UNIVERSITY BANCORP INC /DE/
Form 10-Q
May 23, 2005

Form 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2005

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _______________ to _______________

Commission File Number 0-16023

UNIVERSITY BANCORP, INC.
(Exact name of registrant as specified in its charter)

Delaware	38-2929531
(State of incorporation)	(IRS Employer Identification Number)

959 Maiden Lane, Ann Arbor, Michigan	48105
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (734) 741-5858

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $0.01 par value outstanding at April 30, 2005: 4,143,878 shares

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The information furnished in these interim statements reflects all adjustments and accruals, which are in the opinion of management, necessary for a fair statement of the results for such periods. The results of operations in the interim statements are not necessarily indicative of the results that may be expected for the full year.

Part I. - Financial Information

Item 1.- Financial Statements

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
March 31, 2005 (Unaudited) and December 31, 2004

ASSETS	March 31, 2005
Cash and due from banks	$ 2,484,885
Securities available for sale, at market	1,050,670
Federal Home Loan Bank Stock	931,500
Loans held for sale, at the lower of cost or market	1,287,171
Loans	43,591,493
Allowance for loan losses	(349,909)
Loans, net	43,241,584
Premises and equipment, net	912,056
Mortgage servicing rights, net	1,236,859
Real estate owned, net	435,512
Accounts receivable	47,606
Accrued interest receivable	175,623
Prepaid expenses	249,673
Goodwill	103,914
Other assets	382,927
TOTAL ASSETS	$ 52,539,980

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UNIVERSITY BANCORP, INC.
Consolidated Balance Sheets (continued)
March 31, 2005 (Unaudited) and December 31, 2004

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 2005
Liabilities:	
Deposits:	
Demand - non interest bearing	$ 2,495,386
Demand - interest bearing	29,854,273
Savings	505,633
Time	15,455,148
Total Deposits	48,310,440
Short term borrowings	0
Long term borrowings	0
Accounts payable	296,511

Accrued interest payable	55,648
Other liabilities	207,103
Total Liabilities	48,869,702
Minority Interest	462,919
Stockholders' equity:	
Preferred stock, $0.001 par value; $1,000 liquidation value; Authorized - 500,000 shares;	-
Common stock, $0.01 par value; Authorized - 5,000,000 shares; Issued - 4,264,062 shares in 2005 and 4,240,641 shares in 2004	42,642
Additional paid-in-capital	5,876,095
Accumulated deficit	(2,326,359
Treasury stock - 115,184 shares in 2005 and 2004	(340,530)
Accumulated other comprehensive loss, unrealized losses on securities available for sale, net	(44,489)
Total Stockholders' Equity	3,207,359
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 52,539,980

The accompanying notes are an integral part of the consolidated financial statements.

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UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
For the Three Month Periods Ended March 31, 2005 and 2004 (Unaudited)

	2005
Interest income:	
Interest and fees on loans	$ 785,395
Interest and dividends on securities:	
U.S. Government agencies	1,747
Other securities	9,922
Interest on federal funds and other	4,580
Total interest income	801,644
Interest expense:	
Interest on deposits:	
Demand deposits	116,558
Savings deposits	1,244
Time deposits	98,867
Short term borrowings	2,766

Long term borrowings	332
Total interest expense	219,767
Net interest income	581,877
Provision for loan losses	15,209
Net interest income after provision for loan losses	566,668
Other income:	
Loan servicing and subservicing fees	369,027
Initial loan set-up and other fees	398,193
Gain on sale of mortgage loans	103,545
Insurance and investment fee income	51,121
Deposit service charges and fees	23,585
Other	77,759
Total other income	1,023,230

-Continued-

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Operations (continued)
For the Three Month Periods Ended March 31, 2005 and 2004
(Unaudited)

	2005
Salaries and benefits	$ 741,886
Occupancy, net	126,029
Data processing and equipment	138,432
Legal and audit expense	37,687
Consultant fees	33,891
Mortgage banking expense	52,323
Servicing rights amortization	(854)
Advertising	34,386
Memberships and training	26,516
Travel and entertainment	32,002
Supplies and postage	48,993
Insurance	34,658
Other operating expenses	120,084
Total other expenses	1,426,033
Income (loss) before income taxes	163,865
Income tax expense (benefit)	-
Net income (loss)	$ 163,865
Basic and diluted income (loss) per common share	$ 0.04
Weighted average shares outstanding -Basic	4,138,849
Weighted average shares outstanding -Diluted	4,177,787

See accompanying notes to consolidated financial statements (unaudited).

