

United Community Bancorp
Form 10-Q/A
May 28, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q/A
(Amendment No. 1)

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2009

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: 0-51800

United Community Bancorp

(Exact name of registrant as specified in its charter)

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United States of America
(State or other jurisdiction of

36-4587081
(I.R.S. Employer

incorporation or organization)

Identification No.)

92 Walnut Street, Lawrenceburg, Indiana
(Address of principal executive offices)

47025
(Zip Code)

(812) 537-4822

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. (See the definitions of large accelerated filer, accelerated filer, and smaller reporting company, in Rule 12b-2 of the Exchange Act).

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Large accelerated filer Accelerated filer
Non-accelerated filer Smaller Reporting Company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 8, 2009, there were 7,867,974 shares of the registrant's common stock outstanding, of which 4,655,200 shares were held by United Community MHC.

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EXPLANATORY NOTE

United Community Bancorp, Inc. (the Company) is filing this Amendment No. 1 on Form 10-Q/A (Form 10-Q/A) to its Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, as filed with the Securities and Exchange Commission on May 14, 2009 (Original Form 10-Q) to amend the following:

The Company's Consolidated Statements of Operations in Part I, Item 1, Financial Statements, to correct the amounts reported as income before income taxes and as net income for the nine months ended March 31, 2009, which were reported incorrectly in the Original Form 10-Q; and

The Company's Consolidated Statements of Comprehensive Income (Loss) in Part I, Item I, Financial Statements, to correct the amounts reported as net income and as total comprehensive income for the nine months ended March 31, 2009, which were reported incorrectly in the Original Form 10-Q.

Items included in the Original Form 10-Q that are not included in this Form 10-Q/A are not amended and remain in effect as of the filing date of the Original Form 10-Q. In addition, this Form 10-Q/A does not modify or update the disclosures included in the Original Form 10-Q to reflect events that have occurred after the filing date of the Original Form 10-Q.

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UNITED COMMUNITY BANCORP

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Consolidated Statements of Financial Condition

| <i>(In thousands, except shares)</i> | March 31, 2009 | June 30, 2008 |
|---|-----------------------|----------------------|
| <u>Assets</u> | | |
| Cash and due from banks | \$ 42,029 | \$ 35,710 |
| Investment securities: | | |
| Securities available for sale at estimated market value | 32,233 | 13,816 |
| Securities held to maturity at amortized cost (market approximates cost) | 175 | 200 |
| Mortgage-backed securities available for sale at estimated market value | 25,917 | 24,211 |
| Loans receivable, net | 278,184 | 284,352 |
| Loans available for sale | 280 | 152 |
| Property and equipment, net | 6,123 | 6,320 |
| Federal Home Loan Bank stock, at cost | 1,926 | 1,926 |
| Accrued interest receivable: | | |
| Loans | 1,216 | 1,090 |
| Investments and mortgage-backed securities | 306 | 261 |
| Other real estate owned, net | 2,732 | 2,895 |
| Cash surrender value of life insurance policies | 6,765 | 6,570 |
| Deferred income taxes | 2,453 | 3,092 |
| Prepaid expenses and other assets | 1,275 | 2,131 |
| Total assets | \$ 401,614 | \$ 382,726 |
| <u>Liabilities and Stockholders' Equity</u> | | |
| Deposits | \$ 339,085 | \$ 320,774 |
| Advance from FHLB | 4,083 | 4,833 |
| Accrued interest on deposits | 17 | 77 |
| Accrued interest on FHLB advance | 9 | 10 |
| Advances from borrowers for payment of insurance and taxes | 275 | 287 |
| Accrued expenses and other liabilities | 2,543 | 2,256 |
| Total liabilities | 346,012 | 328,237 |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Preferred stock, \$0.01 par value; 1,000,000 shares authorized, none issued | | |
| Common stock, \$0.01 par value; 19,000,000 shares authorized, 8,464,000 shares issued and 7,867,974 shares outstanding at March 31, 2009 and 8,464,000 shares issued, and 7,902,635 shares outstanding at June 30, 2008 | 36 | 36 |
| Additional paid-in capital | 36,725 | 37,965 |
| Retained earnings | 28,804 | 28,581 |
| Less shares purchased for stock plans | (3,333) | (5,057) |
| Treasury Stock, at cost 596,026 and 561,365 shares at March 31, 2009 and June 30, 2008, respectively | (6,908) | (6,649) |
| Accumulated other comprehensive income: | | |
| Unrealized gain (loss) on securities available for sale, net of income taxes | 278 | (387) |

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| | | |
|--|------------|------------|
| Total stockholders' equity | 55,602 | 54,489 |
| Total liabilities and stockholders' equity | \$ 401,614 | \$ 382,726 |

See accompanying notes to the consolidated financial statements.

