

PUBLIC DISCLOSURE

May 24, 2019

**CRA FOR MORTGAGE LENDERS
PERFORMANCE EVALUATION**

**BROKER SOLUTIONS, INC. d/b/a NEW AMERICAN FUNDING
MC6606**

**14511 MYFORD ROAD, SUITE 100
TUSTIN, CALIFORNIA 92780**

**DIVISION OF BANKS
1000 WASHINGTON STREET
BOSTON, MASSACHUSETTS 02118**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this mortgage lender. The rating assigned to this mortgage lender does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this mortgage lender.

GENERAL INFORMATION

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **Broker Solutions, Inc. d/b/a New American Funding (Broker Solutions or Lender)** pursuant to the Massachusetts General laws chapter 255E, section 8 and the Division of Banks' (Division) regulation 209 CMR 54.00, prepared by the Division, the Lender's supervisory agency, as of May 24, 2019.

SCOPE OF EXAMINATION

An evaluation was conducted using examination procedures, as defined by CRA guidelines. A review of the Division's records, as well as the Lender's public CRA file, did not reveal any complaints related to CRA.

The CRA examination included a comprehensive review and analysis, as applicable, of Broker Solutions':

- (a) origination of loans and other efforts to assist low- and moderate-income (LMI) residents, without distinction, to be able to acquire or to remain in affordable housing at rates and terms that are reasonable considering the lender's history with similarly-situated borrowers, the availability of mortgage loan products suitable for such borrowers, and consistency with safe and sound business practices;
- (b) origination of loans that show an undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units;
- (c) efforts working with delinquent residential mortgage customers to facilitate a resolution of the delinquency; and
- (d) other efforts, including public notice of the scheduling of examinations and the right of interested parties to submit written comments relative to any such examination to the Commissioner of Banks (Commissioner), as, in the judgment of the Commissioner, reasonably bear upon the extent to which a mortgage lender is complying with the requirements of fair lending laws and helping to meet the mortgage loan credit needs of communities in the Commonwealth of Massachusetts (Commonwealth or Massachusetts).

CRA examination procedures were used to evaluate Broker Solutions' community investment performance. These procedures utilized two performance tests: the Lending Test and the Service Test. This evaluation considered Broker Solutions' lending and community development activities for the period of January 1, 2017 through December 31, 2018. The data and applicable timeframes for the Lending Test and Service Test are discussed below.

The Lending Test evaluates a mortgage lender's community investment performance pursuant to the following six criteria: geographic distribution of loans, lending to borrowers of different incomes, innovative and flexible lending practices, loss mitigation efforts, fair lending, and loss of affordable housing.

Home mortgage lending for 2017 and 2018 is presented in the geographic distribution, lending to borrowers of different incomes, and minority application flow tables. Comparative analysis of the Lender's lending performance for 2017 is provided as it is the most recent year for which aggregate

HMDA lending data is available. The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes lending information from all HMDA reporting mortgage lenders which originated loans in Massachusetts.

In addition to gathering and evaluating statistical information relative to a mortgage lender's loan volume, the CRA examination also reflects an in depth review of the entity's mortgage lending using qualitative analysis. This analysis includes, but is not limited to: an assessment of the suitability and sustainability of a mortgage lender's loan products by reviewing its internally maintained records of delinquencies and defaults as well as information publicly available through the Federal Reserve Banks, local Registries of Deeds, and through other sources available to the examination team. The examination included inspection of the Lender's individual loan files for review of compliance with consumer protection provisions and scrutiny of these files for the occurrence of disparate treatment based on a prohibited basis.

The Service Test evaluated the Lender's record of helping to meet the mortgage credit needs by analyzing the availability and effectiveness of the Lender's system for delivering mortgage loan products, the extent and innovativeness of its community development services, and, if applicable, loss mitigation services to modify loans and/or efforts to keep delinquent home borrowers in their homes.

MORTGAGE LENDER'S CRA RATING

This mortgage lender is rated "Satisfactory"

Lending Test: "Satisfactory"

- The geographic distribution of the Lender's loans reflects an adequate dispersion in LMI census tracts as compared to the distribution of owner occupied housing in those census tracts.
- The distribution of borrowers, given the demographics of Massachusetts, reflects an adequate record of serving the credit needs among individuals of different levels, including those of LMI levels.
- Broker Solutions offers flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI level individuals.
- The lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable.
- Fair lending policies are considered adequate.

