From: Stephen Lange Ranzini [mailto:ranzini@university-bank.com]
Sent: Tuesday, November 14, 2017 1:07 PM
To: Comments
Subject: October 27, 2017 - FDIC Notice of Proposed Rulemaking: Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996; Comment Request (3064-AE59)

To Whom It May Concern:
University Bank strongly supports the proposed changes in this notice of proposed rulemaking. University Bank would recover about $3.5 million of permanent Tier 1 Capital previously deducted from capital under Basel 3 if the rule is implemented as proposed. This would result in a 19.5% increase in Tier 1 capital for our bank from $17,919,000 as of 9/30/2017 to over $21.4 million. Such an increase will materially strengthen our bank and allow additional lending, additional expansion of the bank's balance sheet and potentially even dividends for our shareholders, which should enhance our share price and allow us to raise additional capital in the future as and if ever needed, a key component for long term sustainability of a banking enterprise.

We support the revised Basel 3 capital treatment for Mortgage Servicing Rights, Deferred Tax Assets and Minority Equity Interest in a subsidiary of a bank. While the first and last and not the deferred tax assets are relevant to our bank, in previous periods the deferred tax asset provision would have been relevant.

Our accounting department estimates that the changes require a one-time 30 minute investment of staff time to alter our Basel 3 capital worksheets, which is a minor investment for this major benefit.

Overall, we believe that these changes are positive public policy since:

1. The current restrictions on the ability of our bank to count Mortgage Servicing Rights towards the bank's capital base has caused us to sell over $500 million of Mortgage Servicing Rights to a Wall Street backed hedge fund, which disconnects customers from the bank that originated their mortgage loan to the detriment of those home owners.
2. Deferred Tax Assets assist a bank with a turn-around when it is viable and can demonstrate to its accountants and banking regulators an ability to generate future income.
3. Common stock investment in a subsidiary of a bank can serve as a source of strength for a bank and in the case of our own bank, it was indeed easier to raise new capital for our bank's newly formed niche subsidiary of the bank than for the bank itself. Our bank has over $2.5 million of common stock invested in a subsidiary that holds over $45 million in assets that under current Basel 3 rules cannot be counted as capital.

We urge you to implement these rules changes as of December 31, 2017 and thank you for your efforts at regulatory relief for community banks like our own.
Sincerely,
Stephen Lange Ranzini
President & CEO
University Bank* & University Bancorp**
Ann Arbor, MI USA
((+1)(734) 741-5858 xt 9226 [desk]
7(+1)(734) 741-5859 [fax]
*ranzini@university-bank.com [email]

* Founded in 1890, University Bank® is the 15th oldest bank headquartered in Michigan. We are proud to have been selected as the "Community Bankers of the Year" by both American Banker magazine and the American Bankers Association and as the second fastest growing business of any type in the Greater

Detroit Region by Crain's Detroit Business. As of 6/30/2017, University Bank was managing over $20 billion in financial assets for over 117,000 customers and our 400 employees make us the 5th largest bank based in Michigan.

** University Bank is a Member FDIC and an Equal Housing Lender. University Bank is a wholly-owned subsidiary of University Bancorp, which is listed on the OTCQB stock market under symbol UNIB. We are proud to be noted by American Banker newspaper as the top performing publicly traded bank in the entire United States in 2016 & 2015, based on our return on average equity of 25.25% and 25.21%, respectively. We were also the second highest performing publicly traded community bank in the U.S. based on our 18.75% annual average Return on Equity over the period 2012 to 2014, according to American Banker newspaper. University Bank's five year average Return on Equity is 23.7% and our Return on Equity over the trailing twelve months to 6/30/2017 was 32.2%. For the past 5 years University Bank's annual revenue grew an average of 23.1% and our revenue growth in the first half of 2017 was 52.6%.

The American Bankers Association, through its Corporation for American Banking subsidiary, has endorsed University Bank's subsidiary, Midwest Loan Services Inc., to provide residential mortgage subservicing services to member banks and their borrowers nationwide. Midwest is known for friendly, responsive service and industry-leading technology that help lenders retain customers, reduce costs and ensure regulatory and operational compliance. Midwest's mortgage customers have 14x fewer complaints than the industry average according to the Consumer Financial Protection Bureau's complaint database.

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