UNIVERSITY BANCORP, INC.
Consolidated Statements of Comprehensive Income (Loss)
For the Three Month Periods Ended March 31, 2005 and 2004
(Unaudited)

	2005	2004
Net income (loss)	$163,865	$(184,528)
Other comprehensive income (loss):		
Unrealized gains/(losses) on securities available for sale	6,868	22,301
Less: reclassification adjustment for accumulated (losses)/gains included in net income (loss)	-	1,311
Other comprehensive income/(loss), before tax effect	6,868	23,612
Income tax expense (benefit)	-	-
Other comprehensive income (loss), net of tax	6,868	23,612
Comprehensive income(loss)	$ 170,733	$(160,916)

See accompanying notes to consolidated financial statements (unaudited).

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Cash
Flows For the three month periods ended March 31, 2005 and 2004
(Unaudited)

	2005
Cash flow from operating activities:	
Net income (loss)	$ 163,865
Adjustments to reconcile net income (loss) to net cash from Operating Activities:	
Depreciation	83,471
Amortization	(854)
Provision for loan losses	15,209
Net gain on sale of securities	-
Gain on mortgage loan sales	(103,545)
Gain on the sale and leaseback of premises	(184,873)
Loss on other real estate owned	10,036
Originations of mortgage loans	(13,300,492)
Proceeds from mortgage loans sales	12,963,266

Net accretion on investment securities	4,468
Change in:	
Real estate owned	-
Other assets	(92,488)
Other liabilities	399,720
Net cash (used in) provided by operating activities	(42,217)
Cash flow from investing activities:	
Purchase of investment securities	-
Proceeds from maturities/paydowns of investment securites	58,337
Proceeds from sales of investment securities	-
Proceeds from sale of other real estate owned	379,521
Loans granted, net of repayments	(901,143)
Premises and equipment expenditures	(48,823)
Net cash used in investing activities	(512,108)

-Continued-

UNIVERSITY BANCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Cash
Flows For the three month periods ended March 31, 2005 and 2004
(Unaudited)

	2005
Cash flow used in financing activities:	
Net (decrease) increase in deposits	3,722,641
Net (decrease) in short term borrowings	(2,416,000)
Principal payments on long term borrowings	(34,000)
Issuance of common stock	35,000
Net cash provided by financing activities	1,307,641
Net change in cash and cash equivalents	753,316
Cash and cash equivalents:	
Beginning of period	1,731,569
End of period	$ 2,484,885
Supplemental disclosure of cash flow information:	
Cash paid for interest	$ 214,415
Supplemental disclosure of non-cash transactions:	
Mortgage loans converted to other real estate owned	$ 291,026
Michigan BIDCO Preferred stock exchanged for a 7.5% promissory note	$ 0

See accompanying notes to consolidated financial statements (unaudited).

UNIVERSITY BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) General

See Note 1 of the Financial Statements incorporated by reference in the Company's 2004 Annual Report on Form 10-K for a summary of the Company's significant accounting policies.

The unaudited financial statements included herein were prepared from the books of the Company in accordance with generally accepted accounting principles and reflect all adjustments which are, in the opinion of management, necessary to provide a fair statement of the results of operations and financial position for the interim periods. Such financial statements generally conform to the presentation reflected in the Company's 2004 Annual Report on Form 10-K. The current interim periods reported herein are included in the fiscal year subject to independent audit at the end of the year.

Basic Earnings per share are calculated based on the weighted average number of common shares outstanding during each period as follows: 4,138,849 and 4,058,108 for the three months ended March 31, 2005 and 2004, respectively.

(2) Investment Securities

The Bank's available-for-sale securities portfolio at March 31, 2005 had a net unrealized loss of $44,489 as compared with a net unrealized loss of approximately $51,356 at December 31, 2004.

