a full service bank that offers a full range of traditional commercial and personal banking services. According to the September 30, 2008 Report of Condition, the bank's \$95 million loan portfolio represented 79% of total assets and consisted of 77%

commercial and commercial real estate loans, 19% residential real estate loans, 2% consumer loans, and 2% all other loans.

UNB's stated mission is to be "The Leader in Improving Our Urban Community," and ownership and management have developed several innovative products and services to accomplish that mission. The bank was designated a Community Development Financial Institution (CDFI) by the U.S. Treasury in 2001. It is one of only eleven nationally chartered banks in the country to be designated CDFI, and was the first designated in Minnesota. Among the criteria to be designated a CDFI are the requirements for a community development mission, to provide development services, and that over 60% of the institution's services take place in low- and moderate-income census tracts. UNB has received numerous awards from the CDFI Fund during the performance period for its community development achievements.

There are no financial, legal, or other factors that impede the bank's ability to meet its CRA obligations. UNB received an "Outstanding" rating at its July 1, 2002 CRA evaluation.

**DESCRIPTION OF ASSESSMENT AREA(S)**

UNB's assessment area (AA) consists of 354 census tracts in five counties. The census tracts are contiguous and surround the bank's office location. The AA includes Ramsey, Hennepin, Dakota, Anoka, and Washington counties. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The AA is comprised of 47 low and 125 moderate-income geographies based on 2000 U.S. Census data. The prior CRA assessment area consisted of 58 contiguous census tracts in Ramsey County, MN. See tables below for census tract and family income details.

<b>Income Distributions of Geographies and Families</b>									
Percentage of Census Tracts in AA					Percentage of Families in Census Tracts				
Low	Moderate	Middle	Upper	NA	Low	Moderate	Middle	Upper	NA
13%	35%	35%	16%	1%	24%	21%	24%	31%	0%

\*Date source: 2000 U.S. Census

<b>Percentage of Families by Income Level</b>	
Family Income Level	Percent of Families
Low-Income	8%
Moderate-Income	32%
Middle-Income	41%
Upper-Income	19%

\*Data source: 2000 U.S. Census

The population of the AA is estimated at 1,240,344 with 284,006 families located within the AA according to 2000 U.S. Census data. The U.S. Department of Housing and Urban Development's 2008 updated metropolitan statistical area medium family income estimate is \$80,900. The 2000 U.S. Census data indicates that 10% of households and

7% of families in the AA are below the poverty level. According to the Minnesota Department of Employment and Economic Development, unemployment totaled 5.3% for the metropolitan statistical area as of October 2008 (not seasonally adjusted).

According to 2000 U.S. Census data, the median housing value for the state of Minnesota is \$118,100. The same data indicated the median housing value of the AA is \$136,355 and the median age of a home is 44 years. Owner-occupied units comprise 58% of all housing units in the AA. Rental units have an average gross rent of \$622 per month.

The economic condition of the bank's assessment area has weakened during the past year, following trends similar to the national economy. Some of the area's top employers include Target, Allina Health System, and Wells Fargo as the AA's primary employment sectors include professional/business services, education, health services, government, retail, and manufacturing.

During our evaluation, we contacted a nonprofit corporation to assess the credit needs of the community within the AA. The community contact indicated that affordable housing is still a need in the area. As a result, the area offers financing opportunities for low to moderate-income single family housing. The contact specifically noted UNB as a financial institution that has provided credit financing in the AA.

Competition from other financial institutions in the AA is strong with multiple institutions residing in the AA. Competing institutions range in various asset sizes for community banks and large multi-national banks. UNB has less than half of one percent of deposits in the five county area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

The bank's loan to deposit (LTD) ratio is more than reasonable given its size, financial condition, and the credit needs of the AA. The bank's quarterly LTD ratios from July 1, 2002 to September 30, 2008 ranged from 87.39% to 111.88% and averaged 98.76%. We compared UNB to five similarly situated banks in the AA. The five similarly situated banks had assets of \$90 million to \$146 million in the AA and their average quarterly LTD ratios ranged from 61.56% to 108.10% with a combined average of 90.68%.

### **Lending in Assessment Area:**

The bank originates a substantial majority of its loans to borrowers within its AA. We sampled all residential loans as reported in the bank's HMDA report and 20 commercial loans originated during our sample period to assess lending in the assessment area. The bank originated 91% of its loans by number in its assessment area. The table below summarizes sampled loans originated inside the assessment area by number and by dollar amount.

