

PUBLIC DISCLOSURE

September 20, 2012

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**GMH MORTGAGE SERVICES LLC
ML134407**

**10 CAMPUS BOULEVARD
NEWTON SQUARE, PA 19073**

**DIVISION OF BANKS
1000 WASHINGTON STREET
BOSTON, MA 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.
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GENERAL INFORMATION

Massachusetts General Laws chapter 255E, section 8 and the Division of Banks' (Division) regulation 209 CMR 54.00, Mortgage Lender Community Investment (MLCI), require the Division to use its authority when examining mortgage lenders subject to its supervision who have made 50 or more home mortgage loans in the last calendar year, to assess the mortgage lender's record of helping to meet the mortgage credit needs of the Commonwealth, including low- and moderate-income neighborhoods and individuals, consistent with the safe and sound operation of the mortgage lender. Upon conclusion of such examination, the Division must prepare a written evaluation of the mortgage lender's record of meeting the credit needs of the Commonwealth.

This document is an evaluation of the MLCI performance of **GMH Mortgage Services LLC (GMH)** prepared by the Division, the mortgage lender's supervisory agency, as of **September 20, 2012**.

SCOPE OF EXAMINATION

An evaluation was conducted using examination procedures as defined by MLCI. A review of the Division's records, as well as the mortgage lender's public MLCI file, did not reveal any complaints.

The MLCI examination included a comprehensive review and analysis, as applicable, of GMH's:

- (a) origination of loans and other efforts to assist low and moderate income 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, 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.

MLCI examination procedures were used to evaluate GMH's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered GMH's lending and community development activities for the period of January 2010 through December 2011. The data and applicable timeframes for the Lending Test and the Service Test are discussed below.

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

Home mortgage lending for 2010 and 2011 is presented in the geographic distribution, lending to borrowers of different incomes and the Minority Application Flow tables. 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 lenders which originated loans in the Commonwealth of Massachusetts.

In addition to gathering and evaluating statistical information relative to a mortgage lender's loan volume, the MLCI examination also reflects an in depth review of the entity's mortgage lending using qualitative analysis, which includes, but is not limited to: an assessment of the suitability and sustainability of the mortgage lender's loan products by reviewing the lender's internally maintained records of delinquencies and defaults as well as information publicly available through the Federal Reserve Banks and through local Registries of Deeds and through other sources available to the examination team. The examination included inspection of 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 evaluates the mortgage lender's record of helping to meet the mortgage credit needs by analyzing 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, if applicable, loss mitigation services to modify loans and/or efforts to keep delinquent home borrowers in their homes.

MORTGAGE LENDER'S MLCI RATING:

This mortgage lender is rated "Satisfactory."

- The geographic distribution of the lender's loans reflects an adequate dispersion in low- and moderate-income census tracts as it is reflective of the distribution of owner occupied housing in those census tracts.
- The distribution of borrower reflects, given the demographics of Massachusetts, a reasonable record of serving the credit need among individuals of different income levels, including low- and moderate-income.
- GMH offers several flexible lending products to address the credit needs of low-and moderate-income individuals. A limited number of mortgage loans representing one type of these products (FHA) were closed in Massachusetts during the review period.
- Fair lending policies and practices are considered reasonable.
- At present time, the lender engages in no Community Development Services.

PERFORMANCE CONTEXT

Description of Mortgage Lender

GMH was established in the state of Delaware on September 3, 2008, and was granted a license by the Division in December 2009. GMH's main office is located at 10 Campus Boulevard in Newton Square, Pennsylvania. The company is also licensed to do business in approximately 12 states throughout Eastern and Southern United States.

GMH offers a variety of mortgage loan products to meet the needs of the Commonwealth's borrowers. GMH is an approved lender for the Federal Housing Administration (FHA) and Veteran Administration (VA), and offers a selection of USDA and MassHousing products.

Underwriting and major functions in the loan process are performed at GMH's main office. Approved loans are funded through available warehouse lines of credit. GMH originates through two separate production channels, each with distinct marketing processes. First is an inbound call center that generates business by posting interest rates on various web sites. Marketing is done at the state level and there is no target marketing based on income. The second method consists of a retail branch network which generates business from realtors and financial advisors. This business is largely based on referrals. GMH acts as a retail lender. Loans originated are closed in GMH's name and sold immediately to investors, servicing rights released.

