

D. COMMUNITY REINVESTMENT GOALS

Financial institution's annual Community Reinvestment Goals should include information on the number of small business loans, home mortgages, home improvement loans, and community development investments to be made within low and moderate-income neighborhoods within the City of Philadelphia.

a. Provide an overview of the financial institution's annual Community Reinvestment Goals.

United Bancshares, Inc. is an African American controlled and managed bank holding company for United Bank of Philadelphia (the "Bank"), a commercial bank chartered in 1992 by the Commonwealth of Pennsylvania, Department of Banking and a member of the Federal Reserve System. The deposits held by the Bank are insured by the Federal Deposit Insurance Corporation ("FDIC"). The Bank provides full service community banking in Philadelphia neighborhoods that are rich in diversity providing a market opportunity that includes men, women, families, small business owners, skilled laborers, professionals and many more who value home ownership and need banking services to help make their dreams come true.

The Bank conducts all its banking activities through its three offices located as follows: West Philadelphia Branch 38th and Lancaster Avenue, Philadelphia, Pennsylvania, Mount Airy Branch 1620 Wadsworth Avenue, Philadelphia, Pennsylvania; and Progress Plaza Branch 1501 North Broad Street, Philadelphia, Pennsylvania. Through its locations, the Bank offers a broad range of commercial and consumer banking services. Although the Bank's primary service area for Community Reinvestment Act purposes is Philadelphia County, it also services, generally, the Delaware Valley, which consists of portions of Montgomery, Bucks, Chester, and Delaware Counties in Pennsylvania; New Castle County in Delaware; and Camden, Burlington, and Gloucester Counties in New Jersey.

United Bank of Philadelphia, while state chartered as a commercial bank, is uniquely structured to be a player in providing retail services to its urban communities, while maintaining and establishing a solid portfolio of commercial relationships that include small businesses, churches and corporations. The Bank will leverage its CDFI (community development financial institution) designation as established by the United States Department of Treasury to attract deposits from entities seeking Community Reinvestment Act (the "CRA Act") credit as well as grants and/or equity from the US Treasury CDFI Fund and other agencies of the U.S. Government. While the Bank's certification period was scheduled to end in January 2004, a recent review by the CDFI Fund has extended the Bank's certification period.

Among the greatest challenges facing inner city communities is their lack of stability and transience. Outside organizations and institutions that attempt to work within the community get frustrated and can leave at any time because they have no vested stake in the neighborhood. It is very easy for an organization without vested roots in the community to just pick up and leave, thus fostering lack of institutional consistency. The Bank represents consistency to these communities. The Bank takes its commitment to community development quite seriously and recognizes that effective corporate and institutional partnerships must be forged to truly make a difference. Bank management recognizes the potential in these communities and knows that with the right mix of financial services, growth will occur. The Bank will continue to leverage its community "know-how" with the appropriate corporate and institutional partners to help ensure that we create economic profit by making comprehensive products and services available and accessible through service focused delivery channels.

The Bank engages in the commercial banking business, serving the banking needs of its customers with a particular focus on, and sensitivity to, groups that have been traditionally under-served, including Blacks, Hispanics and women. The Bank offers a wide range of deposit products, including checking accounts, interest-bearing NOW accounts, money market accounts, certificates of deposit, savings accounts and Individual Retirement Accounts.

The primary focus of the Bank's lending activities is on the origination of small business loans, with a secondary focus on consumer and residential loans. Management foresees great opportunity with small business lending within the Bank's target market area. The Bank has forged collaborations with governmental and quasi governmental agencies as natural loan feeders. Through loan guarantee programs offered by the Small Business Administration (SBA), The Department of Transportation (DOT), and Private Industrial Development Corporation (PIDC), the Bank is able to mitigate its risk while ensuring that capital is made available to small businesses in the target market area.

The Bank's consumer loan program includes installment loans for home improvement and the purchase of consumer goods and automobiles, student loans, home equity and secured VISA and unsecured revolving lines of credit, and checking overdraft protection. Other services the Bank offers include safe deposit boxes, travelers' checks, money orders, direct deposit of payroll and Social Security checks, wire transfers and access to regional and national automated teller networks.

Also, an alliance with African-American Chamber of Commerce, Black Yellow Pages, and Aetna has broadened the Bank's range of product offerings. In an effort to foster healthy families, healthy communities and healthy businesses, the Bank now offers health insurance product to small businesses and sole proprietors at a reduced rate.