Service Test: "Needs to Improve"

- Service delivery systems are reasonably accessible to geographies and individuals of different income levels in Massachusetts.
- Broker Solutions had no verifiable Community Development activities within Massachusetts. The Lender does not have a formalized community development (CD) plan and does not track or document CD initiatives within Massachusetts, which assist LMI geographies and LMI individuals.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Broker Solutions was established in California in 2002 and the Division granted it a mortgage lender license in 2005, a mortgage broker license in 2008, and a loan servicing registration in 2017. Broker Solutions is a nationwide residential mortgage lender and licensed in 49 states and the District of Columbia. The Lender's corporate headquarters is located in Tustin, California. At the time of the examination, the Lender had seven branches nationwide, including one in Massachusetts. In Massachusetts, the Lender conducts business under the name New American Funding. Broker Solutions is an approved lender for the Federal Housing Administration (FHA), Veterans Administration (VA), and United States Department of Agriculture (USDA) in addition to offering conventional products.

Broker Solutions' primary focus is the origination and servicing of residential mortgages. The Lender generates its business in Massachusetts through lead aggregators and direct mail campaigns. Approved loan applications are closed and are funded through warehouse lines of credit. The Lender's service-retained loans are serviced via its own internal servicing department. The Lender also sells certain mortgage loans to investors with servicing rights released.

During the examination period, Broker Solutions originated 358 loans totaling approximately \$109.4 million within Massachusetts.

Demographic Information

The regulation requires mortgage lenders to be evaluated on their performance within Massachusetts. Demographic data is provided below to offer contextual overviews of the economic climate along with housing and population characteristics for Massachusetts.

2015 DEMOGRAPHIC INFORMATION OF THE COMMONWEALTH						
Demographic Characteristics	Amount	Low %	Moderate %	Middle %	Upper %	N/A %
Geographies (Census Tracts)	1,478	22.2	19.1	37.5	29.2	2.0
Population by Geography	6,705,586	10.1	18.6	38.9	31.9	0.5
Owner-Occupied Housing by Geography	1,583,667	3.4	13.8	44.4	38.3	0.1
Family Distribution by Income Level	1,620,917	23.3	16.4	19.4	40.9	0.0
Distribution of Low and Moderate Income Families	643,491	17.8	25.8	37.6	18.7	0.1
Median Family Income	\$93,145	Median Housing Value				\$358,764
Households Below Poverty Level	12.0%	Unemployment Rate				3.1*
2017 HUD Adjusted Median Family Income	\$91,119	2018 HUD Adjusted Median Family Income				\$95,779

Source: 2015 American Community Survey (ACS); *Bureau of Labor Statistics as of 12/31/2018

Based on the 2015 American Community Survey (2015 ACS), Massachusetts' population was above 6.7 million people with a total of 2.8 million housing units. Of the total housing units, 1.5 million or 56.0 percent are owner occupied, 966,054 or 34.0 percent are rental units, and 9.8 percent are vacant units.

According to 2015 ACS data, there are 2.5 million households in Massachusetts with a median of household income of \$74,527. Over 41 percent of households are now classified as LMI. Twelve percent of the total number of households is living below the poverty level. Individuals in these categories may find it difficult to qualify for traditional mortgage loan products.

Households classified as "families" totaled slightly over 1.6 million. Of all family households, 23.3 percent were low-income, 16.4 percent were moderate-income, 19.4 percent were middle-income, and 40.9 percent were upper-income. The median family income reported by the 2015 ACS was \$93,145. The Housing and Urban Development (HUD) adjusted median family income was \$91,119 in 2017 and increased to \$95,779 in 2018. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

Massachusetts contained 1,478 Census tracts. Of these, 181 or 12.2 percent are low-income; 282 or 19.1 percent are moderate-income; 555 or 37.5 percent are middle-income; 431 or 29.2 percent are upper-income; and 29 or 2.0 percent are NA or have no income designation. The tracts with no income designation are located in areas that contain no housing units and will not be included in this evaluation since they provide no lending opportunities. These areas are made up of correctional facilities, universities, military installations, and uninhabited locations such as the Boston Harbor Islands.

Low-income is defined as individual income that is less than 50 percent of the area median income. Moderate-income is defined as individual income that is at least 50 percent and less than 80 percent of the area median income. Middle-income is defined as individual income that is at least 80 percent and less than 120 percent of the area median income. Upper-income is defined as individual that is more than 120 percent of the area median income.