Demographic Information

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

DEMOGRAPHIC INFORMATION*						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A
Geographies (Census Tracts)	1,361	8.4	21.7	46.1	23.4	0.4
Population by Geography	6,349,097	5.8	20.5	47.6	26.0	0.1
Owner-Occupied Housing by Geography	1,508,248	1.6	12.8	54.0	31.6	
Family Distribution by Income Level	1,587,537	20.5	17.7	22.3	39.5	
Distribution of Low and Moderate Income Families throughout AA Geographies	606,419	10.0	29.4	46.2	14.4	
Median Family Income	\$65,318	Median Housing Value			209,519	
2011 HUD Adjusted Median Family Income	\$84,900	Unemployment Rate			6.9%**	
Households Below Poverty Level	9.8%					

*Source: PCI Corporation Inc., CRA Wiz, Data Source: 2000 US Census

**as of 12/2011

Based on 2000 Census data, the Commonwealth of Massachusetts has a total population of just over 6.3 million people and a total of 2.6 million housing units. Of the total housing units, 1.5 million or 57.5 percent are owner-occupied, 935,332 or 35.7 percent are rental-occupied, and 6.8 percent are vacant units.

There are 2.4 million households in the Commonwealth with a median household income of \$53,686 according to the 2000 Census. Over 40 percent of the households are classified as low- and moderate-income. In addition, 9.8 percent of the total households are living below the poverty level. Individuals in these categories may find it challenging to qualify for traditional mortgage loan products.

Households classified as “families” total slightly over 1.5 million. Of all family households, 20.5 percent are low income, 17.7 percent are moderate income, 22.3 percent are middle income, and 39.5 percent are upper income. The median family income according to the 2000 census was \$65,318. The Housing and Urban Development (“HUD”) adjusted median family income is \$84,900. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth of Massachusetts contains 1,361 Census tracts. Of these, 114 or 8.4 percent are low-income; 295 or 21.7 percent are moderate-income; 628 or 46.1 percent are middle-income; 319 or 23.4 percent are upper-income; and 5 or 0.4 percent are NA or have no income designation. The five census tracts with no income designation are located in Bridgewater (a correctional facility), Boston (islands in Boston Harbor), Amherst (U MASS campus), Harvard (Fort Devens), and Grafton (Tufts Veterinary School). These Census tracts contain no housing units and will not be included in this evaluation since they provide no lending opportunities.

The median housing value for Massachusetts was \$209,519 according to the 2000 Census. However, recent figures from the Warren Group, publishers of the Banker and Tradesman, show the median price for a single-family increased to \$304,000 in May 2011, up 3.3 percent from \$294,000 in 2010. Fluctuating housing values have a direct effect on the types of financial products adequate for homeowners and property buyers.

The unemployment rate for the Commonwealth of Massachusetts as of December 2011 stood at 6.9 percent, down from 8.3 percent in December 2010 and the lowest since January 2009. 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 TESTS

LENDING TEST

GMH's lending efforts are rated under the five performance criteria: Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending Practices, Fair Lending Policies and Procedures, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the mortgage lending of GMH Mortgage.

GMH's Lending Test performance was determined to be "Satisfactory."

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well GMH is addressing the credit needs throughout the Commonwealth of Massachusetts' low-, moderate-, middle-, and upper-income Census tracts.

The mortgage lender's geographic distribution of loans was consistent with the distribution of owner-occupied housing units and the performance of the aggregate distribution of loans for low- and moderate-income borrowers in the Commonwealth for 2010. However, 2011 data shows GMH's declining performance with regard to low- and moderate-income census tracts while the aggregate increased lending in those tracts. Overall, GMH's distribution of loans reflects an adequate distribution of loans in the Commonwealth.

The following table presents GMH's HMDA reportable loans as well as the 2010 and 2011 aggregate data (exclusive of GMH). In addition, the table also reflects the percentage of owner-occupied housing units in each of the Census tract income categories.

<i>Distribution of HMDA Loans by Income Category of the Census Tract</i>							
<i>Census Tract Income Level</i>	<i>% Total Owner-Occupied Housing Units</i>	<i>GMH 2010</i>		<i>Aggregate Lending Data (% of #) 2010</i>	<i>GMH 2011</i>		<i>Aggregate Lending Data (% of #) 2011</i>
		<i>#</i>	<i>%</i>		<i>#</i>	<i>%</i>	
<i>Low</i>	1.6	2	0.9	1.3	2	0.7	1.4
<i>Moderate</i>	12.8	28	12.7	9.9	21	7.8	10.2
<i>Middle</i>	54.0	104	47.3	49.5	131	48.9	49.4
<i>Upper</i>	31.6	86	39.1	39.3	114	42.6	39.0
<i>Total</i>	100.0	220	100.0	100.0	268	100.0	100.0

Source: 2010 and 2011 HMDA Data and 2000 U.S. Census

As reflected in the above table, the highest concentration of residential loans was originated in the middle and upper-income census tract areas in both 2010 and 2011. Given that 85.6 percent of the area's owner-occupied housing units are in middle- and upper-income census tracts, it is reasonable to find the majority of loans originated within these designated census tracts.