<b>Lending in AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$000's
	#	%	#	%		\$000's	%	\$000's	%	
Residential Loans	395	91	37	9	432	56,000	90	6,000	10	62,000
Commercial	19	95	1	5	20	11,400	99	63	1	11,500
<b>Totals</b>	<b>414</b>	<b>91%</b>	<b>38</b>	<b>9%</b>	<b>452</b>	<b>67,400</b>	<b>92%</b>	<b>6,063</b>	<b>9%</b>	<b>73,500</b>

Source: HMDA LAR and Loan Sample.

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

Overall, the distribution of borrowers reflects reasonable penetration among individuals of different income levels and excellent penetration among businesses of different sizes. We sampled 20 commercial loans and 65 residential loans that reported income information out of the 432 reported on the HMDA data.

**Lending to Borrowers of Different Incomes**

Residential lending to low income borrowers is reasonable, and lending to moderate income borrowers exceeds demographics. The low penetration in low income families is offset by the bank's Houses to Homes program. The program is the bank's effort to improve the housing stock in the local community. The program involves transactions between the bank and private investors to finance the acquisition and rehabilitation of residential properties in the AA. The mission of the program is to revitalize the low and moderate income census tracts by purchasing destitute homes, repairing them, and selling them to low or moderate income consumers. However, the bank does not have income information for the majority of the consumers of these properties as they are financed with other institutions. Another reason for the low penetration is approximately 10% of households in the AA are below the poverty level and 7% of families are below the poverty level. Refer to table below for details of the residential loans.

<b>Borrower Distribution of Residential Real Estate Loans in AA</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
<b>Percent of AA Families</b>	24%		21%		24%		31%	
	%No.	% Amt	% No.	% Amt	% No.	% Amt	% No.	% Amt
<b>Home Purchase</b>	5%	7%	5%	5%	15%	8	75%	80%
<b>Home Improvement</b>	0	0	38%	14%	0	0	62%	86%
<b>Refinance</b>	7%	5%	7%	15%	0	0	86%	80%

Source: HMDA LAR and 2000 U.S Census data.

**Lending to Businesses of Different Sizes**

The bank’s record of lending to businesses of different sizes is excellent and exceeds community demographics. Based on the sample of loans, the bank originated 80% by number and 85% by dollar volume of its commercial loans to businesses with annual revenues of less than \$1 million. Additionally, the bank originated the largest number of loans to small businesses with less than \$500,000 in revenues. The following table compares the bank’s commercial lending activity by revenue size to community demographics:

<b>Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64%	7%	29%	100%
% of Bank Loans in AA by #	80%	20%	0	100%
% of Bank Loans in AA by \$	85%	15%	0	100%

Source: Loan Sample and 2008 Business Geodemographic data.

### Geographic Distribution of Loans

UNB’s geographic distribution of residential and commercial loans in the assessment area is excellent and exceeds demographics. The following table summarizes the bank’s performance for residential real estate loans:

<b>Geographic Distribution of Residential Real Estate Loans in AA</b>								
	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
% of owner-occupied housing	4%		29%		46%		21%	
	% No.	%Amt	% No.	%Amt	% No.	%Amt	% No.	% Amt
<b>Purchase</b>	14%	13%	56%	49%	24%	27%	6%	11%
<b>Refinance</b>	27%	20%	53%	35%	13%	13%	7%	32%
<b>Home Improvement</b>	23%	21%	61%	67%	8%	4%	8%	8%

Source: HMDA LAR.

The following table summarizes the bank’s performance for commercial loans:

Geographic Distribution of Loans to Business in AA								
Tract Income Level	Low		Moderate		Middle		Upper	
<b>Businesses by Tract</b>	10%		30%		41%		19%	
	% No.	% Amt	% No.	% Amt	% No.	% Amt	% No.	% Amt
<b>Business Loans</b>	25%	13%	70%	87%	5%	0	0	0

Source: Loan Sample and 2008 Business Geodemographic data.

**Qualified Investments and CD Services**

The bank’s community development activities are responsive to identified community needs in its AA. The bank’s activities include support for organizations and activities that provide affordable housing and services to low and moderate income families. The bank made community development loans, qualified charitable donations, and management and employees have volunteered with local organizations that primarily serve low to moderate income residents in the AA.

**Responses to Complaints**

The bank has not received any complaints relating to CRA during this evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.