The median housing value for Massachusetts was \$358,764 according to the 2015 ACS. The unemployment rate for the Massachusetts as of December 31, 2018, was 3.1 percent, which was a decrease from December 31, 2017, at which time it was 3.6 percent, according to the Bureau of Labor Statistics. Employment rates would tend to affect a borrower's ability to remain current on mortgage loan obligations and also correlates to delinquency and default rates.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TEST

LENDING TEST

Lending performance is rated under six performance criteria: Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending Practices, Loss Mitigation Efforts, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, and conclusions on the mortgage lending of Broker Solutions.

Brokers Solutions' Lending Test performance was determined to be **“Satisfactory”** at this time.

I. *Geographic Distribution*

The geographic distribution of loans was reviewed to assess how well Broker Solutions is addressing the credit needs throughout Massachusetts' low-, moderate-, middle-, and upper-income census tracts. The table below shows the distribution of HMDA-reportable loans by census tract income level. Lending activity is compared with the percent of owner-occupied housing units based on the 2015 ACS demographics and Broker Solutions' 2017 and 2018 home mortgage lending performance. This lending performance is compared to aggregate lending performance in 2017.

<i>Geographic Distribution of HMDA loans by Census Tract</i>						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	3.4	4.8	5	2.9	1,251	2.4
2018	3.4	--	5	2.7	1,278	2.2
Moderate						
2017	13.8	15.9	26	15.0	6,903	13.4
2018	13.8	--	34	18.4	9,101	15.7
Middle						
2017	44.4	43.5	66	38.2	17,776	34.5
2018	44.4	--	81	43.8	22,414	38.7
Upper						
2017	38.3	35.7	76	43.9	25,606	49.7
2018	38.3	--	65	35.1	25,148	43.4
Not Available						
2017	0.1	0.1	0	0.0	0	0.0
2018	0.1	--	0	0.0	0	0.0
Totals						
2017	100.0	100.0	173	100.0	51,536	100.0
2018	100.0	--	185	100.0	57,941	100.0
<i>Source: 2017 & 2018 HMDA Data and 2015 ACS</i>						

Broker Solutions' geographic distribution of loans in low-income tracts was below aggregate lending and the demographics in 2017. The Lender's geographic distribution of loans in moderate-income tracts was slightly below aggregate lending and above the demographics in 2017.

In 2018, the Lender's performance of lending in low-income tracts declined slightly from 2.9 percent to 2.7 percent. Performance in moderate-income tracts improved from 15.0 percent to 18.4 percent. The Lender's performance in 2018 shows a positive trend.

The Lender's geographic distribution of residential mortgage is adequate in light of overall improvement in LMI tract origination.

II. Borrower Characteristics

The distribution of loans by borrower income levels was reviewed to determine the extent to which the Lender is addressing the credit needs of Massachusetts' residents. The table below illustrates HMDA-reportable loan originations and purchases, categorized by borrower income level that was reported by Broker Solutions during 2017 and 2018, and compares this activity to the 2017 aggregate lending data and the percentage of families by income level within the assessment area using the 2015 ACS demographics.

<i>Distribution of HMDA Loans by Borrower Income</i>						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	23.3	5.2	10	5.8	1,759	3.4
2018	23.3	--	20	10.8	3,257	5.6
Moderate						
2017	16.4	17.6	46	26.6	11,633	22.6
2018	16.4	--	47	25.4	11,851	20.5
Middle						
2017	19.4	23.3	40	23.1	11,303	21.9
2018	19.4	--	57	30.8	18,441	31.8
Upper						
2017	40.9	40.8	76	43.9	26,615	51.6
2018	40.9	--	61	33.0	24,392	42.1
Not Available						
2017	0.0	13.0	1	0.6	226	0.5
2018	0.0	--	0	0.0	0	0.0
Totals						
2017	100.0	100.0	173	100.0	51,536	100.0
2018	100.0	--	185	100.0	57,941	100.0

Source: 2017 & 2018 HMDA Data and 2015 ACS

Broker Solutions achieved an adequate record of serving the mortgage credit needs among borrowers of different income levels based on the area's demographics and a comparison to aggregate lending in Massachusetts. Originations for 2017 show the Lender's lending to low-income borrowers was above the aggregate and below the borrower income level demographic. Lending to moderate-income borrowers was above both the aggregate and borrower income demographic for 2017.

In 2018, the Lender's performance among LMI borrowers improved from 2017 to 2018 showing a positive trend from 32.4 percent to 36.2 percent.

III. *Innovative or Flexible Lending Practices*

Broker Solutions offers a variety of flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI individuals and geographies.