Securities available for sale at March 31, 2005:

	Amortized Cost	Unrealized Gains	Losses	Fair Value
U.S. agency mortgage-backed securities	$1,095,159	$ -	$(44,489)	$1,050,670

Securities available for sale at December 31, 2004

	Amortized Cost	Unrealized Gains	Losses	Fair Value
U.S. agency mortgage-backed securities	$1,157,964	$ -	$(51,356)	$1,106,607

(3) Stock options

At March 31, 2005, the Company has a stock-based employee compensation plan. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price greater than or equal to the market value of the underlying common stock on the date of grant. As new options granted were only 0 and 48,000 during the quarters ended March 31, 2005 and 2004, the effect on net income (loss) and earnings (loss) per share if the Corporation had applied the fair value recognition provisions of FASB Statement No. 123(R), Accounting for Share-Based Compensation to stock-based employee compensation was less than $.01 per share in each of the periods presented. In December 2002, SFAS No. 148, "Stock-Based Compensation," was issued, which requires that the Company illustrate the effect on net income and earnings per share if it had applied the fair value principles included in SFAS No. 123 for both annual and interim financial statements. Accordingly, if the Company had elected to recognize compensation cost based on the fair value of the options at grant date, the Company's earnings and earnings per share from continuing operations, assuming dilution, for the three month periods ended March 31, 2005 and 2004 would have been the pro forma amounts indicated below:

	Three months ended March 31,	
	2005	2004
Net earnings:		
As reported	$163,865	($184,528)
Compensation expense	0	1,370
Pro forma	$163,865	($185,898)
Net earnings per share:		
As reported:		
Basic	$0.04	($0.05)
Diluted	$0.04	($0.05)
Pro forma:		
Basic	$0.04	($0.05)
Diluted	$0.04	($0.05)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This report contains certain forward-looking statements which reflect the Company's expectation or belief concerning future events that involve risks and uncertainties. Among others, certain forward looking statements relate to the continued growth of various aspects of the Company's community banking, merchant banking, mortgage banking and investment activities, and the nature and adequacy of allowances for loan losses. The Company can give no assurance that the expectations reflected in forward-looking statements will prove correct. Various factors could cause results to differ materially from the Company's expectations. Among these factors are those referred to in the introduction to the Company's Management Discussion and Analysis of Financial Condition and Results of Operations which appear as Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, which should be read in conjunction with this Report.

The above cautionary statement is for the purpose of qualifying for the "safe harbor" provisions of Section 21E of the Securities Exchange Act of 1934.

SUMMARY

Net income for the Company for the first quarter of 2005 was $163,865, versus a net loss of $184,528 for the same period last year. Community Banking broke even during the current year's first quarter of 2005 as opposed to loss of $53,000 in the prior year. The reduced loss is attributed to management's actions to reduce operating expenses, improve the net interest margin and improve asset quality. Midwest Loan Services, the Bank's subsidiary, reported net income of $150,000 for the three months period March 31, 2005 as opposed to a net loss of $115,000 in the same period in 2004. Operationally, Midwest has reduced costs while increasing servicing and origination income. Midwest's portfolio of mortgage subservicing grew 7.9% in the first quarter of 2005 and is now 20.7% higher than at the end of the first quarter of 2004. Mortgage rates in 2005 increased as compared with December 31, 2004. As a result, the value of the mortgage servicing rights portfolio increased to a point where previous charges for impairment were reduced by approximately $90,000. In the three months ended March 31, 2004, management recorded an impairment in the mortgage servicing rights of $156,000 due to a drop in mortgage rates during March 2004.

The following table summarizes the net income (loss) of each profit center of the Company for the three months ended March 31, 2005 and 2004 (in thousands):

	2005	2004
Community Banking	$ -	$ (53)
Midwest Loan Services	150	(115)
Corporate Office	14	(17)
Total	$ 164	$ (185)

RESULTS OF OPERATIONS

Net Interest Income

Net interest income increased 29.8% to $581,877 for the three months ended March 31, 2005 from $448,424 for the three months ended March 31, 2004. Net interest income rose primarily because of an increase in earning assets and an increased in rates on those assets exceeding the increase on rates paid on interest bearing liabilities. The net interest spread increased to 5.01% in 2005 from 4.57% in 2004.