- b. Provide the number of small business loans, home mortgages, home improvement loans, and community development investments to be made within low and moderate-income neighborhoods within the City of Philadelphia.

Type	2008 Goals	2008 Results	2009 Goals
Small Business Loans	46	60	34
Home Mortgages	2	4	2
Home Improvement Loans	14	3	2
Community Development Investments	0	0	0

If applicable, explain why previous year results did not meet the stated goal.

The Bank exceeded its projections in the areas of small business lending and home mortgage lending, however due to the current recessionary economy, the Bank fell short meeting the home improvement loan goal.
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- c. Provide the actual number and dollars of small business loans, home mortgages, home improvement loans, community development investments, consumer loans, and other commercial loans made in neighborhoods within the City of Philadelphia.

Calendar Year 2008

Number of Loans

Type	Low	Mod	Mid	Upp	Total
Residential Mortgage	2	0	2	0	4
Home Improvement	0	3	0	0	3
Small Business Loans	29	22	5	4	60
Community Development	0	0	0	0	0
Consumer Loans	9	4	9	0	22
Other Commercial Loans	0	0	0	0	0
Total:	40	29	16	4	89
*How many business loans were originated?	29	22	5	4	60

Value of Loans (\$)

Type	Low	Mod	Mid	Upp	Total
Residential Mortgage	\$66,020	\$0	\$93,791	\$0	\$159,811
Home Improvement	\$0	\$78,778	\$0	\$0	\$78,778
Small Business Loans	\$3,708,802	\$2,440,888	\$465,000	\$584,903	\$7,199,593
Community Development	\$0	\$0	\$0	\$0	\$0
Consumer Loans	\$23,161	\$12,811	\$75,371	\$0	\$111,343
Other Commercial Loans	\$0	\$0	\$0	\$0	\$0
Total:	\$3,797,983	\$2,532,478	\$634,162	\$584,903	\$7,549,526
*% of Consumer Loans made through Credit Cards	3.00%	.86%	2.09%	0%	5.61%

- d. **Provide information on other types of community development investments made in neighborhoods within the City of Philadelphia (for example: Grants, Education, Public or related Commercial Development).**

United Bank of Philadelphia provides mortgage loans with extended terms (15-year loans and/or 30-year amortizations) to support low-income housing development projects through the Low Income Housing Tax Credit Program, a housing subsidy program for the rental housing created with section 42 of the Federal Tax Code. The Bank funded two affordable housing projects in the West Philadelphia Empowerment Zone resulting in the creation of 62 low income homes.

- e.* **Please briefly describe any lending outreach programs geared toward minorities, low-income persons, immigrants, or women. This description should include the targeted community, the type of product (i.e. commercial, home lending, unsecured consumer) and any program outcomes.**

The Bank is driven by its mission to engage in the commercial banking business, serving the banking needs of its customers with a particular focus on, and sensitivity to, groups that have been traditionally under-served, including Blacks, Hispanics and women. Through various loans programs such as Phil-Plus, Mini-Phil and the Philadelphia Business Builder program the Bank has been able to enhance it lending to its target market area.

Appendix II

APPENDIX II LONG TERM STRATEGIC PLAN

The Bank recognizes the challenges small business owners confront when seeking financing – their income is often irregular, uncertain, and difficult to verify. In addition, their credit histories may be blemished as a result of exhausting their personal resources to launch their businesses.

The Bank's model of collaboration between government, corporate and community institutions and small businesses of different ethnic and racial groups will advance more inclusive economic development opportunities in the Philadelphia marketplace. The Bank will provide existing and emerging small business owners term loans to fund the acquisitions of fixed assets, plant expansion, leasehold improvements and revolving lines of credit to support working capital requirements.

Underwriting criteria will concentrate on the borrower's character, capacity (personal and financial), and proposed collateral. Careful consideration will be given to the borrower's background, management experience, and ability to generate future revenue. Of primary importance is the Borrower's demonstrated ability to operate profitably with sufficient cash flow to service the proposed debt. The Bank will monitor the borrower's cash flow via monthly accounts receivable aging schedules and borrowing base certificates, whenever applicable. The Bank will consider a minimum Debt Service Ratio of 1.20:1. (EXCEPTION: Loans to churches or other non-profit entities for whom a 1.0:1 Debt Service Ratio is appropriate). Any Business Loan with a Debt Service Ratio under 1.20:1 must have strong mitigating rebuttal for loan approval.

Applicants needing credit enhancement will be financed through loan pools and programs with community and government entities that provide guarantees to mitigate the Bank's risk.