The Lender is an approved HUD direct endorsement mortgage lender. FHA products provide competitive interest rates and smaller down payment requirements for LMI first time homebuyers and existing homeowners. In 2017, the Division approved Broker Solutions' application to offer the HUD insured Home Equity Conversion Mortgage product. During the review period, the Lender originated 105 FHA loans totaling \$29.5 million. Of these, 79 benefited LMI individuals or LMI geographies. This included two Home Equity Conversion Mortgage loans made to LMI borrowers.

The Lender is a VA Automatic Approval Agent. The VA program is designed specifically for the unique challenges facing service members, veterans, and their families. The VA program offers low closing costs, no down payment, and no private mortgage insurance. During the review period, the Lender originated 32 VA loans totaling \$10.2 million. Of these, 17 benefited LMI individuals or LMI geographies.

Broker Solutions is approved to offer products guaranteed by the USDA Rural Housing program. USDA is an innovative loan program that provides 100 percent financing for eligible homebuyers in rural-designated areas. This program is for home purchase transactions, which offers a fixed rate, and does not require a down payment and includes low- and moderate-income requirements. During the review period, the Lender originated one USDA loan for \$152,000.00 in a LMI geography.

In 2016, Broker Solutions received approval to originate Massachusetts Housing Finance Authority (MHFA) loans. MHFA loans allow borrowers to buy homes with lower down payments. To be eligible for these loans, a borrower must meet the income and loan limit requirements and restrictions. During the exam period, the Lender originated one loan for \$421,000.00.

IV. *Loss Mitigation Efforts*

The Division reviews a mortgage lender's efforts to work with delinquent home mortgage loan borrowers to facilitate a resolution of the delinquency, including the number of loan modifications,

the timeliness of such modifications, and the extent to which such modifications are effective in preventing subsequent defaults or foreclosures.

Broker Solutions began servicing loans internally in 2016. The Lender has a loss mitigations department and a home retention department that provide early intervention to borrowers who are past due. Available options include repayment plans, forbearance agreements, modifications, short sales, deed-in-lieu of foreclosure depending on the circumstances, and foreclosure. At this time, the delinquency ratio is below industry average.

During the review period, two mortgage loans originated by Broker Solutions in Massachusetts underwent modification of terms one of which remains current. Broker Solutions' lending practices and products did not show an undue concentration or systematic pattern of lending resulting in mortgage loans that were not sustainable. The Lender demonstrates the ability to work with delinquent borrowers to facilitate a resolution of the delinquency.

V. Fair Lending

The Division examines a mortgage lender's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. The Lender's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and ECOA. The review included, but was not limited to, review of written policies and procedures and interviews with Broker Solutions' personnel.

Broker Solutions has established an adequate record relative to fair lending policies and practices. No evidence of discriminatory or other illegal credit practices was identified.

Minority Application Flow

Examiners reviewed Broker Solutions' HMDA data to determine whether the mortgage application flow from various racial and ethnic groups was consistent with the area demographics. During 2017 and 2018, Broker Solutions received 1,041 HMDA-reportable mortgage loan applications from within Massachusetts. Of these applications, 132 or 12.6 percent were received from racial minority applicants, and 49 or 37.1 percent resulted in originations. For the same period, Broker Solutions received 62 or 5.9 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, and 18 or 29.0 percent were originated. This compares to the 33.1 percent and 35.7 percent overall ratio of mortgage loans originated by the Lender in Massachusetts in 2017 and 2018 respectively, and the 72.3 percent originated by the aggregate group in 2017.

Demographic information for Massachusetts reveals the total racial and ethnic minority population stood at 25.7 percent of total population per the 2015 ACS. Racial minorities consisted of 6.5 percent Black; 6.0 percent Asian/Pacific Islander; 0.1 percent American Indian/Alaskan Native; and 2.6 percent identified as Other Race. Ethnic minorities consisted of 10.5 percent Hispanic or Latino.

Refer to the following table for information on the Lender's minority application flow as well as a comparison to aggregate lenders throughout Massachusetts. The comparison of this data assists

in deriving reasonable expectations for the rate of applications the Lender received from minority applicants.