Table of Contents**UNITED COMMUNITY BANCORP AND SUBSIDIARIES**

Consolidated Statements of Operations

(In thousands)

| | (Unaudited) For the three months ended March 31, | | (Unaudited) For the nine months ended March 31, | |
|---|--|----------|---|-----------|
| | 2009 | 2008 | 2009 | 2008 |
| Interest income: | | | | |
| Loans | \$ 4,550 | \$ 4,668 | \$ 13,677 | \$ 14,009 |
| Investments and mortgage backed securities | 499 | 604 | 1,546 | 2,414 |
| Total interest income | 5,049 | 5,272 | 15,223 | 16,423 |
| Interest expense: | | | | |
| Deposits | 1,741 | 2,871 | 6,066 | 8,934 |
| Borrowed funds | 33 | | 107 | |
| Total interest expense | 1,774 | 2,871 | 6,173 | 8,934 |
| Net interest income | 3,275 | 2,401 | 9,050 | 7,489 |
| Provision for loan losses | 664 | 2,030 | 1,395 | 3,700 |
| Net interest income after provision for loan losses | 2,611 | 371 | 7,655 | 3,789 |
| Other income: | | | | |
| Service charges | 396 | 370 | 1,326 | 949 |
| Gain on sale of loans | 295 | 14 | 316 | 14 |
| Loss on sale of investments | (77) | (18) | (110) | (18) |
| Income from Bank Owned Life Insurance | 65 | 37 | 195 | 164 |
| Other | 56 | 94 | 206 | 270 |
| Total other income | 735 | 497 | 1,933 | 1,379 |
| Other expense: | | | | |
| Compensation and employee benefits | 1,370 | 1,446 | 4,261 | 4,496 |
| Premises and occupancy expense | 272 | 254 | 817 | 711 |
| Deposit insurance premium | 66 | 9 | 195 | 27 |
| Advertising expense | 68 | 62 | 216 | 215 |
| Data processing expense | 63 | 69 | 175 | 188 |
| ATM service fees | 106 | 88 | 321 | 258 |
| Provision for loss on sale of other real estate owned | 168 | | 168 | |
| Other operating expenses | 625 | 553 | 1,817 | 1,557 |
| Total other expense | 2,738 | 2,481 | 7,970 | 7,452 |
| Income (loss) before income taxes | 608 | (1,613) | 1,618 | (2,284) |

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| | | | | |
|--------------------------------------|---------|-----------|---------|------------|
| Provision (benefit) for income taxes | 259 | (631) | 620 | (903) |
| Net income (loss) | \$ 349 | \$ (982) | \$ 998 | \$ (1,381) |
| Basic earnings (loss) per share | \$ 0.05 | \$ (0.13) | \$ 0.13 | \$ (0.18) |
| Diluted earnings (loss) per share | \$ 0.05 | \$ (0.13) | \$ 0.13 | \$ (0.18) |

See accompanying notes to the consolidated financial statements.

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UNITED COMMUNITY BANCORP AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

(In thousands)

| | For the three months ended March 31, | | For the nine months March 31, | |
|---|---|----------|----------------------------------|------------|
| | 2009 | 2008 | 2009 | 2008 |
| Net income (loss) | \$ 349 | \$ (982) | \$ 998 | \$ (1,381) |
| Other comprehensive income, net of tax | | | | |
| Unrealized gain (loss) on available for sale securities | (56) | 109 | 595 | 616 |
| Plus reclassification adjustment for losses on available for sale securities included in income | 50 | 12 | 70 | 12 |
| Total comprehensive income (loss) | \$ 343 | \$ (861) | \$ 1,663 | \$ (753) |

See accompanying notes to the consolidated financial statements.