Business Loans – Non-Micro

U.S. Department of Transportation OSDBU

The U.S. Department of Transportation (Office of Small and Disadvantaged Business Utilization OSDBU) Short Term Lending Program guarantees up to \$750,000 in loans with participating lenders for eligible small and disadvantaged businesses. The loans provide funds to meet the short-term costs of performing the contract(s) being financed. Lines of credit are managed by OSDBU through cooperative agreements between DOT and Participating lenders. The final loan approval is made by both the Participating Lender and DOT. Loan processing and servicing is performed by the Participating Lenders. Invoices are paid directly to the Participating Lenders by the Project Owner or Prime Contractor with a two-party check addressed to the Lender and the Borrower.

The line of credit has an initial twelve (12) month term, with a maximum of four (4) annual renewals. The maximum loan is \$750,000.00, priced at 2.00% above the Prime Rate as published in the Money Rates section of the Wall Street Journal.

Eligible borrowers are:

- 1). Firms with DOT DBE certification from a state or local transportation agency;
- 2). Firms that have been certified by the SBA either as an 8(a), Small Disadvantaged Business or HUB Zone;
- 3). Firms that have received a disability rating by the Veteran's Administration and certify themselves as a Service Disabled Veteran Owned Small Business (SDVOSB).

U.S. Small Business Administration

The SBA Lender Advantage Loan Initiative offers a shorter, simplified application for loans of \$350,000 or less in fillable PDF format. Limited financial information is collected; a centralized and expedited SBA loan processing (generally 3-5 days) allows for faster disbursement of funds. The SBA's 90% guarantee mitigates risk to allow the Bank to offer credit to newer, less secure businesses.

Applicants can request working capital lines of credit or term loans to purchase machinery, equipment or real estate. The minimum loan is \$150,000 and the maximum is \$350,000. The interest rate will be the Prime Rate as published in the Money Rates section of the Wall Street Journal, or LIBOR + 3.00%, depending on the inherent risk in the credit. There is no fee associated with the program.

Philadelphia Industrial Development Corporation

Any applicant that does not meet the eligibility requirements for the government loan pools can be financed through the Philadelphia Industrial Development Corporation (PIDC) Small Business Loan Guarantee Program.

The program is designed to provide small businesses with experience that will lead to independent relationships with banks and encourage increased lender activity throughout Philadelphia by providing lenders with additional security. Loans to first time borrowers will be guaranteed up to 50% (of principal only). Loans to returning borrowers will be guaranteed at a lower percentage than the original guaranteed loan.

Applicants can request working capital lines of credit or term loans to purchase machinery, equipment or real estate. The minimum loan is \$100,000 and the maximum is \$250,000. The interest rate will be determined by the Lender, subject to approval by PIDC. The line of credit has an initial twelve (12) month term, with a maximum of four (4) annual renewals. The maximum term for the term loan is five (5) years. Both loans have an application fee of \$500 and a guarantee initiation fee of 1.75% of the loan amount.

Real Estate – Community Facilities

United Bank of Philadelphia has been a leader in establishing churches as viable entities for financing, offering religious institutions construction lines of credit and permanent mortgage loans for expansion and repair of church facilities. New church ministries – like quality childcare and pre-schools – have created a need for expanded facilities. Pastors and

congregations have met these demands and, in doing so, grown their memberships, requiring worship facilities that can accommodate the burgeoning congregation.

The Bank's flexible underwriting criteria takes into consideration that church financial statements, while not standardized or accountant-prepared, can be analyzed to determine the institution's creditworthiness and allow religious institutions to pursue renovation projects that many institutions deem too high-risk.

The Bank provides competitive rates for construction lines of credit and permanent mortgage loans and offers a 0.25% loan rate discount for fifty or more congregation members opening savings accounts with a minimum balance of \$500. In addition, home equity, small business, mortgage and student loans are offered to members- the Bank's holistic approach is designed to build wealth in church congregations that serve as cornerstones of their communities.

The term for construction lines of credit should not exceed eighteen months, depending on the scope of the project and the expected time frame for build out, while permanent mortgage loans have a maximum ten (10)-year term, with a maximum twenty-(20) year amortization. The rate for the construction lines float with Prime, while the mortgages are priced at some margin above the five-year US Treasury.

Business Loans – Community Organizations

The Bank offers lines of credit and term loans to non-profit institutions to support operations or acquire property and equipment to meet their mission-driven goals. Loan terms are often matched to coincide with grant awards and bridge-financing is available to support payroll and operations between funding cycles and collection of receivables.