Interest income

Interest income increased 26.2% to $801,644 in the quarter ended March

31, 2005 from $635,041 in the quarter ended March 31, 2004. An increase in earning assets of $7,979,929 was a major factor in the increase in interest income. The average volume of interest earning assets increased to $47,113,268 in the 2005 period from $39,411,303 in the 2004 period. Additionally, the first quarter of 2005 saw an increased in the prime rate. The overall yield on total interest bearing assets was 6.90% in 2005 as compared to 6.46% in the same period in 2004.

Interest Expense

Interest expense increased 17.8% to $219,767 in the three months ended March 31, 2005 from $186,617 in the 2004 period. The increase was due to an increase in rates paid on interest bearing liabilities and in increase in volume. The cost of funds increased to 1.99% in the 2005 period from 1.82% in the 2004 period.

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MONTHLY AVERAGE BALANCE SHEET AND INTEREST MARGIN ANALYSIS

The following table summarizes monthly average balances, revenues from earning assets, expenses of interest bearing liabilities, their associated yield or cost and the net return on earning assets for the three months ended March 31, 2005 and 2004.

	Three Months Ended March 31, 2005			
	Average Balance	Interest Inc(Exp)	Average Yield (1)	Aver Bala
Interest Earning Assets:				
Commercial Loans	$17,016,061	$361,644	8.62%	$1
Real Estate Loans	25,152,667	383,549	6.18%	1
Installment/Consumer Loans	2,044,736	40,202	7.97%	
Total Loans	44,213,464	785,395	7.20%	3
Investment Securities	2,016,554	11,669	2.35%	
Federal Funds & Bank Deposits	883,250	4,580	2.10%	
Total Interest Bearing Assets	47,113,268	801,644	6.90%	3
Interest Bearing Liabilities:				
Demand Deposits	8,964,321	22,111	1.00%	
Savings Deposits	507,965	1,244	0.99%	
Time Deposits	13,818,080	98,867	2.90%	1
Money Market Accts	20,874,448	94,447	1.83%	1
Short-term Borrowings	628,561	2,766	1.78%	
Long-term Borrowings	17,000	332	7.92%	
Total Interest Bearing Liabilities	44,810,375	219,767	1.99%	4
Net Earning Assets, net interest income, and				

interest rate spread	$2,302,893	$581,877	4.91%	$
Net Interest Margin			5.01%	

(1) Yield is annualized.

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Allowance for Loan Losses

The provision to the allowance for loan losses was $15,209 for the quarters ended March 31, 2005 and $22,500 for the same period ended in 2004. Net charge-offs totaled $18,424 for the three months period ended March 31, 2005 as compared to $(45,278) for the same period in 2004. Illustrated below is the activity within the allowance for the quarters ended March 31 2005 and 2004:

	2005	2004
Balance, January 1	$ 353,124	$ 454,118
Provision for loan losses	15,209	22,500
Loan charge-offs	(20,399)	-
Recoveries	1,975	45,278
Balance, March 31	$ 349,909	$ 521,896

	At March 31, 2005	At December 31, 2004
Total loans (1)	$43,591,493	$42,999,800
Reserve for loan losses	$349,909	$ 353,124
Reserve/Loans % (1)	0.80%	0.82%

The Bank's overall loan portfolio is geographically concentrated in Ann Arbor, Michigan and the future performance of these loans is dependent upon the performance of a relatively limited geographical area.

The following schedule summarizes the Company's non-performing assets:

	At March 31, 2005	At December 31, 2004
Past due 90 days and over and still accruing (1):		
Real estate	$ -	$ -
Installment	-	36,226
Commercial	-	334,883
Subtotal	-	371,109
Nonaccrual loans (1):		
Real estate/construction loans	211,387	591,791
Installment	-	16,739
Commercial	66,550	39,490
Subtotal	277,937	648,020
Other real estate owned	435,512	534,043

Total nonperforming assets	$ 713,449	$1,553,172

	At March 31, 2005	At December 31, 2004
Ratio of non-performing assets to total loans(1)	1.64%	4.40%
Ratio of loans past due over 90 days and non-accrual loans to loan loss reserve	79%	289%

(1) Excludes loans held for sale which are valued at fair market value.