Table of Contents**UNITED COMMUNITY BANCORP AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

(Unaudited)

| <i>(In thousands)</i> | Nine months ended March 31, | |
|--|--------------------------------|-----------------|
| | 2009 | 2008 |
| Operating activities: | | |
| Net income (loss) | \$ 998 | \$ (1,381) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation | 356 | 361 |
| Provision for loan losses | 1,395 | 3,700 |
| Provision for losses on real estate acquired through foreclosure | 176 | 28 |
| Deferred loan origination costs | (27) | (79) |
| Amortization of premium on investments | 103 | 105 |
| Proceeds from sale of loans | 37,839 | 1,000 |
| Loans disbursed for sale in the secondary market | (37,803) | (995) |
| Gain on sale of loans | (316) | (14) |
| Loss on the sale of investments | 110 | 18 |
| ESOP shares committed to be released | 79 | 99 |
| Stock-based compensation expense | 405 | 762 |
| Deferred income taxes | 61 | (1,536) |
| Loss (Gain) on sale of other real estate owned | (50) | 32 |
| Effects of change in operating assets and liabilities: | | |
| Accrued interest receivable | (171) | 319 |
| Prepaid expenses and other assets | 856 | 289 |
| Accrued interest on deposits | (60) | (17) |
| Accrued interest on advances from Federal Home Loan Bank | (1) | |
| Accrued expenses and other | 287 | 415 |
| Net cash provided by operating activities | 4,237 | 3,106 |
| Investing activities: | | |
| Proceeds from maturity of available for sale investment securities | 2,266 | 9,301 |
| Proceeds from the sale of available for sale investment securities | 1,799 | |
| Proceeds from the maturity of held to maturity investment securities | 25 | 23 |
| Proceeds from repayment of mortgage-backed securities available for sale | 3,595 | 4,104 |
| Proceeds from sale of mortgage-backed securities | | 5,120 |
| Proceeds from sale of other real estate owned | 620 | 487 |
| Purchases of available for sale investment securities | (22,697) | (6,756) |
| Purchases of mortgage-backed securities | (4,056) | (2,743) |
| Net decrease (increase) in loans | 4,369 | (22,695) |
| Increase in cash surrender value of life insurance | (195) | (164) |
| Capital expenditures | (159) | (502) |
| Net cash used in investing activities | (14,433) | (13,825) |
| Financing activities: | | |
| Net increase in deposits | 18,311 | 1,949 |
| Dividends paid to stockholders | (775) | (767) |

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| | | |
|--|-----------|-----------|
| Repurchases of common stock | (259) | (6,466) |
| Repayments of Federal Home Loan Bank advances | (750) | |
| Net decrease in advances from borrowers for payment of insurance and taxes | (12) | (6) |
| | | |
| Net cash provided by (used in) financing activities | 16,515 | (5,290) |
| | | |
| Net increase (decrease) in cash and cash equivalents | 6,319 | (16,009) |
| Cash and cash equivalents at beginning of period | 35,710 | 43,025 |
| | | |
| Cash and cash equivalents at end of period | \$ 42,029 | \$ 27,016 |

See accompanying notes to the consolidated financial statements.

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BASIS OF PRESENTATION United Community Bancorp (the Company), a Federally-chartered corporation, is the mid-tier holding company for United Community Bank (the Bank), which is a Federally-chartered, FDIC-insured savings bank. The Company was organized in conjunction with the Bank's reorganization from a mutual savings bank to the mutual holding company structure on March 30, 2006. Financial statements prior to the reorganization were the financial statements of the Bank. United Community MHC, a Federally-chartered corporation, is the mutual holding company parent of the Company. As of March 31, 2009, United Community MHC owned 59% of the Company's outstanding common stock and must always own at least a majority of the voting stock of the Company. The Company, through the Bank, operates in a single business segment providing traditional banking services through its office and branches in southeastern Indiana.

The accompanying unaudited financial statements were prepared in accordance with the instructions for Form 10-Q and Regulation S-X and therefore do not include all information or footnotes necessary for complete financial statements in conformity with accounting principles generally accepted in the United States of America. However, all normal recurring adjustments that, in the opinion of management, are necessary for a fair presentation of the financial statements have been included. There are no adjustments other than such normal recurring adjustments. The results for the three and nine month periods ended March 31, 2009 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2009. These financial statements should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes thereto for the year ended June 30, 2008, which are included on the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission on September 26, 2008.

2. EMPLOYEE STOCK OWNERSHIP PLAN (ESOP) As of March 31, 2009 and June 30, 2008, the ESOP owned 245,262 and 275,538 shares, respectively, of the Company's common stock, which were held in a suspense account until released for allocation to participants.