Real Estate – AHD

United Bank of Philadelphia provides mortgage loans with extended terms (15-year loans and/or 30-year amortizations) to support low-income housing development projects through the Low Income Housing Tax Credit Program, a housing subsidy program for the rental housing created with section 42 of the Federal Tax Code. The program is administered by a designated agency in each state and in most cases, it is administered by the State housing finance agency in each state. Each state receives \$1.25 per capita annually in low-income housing tax credits to allocate to affordable-housing rental projects within its borders. Within a given project, tax credits are available only for those rentals units that are leased to tenants with incomes at or below 60% of the local area median income. Most projects can be structured so that the sales of a project's tax credits and other tax benefits provide a source of capital for the developer.

The Bank was certified as a Community Development Entity (CDE) in 2008. It will expand its capacity for affordable housing development through the New Markets Tax Credit (NMTC) program in collaboration with PIDC. NMTC permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated

Community Development Entities (CDEs). The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year credit allowance period. In each of the first three years, the investor receives a credit equal to five percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is six percent annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period. The Bank leverages its resources through alliances with the African American Chamber of Commerce of PA, NJ & DE (AACC), Philadelphia Industrial Development Corporation, (PIDC), Philadelphia Commercial Development Corporation (PCDC), Greater Philadelphia Minority Business Strategic Alliance (GPMBSA), and the Temple, Widener & University of PA Small Business Development Center (SBDC)s to expand the Bank's lending footprint and guide emerging businesses into the commercial mainstream. These organizations equip entrepreneurs with the financial and management acumen to capably operate and grow their businesses. As such, they act as natural feeders for the Bank's loan products and services.

The African American Chamber of Commerce of Pennsylvania, New Jersey and Delaware (AACC) is the leading advocate for black-owned businesses in the Delaware Valley. The Chamber represents the interests of such businesses in public and private sector forums as well as offering management and technical assistance resources to improve the effectiveness of black-owned businesses in the region. In 2008, the Bank formed a strategic alliance with AACC, the Black Yellow Pages (BYP) and Aetna to address three areas of success for Chamber members: accessing capital, increasing visibility and obtaining health insurance. The alliance acts as conduit that connects minority businesses directly with contract opportunities in the Greater Philadelphia area.

Philadelphia Industrial Development Corporation (PIDC) is a private, not-for-profit Pennsylvania corporation, founded in 1958 by the City of Philadelphia and the Greater Philadelphia Chamber of Commerce to promote economic development throughout the city. PIDC's central strategy is to leverage financing and real estate resources to retain and to grow employment in Philadelphia. PIDC also coordinates tax incentive and workforce development programs offered by the City and the Commonwealth. Clients range from the traditional base of commercial and industrial businesses to the developers of large, public purpose facilities to non-profits, in all neighborhoods of Philadelphia.

Philadelphia Commercial Development Corporation (PCDC) is a quasi-public, non-profit economic development corporation designed to promote, enhance and create entrepreneurial and community economic development in areas of the City of Philadelphia. The PCDC staff possesses extensive economic development expertise extending across a wide range of skill sets. These include accounting, banking, and business plan development—cash management, city planning, and e-commerce—economic research and statistical analysis; financing, marketing, and management; micro enterprise and neighborhood economic development. PCDC employees provide a superlative level of customer service and business development support leading to the creation and retention of businesses and jobs, and contribute toward neighborhood stability.

Greater Philadelphia Minority Business Strategic Alliance (GPMBSA) serves as an advocate in promoting the establishment and growth of minority business enterprises (MBE's) through the coordination and leveraging of established public and private resources into a strategic network that will provide technical assistance, financial resources and business opportunities to disadvantaged-businesses. GPMBSA will act as the Bank's partner for the DOT's Short Term Lending Program, while redirecting qualified applicants who do not meet the program's eligibility requirements to other Bank initiatives. Affiliated with the GPMBSA is the Philadelphia office of SCORE: "Counselors to America's Small Business," a nonprofit association dedicated to educating entrepreneurs and the formation, growth and success of small business nationwide. Both working and retired executives and business owners donate time and expertise as business counselors. SCORE is a resource partner with the U.S. Small Business Administration (SBA).

Small Business Development Centers- Temple University/Wharton School/Widener University

The region's SBDCs guide small business owners and aspiring entrepreneur onto the path to success, through consulting and coaching, hands-on training in the form of Entrepreneurial Success Workshop Series, Construction Management Certificate Programs, and seminars in financial management, effective marketing strategies, and retail success.