Management believes that the allowance for loan losses is adequate to absorb losses inherent in the loan portfolio, although the ultimate adequacy of the allowance for loan losses is dependent upon future economic factors beyond our control. A downturn in the general nationwide or regional economy will tend to aggravate, for example, the problems of local loan customers currently facing some difficulties. A general nationwide business expansion could result in fewer loan customers being unable to repay their loans. The percentage of the loan loss reserve to loans has gone down from yearend and previous periods due to a significant decrease in non-performing assets. Management has directed significant attention to resolving and liquidating non-performing assets.

Other real estate owned decreased from $534,043 at December 31, 2004 to $435,512 at March 31, 2005. Subsequent to March 21, 2005, substantial progress was made in resolving non-performing assets, including real estate owned. As of May 10, 2005, two properties with a caring cost of over $330,000 are under contract to sell before the end of the second quarter. Significant effort is being made to liquidate the remaining 2 properties. It is management's intent to liquidate these properties for fair value as quickly as possible. In the aggregate no losses are expected if all the properties are sold in a reasonable time frame.

Non-Interest Income

Total non-interest income increased 6.2% to $1,023,230 for the three months ended March 31, 2005 from $963,890 for the three months ended March 31, 2004. The increase was primarily due to higher mortgage servicing and loan origination activity.

At March 31, 2005, Midwest was subservicing 19,670 mortgages, an increase of 7.9 % from 18,233 mortgages subserviced at December 31, 2004.

Non-Interest Expense

Non-interest expense decreased 9.4% to $1,426,033 in the three months ended March 31, 2005 from $1,574,342 for the three months ended March 31, 2004. The decrease was due principally to lower amortization expense of the mortgage servincing rights in the three month period ended March 31, 2005 as compared to the prior year. At March 31, 2005 the Bank and Midwest owned the rights to service mortgages for other institutions, most of which was owned by Midwest.

The balance of mortgages serviced for these institutions was approximately $128 million. The carrying value of these servicing rights was $1,287,171 at March 31, 2005. Market interest rate conditions can quickly affect the value of mortgage servicing rights in a positive or negative fashion, as long-term interest rates rise and fall. The amortization of these rights is based upon the level of principal pay downs received and expected prepayments of the mortgage loans. Mortgage rates in 2005 increased as compared with December 31, 2004. As a result, the value of the mortgage servicing rights portfolio increased to a point where previous charges for impairment were reduced by approximately $90,000. In the three months ended March 31, 2004, management recorded an impairment in the mortgage servicing rights of $156,000 due to a drop in the mortgage rates during March 2004.

Income Taxes

Income tax expense (benefit) was $0 in 2005 and 2004. The effective tax rate was 0% for both three month periods ended March 31 due to existence of loss carryforwards resulting from prior years net operating losses. Future tax benefits have not been recognized as their realization is not considered more likely than not.

Capital Resources

The table below sets forth the Bank's risk based assets, capital ratios and risk-based capital ratios of the Bank. At March 31, 2005, the Bank was considered "well-capitalized".

TIER 1 CAPITAL	March 31, 2005 (in $000s)
Total Equity Capital	$3,020
Less: Unrealized losses on available-for-Sale Securities	(44)
Plus: Minority Interest	462
Less: Other identifiable Intangible Assets	228
Total Tier 1 Capital	3,422
TIER 2 CAPITAL	
Allowance for loans & Lease losses	350
Less: Excess Allowance	-
Total Tier 2 Capital	350
Total Tier 1 & Tier 2 Capital	$3,648
CAPITAL RATIOS	
Tier 1/Total Average Assets of $50,750	6.50%
Tier 1/Total Risk-Weighted Assets of $37,385	8.85%
Tier 1 & 2/Total Risk-Weighted Assets of $37,385	9.76%

Subsequent to March 31, 2005, University Bancorp sold $217,500 of 9%, seven year pay-in-kind preferred stock. Two hundred thousand dollars of the amount raised was invested into University Bank to raise its capital levels to support its ongoing growth.