3. EARNINGS PER SHARE (EPS) Basic EPS is based on the weighted average number of common shares outstanding, adjusted for ESOP shares not yet committed to be released. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock. For the three and nine month periods ended March 31, 2009, outstanding options to purchase 346,304 shares were excluded from the computations of diluted earnings per share as their effect would have been anti-dilutive. For the three and nine month periods ended March 31, 2008, 373,261 outstanding stock options and 149,297 unvested restricted stock awards were excluded from the computations of diluted earnings per share as their effect would have been anti-dilutive. The following is a reconciliation of the basic and diluted weighted average number of common shares outstanding:

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---|-------------|--|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| Basic weighted average outstanding shares | 7,541,869 | 7,371,057 | 7,499,198 | 7,758,793 |
| Effect of dilutive stock options and restricted stock | | | 24,607 | |
| Diluted weighted average outstanding shares | 7,541,869 | 7,371,057 | 7,523,805 | 7,758,793 |

4. STOCK-BASED COMPENSATION The Company applies the provisions of SFAS No. 123(R), Share-Based Payment to stock-based compensation, which requires the Company to measure the cost of employee services received in exchange for awards of equity instruments and to recognize this cost in the financial statements over the period during which the employee is required to provide such services. The Company has elected to recognize compensation cost associated with its outstanding stock-based compensation awards with graded vesting on an accelerated basis pursuant to SFAS No. 123(R). The expense is calculated for stock options at the date of grant using the Black-Scholes option pricing model. The expense associated with restricted stock awards is calculated based upon the value of the common stock on the date of grant. No stock-based compensation awards were granted during the nine months ended March 31, 2009.

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5. DIVIDENDS On July 24, 2008, October 23, 2008, and January 22, 2009, the Board of Directors of the Company declared cash dividends on the Company's outstanding shares of stock of \$0.09 per share. The dividends were paid on August 31, 2008, November 30, 2008, and February 5, 2009. Accordingly, cash dividends of \$775,000 were paid to shareholders during the nine month period ended March 31, 2009. United Community MHC, which owns 4,655,200 shares of the Company's common stock, waived receipt of the dividends. On April 23, 2009 the Board of Directors of the Company declared cash dividends on the Company's outstanding shares of stock of \$0.10 per share.

6. SHARE REPURCHASE PLANS During the nine months ended March 31, 2009, the Company purchased 34,661 shares of its outstanding common stock, for a total cost of \$259,000. The shares were purchased as part of a publicly announced plan to buy back stock on August 14, 2008. As of March 31, 2009, 127,710 shares remained to be purchased as part of this plan.

7. SUPPLEMENTAL CASH FLOW INFORMATION

| | Nine Months Ended March 31, | |
|---|--------------------------------|----------|
| | 2009 | 2008 |
| | (Dollars in thousands) | |
| Supplemental disclosure of cash flow information is as follows: | | |
| Cash paid during the period for: | | |
| Income taxes | \$ 10 | \$ 731 |
| Interest | \$ 6,234 | \$ 8,951 |
| Supplemental disclosure of non-cash investing and financing activities is as follows: | | |
| Unrealized gains on securities designated as available for sale, net of tax | \$ 665 | \$ 628 |
| Transfers of loans to other real estate owned | \$ 583 | \$ 781 |

8. TROUBLED DEBT RESTRUCTURINGS From time to time, as part of our loss mitigation process, loans may be renegotiated in a troubled debt restructuring when we determine that greater economic value will ultimately be recovered under the new terms than through foreclosure, liquidation, or bankruptcy. We may consider the borrower's payment status and history, the borrower's ability to pay upon a rate reset on an adjustable rate mortgage, size of the payment increase upon a rate reset, period of time remaining prior to the rate reset, and other relevant factors in determining whether a borrower is experiencing financial difficulty. At March 31, 2009, the Bank had two loans that qualified as troubled debt restructurings. One loan, secured by multifamily residential real estate for \$1.1 million, with an additional \$579,000 available, qualified as a troubled debt restructuring. At March 31, 2009, the Bank has recognized an impairment charge of \$108,000 on that same loan. The other loan, secured by commercial real estate, is for \$2.0 million. At March 31, 2009, the Bank has recognized an impairment charge of \$1.1 million on this loan.

9. EFFECT OF RECENT ACCOUNTING PRONOUNCEMENTS Effective July 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 has been applied prospectively as of the beginning of the year.

In April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. This FSP provides additional guidance for estimating fair value in accordance with FASB Statement No. 157, *Fair Value Measurements* (FAS 157), when the volume and level of activity for the asset or liability have significantly decreased and also includes guidance on identifying circumstances that indicate a transaction is not orderly. This FSP emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. This FSP is effective for the Company on July 1, 2009, and is not expected to have a material impact on the Company's consolidated financial statements.