MINORITY APPLICATION FLOW					
RACE	2017 Lender		2017 Aggregate Data	2018 Lender	
	#	%	% of #	#	%
American Indian/ Alaska Native	1	0.2	0.3	2	0.4
Asian	38	7.3	5.5	18	3.5
Black/ African American	20	3.8	4.1	43	8.3
Hawaiian/Pac Isl.	0	0.0	0.1	0	0.0
2 or more Minority	2	0.4	0.1	0	0.0
Joint Race (White/Minority)	4	0.7	1.4	4	0.8
Total Minority	65	12.4	11.5	67	13.0
White	367	70.2	67.0	385	74.3
Race Not Available	91	17.4	21.5	66	12.7
Total	523	100.0	100.0	518	100.0
ETHNICITY					
Hispanic or Latino	30	5.7	5.3	24	4.6
Not Hispanic or Latino	397	75.9	72.4	427	82.4
Joint (Hisp/Lat /Not Hisp/Lat)	4	0.8	1.1	4	0.8
Ethnicity Not Available	92	17.6	21.2	63	12.2
Total	523	100.0	100.0	518	100.0
<i>Source: 2017 & 2018 HMDA Data and 2015 ACS</i>					

In 2017, Brokers Solutions' performance was better than the aggregate's performance for racial minority applicants. For the same period, Broker Solutions' performance was comparable to the aggregate's performance for ethnic minority applicants of Hispanic origin. For 2018, Broker Solutions showed a positive trend in racial minority application flow, however, the application flow for ethnic minorities trended downward.

VI. Loss of Affordable Housing

The review concentrated on the suitability and sustainability of mortgage loans originated by Broker Solutions by taking into account delinquency and default rates of the Lender and those of the overall marketplace. Information provided by the Lender was reviewed, as were statistics available on delinquency and default rates for mortgage loans. A review of information and documentation, from both internal and external sources as partially described above, did not reveal lending practices or products that showed an undue concentration of a systematic pattern of lending, including a pattern of early payment defaults resulting in the loss of affordable housing units. Furthermore, delinquency rates were found to be consistent with industry averages.

SERVICE TEST

The Service Test evaluates a mortgage lender's record of helping to meet the mortgage credit needs in the Commonwealth by analyzing both the availability and effectiveness of a mortgage lender's systems for delivering mortgage loan products; the extent and innovativeness of its community development services; and loss mitigation services to modify loans or otherwise keep delinquent home loan borrowers in their homes. Community development services must benefit Massachusetts or a broader regional area that includes Massachusetts.

Broker Solutions' Service Test performance was determined to be **"Needs to Improve"** during the evaluation period.

Community Development Services

A community development service is a service that:

- (a) has as its primary purpose community development; and
- (b) is related to the provision of financial services, including technical services

The Commissioner evaluates community development services pursuant to the following criteria:

- (a) the extent to which the mortgage lender provides community development services; and
- (b) the innovativeness and responsiveness of community development services.

During the review period, Broker Solutions had no verifiable community development activities within Massachusetts. The Lender does not have a formalized community development (CD) plan and does not track or document CD initiatives within Massachusetts which assist LMI geographies and LMI individuals.

Management is directed to develop an active commitment in community development activities or investments that meet the definitions of community development under the CRA regulation throughout Massachusetts.

Mortgage Lending Services

The Commissioner evaluates the availability and effectiveness of a mortgage lender's systems for delivering mortgage lending services to LMI geographies and individuals.

Broker Solutions provides an adequate level of mortgage lending services to LMI geographies and individuals through origination transactions and mortgage loan servicing in Massachusetts. The Lender offers a variety of mortgage loan products including conventional, FHA, VA, USDA, MHFA, and reverse mortgages.

Consumers can apply for a loan on-line and by telephone. There is one branch located in Massachusetts. Broker Solutions generates its business in Massachusetts through lead aggregators and direct mail campaigns.

Broker Solutions' originations are serviced internally. The Lender is responsible for loss mitigation and delinquencies for the loans that it services. Internal staff works with delinquent homeowners to facilitate a resolution of delinquency and provides options, which may include repayment plans, offering Making Home Affordable Modifications (HAMP) and Home Affordable Foreclosure Alternatives (HAFA) programs, forbearance, loan modifications, deferment, settlement, deed-in-lieu, and short sale. The Lender also sells certain mortgage loans to investors with servicing rights released.

As described above, lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable. Overall, the Lender provides an adequate delivery of mortgage lending services throughout Massachusetts.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 255E, Section 8, and 209 CMR 54.00, the Mortgage Lender Community Investment (CRA) regulation, requires all mortgage lenders to take the following actions within 30 business days of receipt of the CRA evaluation of their mortgage lender:

- 1) Make its most current CRA performance evaluation available to the public.
- 2) Provide a copy of its current evaluation to the public, upon request. The mortgage lender is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the mortgage lender's evaluation, as prepared by the Division of Banks, may not be altered or abridged in any manner. The mortgage lender is encouraged to include its response to the evaluation in its CRA public file.

The Division of Banks will publish the mortgage lender's Public Disclosure on its website no sooner than 30 days after the issuance of the Public Disclosure.