Liquidity

Bank Liquidity. The Bank's primary sources of liquidity are customer deposits, scheduled amortization and prepayments of loan principal, cash flow from operations, maturities of various investments, borrowings from correspondent lenders secured by securities, residential mortgage loans and/or commercial loans. In addition, the Bank invests in overnight federal funds. At March 31, 2005, the Bank had cash and cash equivalents of $2,484,885. The Bank has a line of credit for $4.0 million from the Federal Home Loan Bank of Indianapolis secured by investment securities and residential mortgage loans and a line of credit for $5.4 million from the Federal Reserve Bank of Chicago secured by commercial loans. In order to bolster liquidity from time to time, the Bank also sells brokered time deposits. At March 31, 2005, the Bank had $6.3 million of these deposits outstanding.

Bancorp Liquidity. In an effort to maintain the Bank's Tier 1 capital to assets ratio above current levels and to increase capital through retained earnings, management does not expect that the Bank will pay dividends to the Company during 2005.

At March 31, 2005, $0 in debt was outstanding as compared to $133,000 at March 31, 2004. At March 31, 2005, Bancorp had $2,947 in cash and investments on hand to meet its working capital needs. Subsequent to March 31, 2005, Bancorp raised $217,500 in 9%, seven year pay in kind preferred stock.

Impact of Inflation

The primary impact of inflation on the Company's operations is reflected in increased operating costs. Since the assets and liabilities of the Company are primarily monetary in nature, changes in interest rates have a more significant impact on the Company's performance than the general effects of inflation. However, to the extent that inflation affects interest rates, it also affects the net income of the Company.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

All financial institutions are significantly affected by fluctuations in interest rates commonly referred to as "interest rate risk." The principal exposure of a financial institution's earnings to interest rate risk is the difference in time between interest rate adjustments or maturities on interest-earning assets compared to the time between interest rate adjustments or maturities on interest-bearing liabilities. Such difference is commonly referred to as a financial institution's "gap position." In periods when interest rates are increasing, a negative gap position will result in generally lower earnings as long-term assets are re-pricing upward slower than short-term liabilities. However during a declining rate environment, the opposite effect on earnings is true, with earnings rising due to long-term assets re-pricing downward slower than short-term liabilities.

Rising long term and short term interest rates tend to increase the value of Midwest Loan Services' investment in mortgage servicing rights and improve Midwest Loan Services' current return on such rights by lowering required amortization rates on the rights. Rising interest rates tends to decrease new mortgage origination activity, negatively impacting current income from the retail mortgage banking operations of the Bank and Midwest Loan Services. Rising interest rates also slow Midwest Loan Services' rate of growth, but increases the duration of its existing subservicing contracts.

The Bank performs a static gap analysis which has limited value as a simulation because of competitive and other influences that are beyond the control of the Bank. The table on the following page details the Bank's interest sensitivity gap between interest-earning assets and interest-bearing liabilities at March 31, 2005. The table is based upon various assumptions of management which may not necessarily reflect future experience. As a result, certain assets and liabilities indicated in the table as maturing or re-pricing within a stated period may, in fact, mature or re-price in other periods or at different volumes. The one-year static gap position at March 31, 2005 was estimated to be ($12,638,000) or -24.05%.

In addition, management prepares an estimate of sensitivity to immediate changes in short term interest rates. At March 31, 2005, the following impact was estimated on net interest margin in the 12 months following an immediate movement of interest rates:

Rate Change	Effect on Net Interest Margin
-1.00%	2.31%
-3.00%	6.93%
+1.00%	-1.39%
+3.00%	-4.17%

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Asset/Liability Position Analysis as of March 31, 2005
(Dollar amounts in Thousands)
Maturing or Repricing in