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In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*. This FSP amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. This FSP is effective for the Company on July 1, 2009, and is not expected to have a material impact on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*. SFAS No. 141(R) establishes principles and requirements for how the acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. SFAS No. 141(R) significantly changes the accounting for business combinations in a number of areas, including the treatment of contingent consideration, preacquisition contingencies, transaction costs and restructuring costs. In addition, under SFAS No. 141(R), changes in an acquired entity's deferred tax assets and uncertain tax positions after the measurement period will impact income tax expense. SFAS No. 141(R) is effective for fiscal years beginning on or after December 15, 2008. This standard requires the immediate expensing of acquisition related costs. This standard is effective for acquisitions completed by the Company after June 30, 2009.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. SFAS No. 161 will require enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133), and its related interpretations and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The Company adopted SFAS No. 161 on January 1, 2009 with no significant impact to the Company's results of operations and financial position.

In April 2008, the FASB issued FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Assets*. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets*. FSP No. FAS 142-3 is effective for fiscal years beginning on or after December 15, 2008 and will apply only to intangible assets acquired after the effective date.

In June 2008, the FASB issued FSP No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. This FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method described in paragraphs 60 and 61 of FASB Statement No. 128, *Earnings per Share*. FSP No. EITF 03-6-1 is effective for fiscal years beginning on or after December 15, 2008. All prior period EPS data presented after adoption is to be adjusted retrospectively to conform with the provisions of FSP No. EITF 03-6-1. Adoption of this standard on July 1, 2009 is not expected to have a significant impact on the Company's results of operations and financial position.

In January 2009, the FASB released Proposed Staff Position SFAS No. 107-b and Accounting Principles Board (APB) Opinion No. 28-a, *Interim Disclosures about Fair Value of Financial Instruments* (SFAS 107-b and APB 28-a). This proposal amends FASB Statement No. 107, *Disclosures about Fair Values of Financial Instruments*, to require disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements. The proposal also amends APB Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in all interim financial statements. This proposal is effective for interim periods ending after June 15, 2009, but early adoption is permitted for interim periods ending after March 15, 2009. The Company plans to adopt SFAS 107-b and APB 28-a and provide the additional disclosure requirements beginning with the first quarter interim period ending on September 30, 2009.

10. DISCLOSURES ABOUT FAIR VALUE FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

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Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value methods and assumptions are set forth below for each type of financial instrument.

| | Fair Value Measurements at March 31, 2009 | | | |
|--------------------------------------|--|---|---|---|
| | March 31, 2009 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant other unobservable inputs (Level 3) |
| <i>Securities available for sale</i> | \$ 58,150 | \$ 58,150 | | \$ |

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy.

Level 2 securities include U.S. Government and agency mortgage-backed securities, U.S. Government agency bonds, and municipal securities. If quoted market prices are not available, the Bank utilizes a third party vendor to calculate the fair value of its available for sale securities. The third party vendor uses quoted prices of securities with similar characteristics when available. If such quotes are not available, the third party vendor uses pricing models or discounted cash flow models with observable inputs to determine the fair value of these securities. At March 31, 2009, the Company had \$25.9 million in mortgage-backed securities, \$28.2 million in U.S. Government agency bonds, and \$4.1 million in municipal bonds, the valuations for which were obtained by the third party vendor without adjustment by the Bank. Management obtains and reviews the third party vendor's Statement of Auditing Standard No. 70 (SAS 70) examination report to evaluate the valuation methodologies and ensure that reported fair values are consistent with the requirements of FAS 157, including proper classification within the fair value hierarchy.

In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. Securities classified within Level 3 include asset-backed securities and private label CMOs. At March 31, 2009, the Company did not have any securities classified as Level 3.

The Company is predominately an asset-based lender with real estate serving as collateral on a substantial majority of loans. Loans which are deemed to be impaired are primarily valued on a nonrecurring basis at the fair values of the underlying real estate collateral. Such fair values are obtained using independent appraisals, which the Company considers to be Level 2 inputs. The aggregate carrying amount of impaired loans at March 31, 2009 was approximately \$3.7 million.

FASB Staff Position Number FAS 157-2 delays the implementation of SFAS 157 until July 1, 2009 with respect to goodwill, other intangible assets, real estate and other assets acquired through foreclosure and other non-financial assets measured at fair value on a nonrecurring basis.

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PART II OTHER INFORMATION

Item 6. EXHIBITS

Exhibit 31.1 Certification of Chief Executive Officer

Exhibit 31.2 Certification of Chief Financial Officer

Exhibit 32 Section 1350 Certifications

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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.

UNITED COMMUNITY BANCORP

May 27, 2009

By: /s/ William F. Ritzmann
William F. Ritzmann
President and Chief Executive Officer