ASSETS	3 Mos Or Less	91 Days to 1 Year	1 - 3 Years	3 - 5 Years	O Y
Loans - net	$ 11,873	$ 2,428	$ 8,268	$19,721	$ 2
Non-accrual loans		-	-	-	
Securities	100	500	-	-	
Other assets	932	-	-	-	
Cash and Due from Banks	1,005	-	-	-	
Total assets	13,910	2,928	8,268	19,721	2

LIABILITIES					
Time deposits	4,952	7,275	2,355	609	
Demand -interest Bearing	8,625	8,624	9,685	2,920	
Demand - non interest	-	-	-	-	
Savings	-	-	506	-	
Borrowings	-	-	-	-	
Other liabilities	-	-	-	-	
Stockholders' equity	-	-	-	-	
Total liabilities	13,577	15,899	12,546	3,529	
Gap	334	(12,971)	(4,278)	16,192	2
Cumulative gap	$ 334	$(12,638)	$(16,916)	$ (724)	$ 1
Gap percentage	0.63%	-24.05%	-32.20%	-1.38%	3

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ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures.

As of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-14(c) under the Securities Exchange Act of 1934). Based upon that evaluation, which considered the material weaknesses mentioned above, the Chief Executive Officer and Chief Financial Officer concluded that the operation of these disclosure controls and procedures were effective for gathering, analyzing and disclosing information required to be disclosed in connection with the Company's filing of its Quarterly Report on Form 10-Q for the quarter ended March 31, 2005. No significant changes were made in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

(b) Changes in Internal Controls.

During the period covered by this report, there have been no changes in the Company's internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceedings to which the Company or any of its subsidiaries is party or to which any of their properties are subject.

Item 5. Other information

None

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

10.1 Material definitive agreement (Incorporated by reference to Exhibit 10.1 to the Company's report on Form 8K filed on April 15, 2005

16.1 Change in Certifying Accountants (Incorporated by reference to Exhibit 16.1 to the Company's report on Form 8K filed on May 16, 2005)

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31.1 Certificate of the President and Chief Executive Officer of University Bancorp, Inc. pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certificate of the Chief Financial Officer of University Bancorp, Inc. pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certificate of the Chief Executive Officer of University Bancorp, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certificate of the Chief Financial Officer of University Bancorp, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNIVERSITY BANCORP, INC.

Date: May 23, 2005

/s/ Stephen Lange Ranzini

Stephen Lange Ranzini
President and Chief Executive Officer

/s/ Nicholas K. Fortson

Nicholas K. Fortson
Chief Financial Officer

EXHIBIT INDEX

Exhibit	Description
31.1	Certificate of the President and Chief Executive Officer of University Bancorp, Inc. pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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32.2	Certificate of the Chief Financial Officer of University Bancorp, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.1

10-Q 302 CERTIFICATION

I, Stephen Lange Ranzini certify that:

1) I have reviewed this quarterly report on Form 10-Q of University Bancorp, Inc.;
2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to

the period covered by this quarterly report;

3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report;

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;

5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 23, 2005

/s/Stephen Lange Ranzini

Stephen Lange Ranzini
President and Chief Executive Officer

Exhibit 31.2
10-Q 302 CERTIFICATION

I, Nicholas K. Fortson certify that:

1) I have reviewed this quarterly report on Form 10-Q of University Bancorp, Inc.;

2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact

necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report;

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;

5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 23, 2005

/s/Nicholas K. Fortson

Nicholas K. Fortson
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT
TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of University Bancorp, Inc. (the "Registrant") on Form 10-Q for the period ended March 31, 2005 as filed with the Securities and Exchange Commission on May 23, 2003, hereof (the "Report"), the undersigned officers certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that: (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

University Bancorp, Inc

Date: May 23, 2005

By: /s/ Stephen Lange Ranzini

Stephen Lange Ranzini
President and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT
TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of University Bancorp, Inc. (the "Registrant") on Form 10-Q for the period ended March 31, 2005 as filed with the Securities and Exchange Commission on May 23, 2005, hereof (the "Report"), the undersigned officers certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

University Bancorp, Inc

Date: May 23, 2005

By: /s/ Nicholas K. Fortson

Nicholas K. Fortson
Chief Financial Officer