For 2011, the lender experienced a moderate increase in overall loan volume. At the same time, the percentages of lending in low- and moderate-income census tract areas have decreased. Both of these percentages, at 0.7 percent and 7.8 percent respectively, were below the 2011 aggregate lending data percentage as well as the percentage of the area's owner-occupied housing units.

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 the Commonwealth's residents.

GMH achieved an adequate record of serving the mortgage credit needs of borrowers of different income levels based on the areas' demographics and a comparison to aggregate lending data in Massachusetts.

The following table shows HMDA-reportable loans to low, moderate, middle, and upper-income borrowers in comparison to the aggregate and the percentage of total families within the Commonwealth in each respective income group.

	Distribution of HMDA Loans by Borrower Income						
Median Family Income Level	% of Families	GMH 2010		Aggregate Lending Data (% of #) 2010	GMH 2011		Aggregate Lending Data (% of #) 2011
		#	%		#	%	
Low	20.5	9	4.1	4.4	12	4.5	6.3
Moderate	17.7	29	13.2	15.3	41	15.3	17.2
Middle	22.3	63	28.6	22.7	72	26.9	24.8
Upper	39.5	109	49.6	42.8	143	53.3	46.8
NA*	0	10	4.5	14.8	0	0.0	4.9
Total	100.0	220	100.0	100.0	268	100.0	100.0

Source: 2010 & 2011 HMDA Data and 2000 U.S. Census *Income Not Available

Lending to moderate-income borrowers, at 13.2 percent in 2010 and 15.3 percent in 2011, was slightly below both the percentage of moderate-income families at 17.7 percent and the performance of the aggregate lending for both years. However, parity with demographics is not expected, especially with regard to low-income families, approximately half of whom are below the poverty level. GMH's distribution of loans by borrower income is comparable to the performance of the aggregate and showed a positive trend over the two complete years reviewed.

III. Innovative or Flexible Lending Practices

GMH offers a number of flexible lending products to Massachusetts consumers, including FHA, VA, USDA, and MassHousing, to address the credit needs of low- and moderate-income individuals or geographies.

During 2010 and 2011, GMH originated 39 FHA guaranteed loans, totaling \$13.35 million. This represents 8.8% of total Massachusetts business volume. Of those transactions, seven were extended to low- and moderate-income borrowers. GMH became a HUD-approved Non-Supervised Loan Correspondent at the end of 2009. FHA products provide competitive interest rates, as well as smaller down payments for low- and moderate-income first-time homebuyers and existing homeowners.

IV. Fair Lending

The Division examines a mortgage lender's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-103 and Regulatory Bulletin 5.3-101. The mortgage lender's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. The review included, but was not

limited to, review of written policies and procedures, interviews with mortgage lender personnel, and individual file review. No evidence of disparate treatment was identified.

GMH has established an adequate record relative to fair lending policies and practices.

Fair lending is incorporated in GMH's company-wide policy and procedures and these documents provide guidance to ensure employees do not discriminate against loan applicants on the basis of race or color, national origin, religion or creed, sex, marital status, familial status, sexual orientation, handicap or disability, or age, or the fact that all or part of the applicant's income is derived from a public assistance program, or has in good faith exercised any right under the Consumer Credit Protection Act.

GMH's lending policies and procedures apply to all employees and are constantly changing to keep pace with the various regulatory changes. All sales personnel receive on-site training from a contracted third party, in line with the NMLS requirements.

MINORITY APPLICATION FLOW

For 2010 and 2011, GMH received 568 HMDA-reportable loan applications from within the Commonwealth of Massachusetts. Of these applications, 25 or 4.4 percent were received from minority applicants, of which 21 or 84.0 percent resulted in originations. GMH received 11 or 1.9 percent of HMDA reportable applications from ethnic groups of Hispanic origin within its assessment area, of which 10 or 90.1 percent were originated. This compares to the 85.9 percent overall ratio of originated loans by the lender.

Demographic information for Massachusetts reveals the total ethnic and racial minority population stood at 18.1 percent of the total population in 2010. This segment of the population is comprised of 6.8 percent Hispanic or Latino and 11.4 racial minorities: 5.0 percent Black; 3.7 percent Asian; 0.2 percent American Indian; 0.0 percent Native Hawaiian/Other Pacific Islander; and 2.4 percent identified as Other Race.

Refer to the following table for information on the mortgage lender's minority application flow as well as a comparison to aggregate lenders throughout the Commonwealth of Massachusetts.

MINORITY APPLICATION FLOW						
RACE	GMH 2010		2010 Aggregate	GMH 2011		2011 Aggregate
	#	%	%	#	%	%
<i>American Indian/ Alaska Native</i>	1	0.4	0.1	0	0.0	.1
<i>Asian</i>	3	1.2	4.8	12	3.7	4.6
<i>Black/ African American</i>	1	0.4	1.9	0	0.0	1.9
<i>Hawaiian/Pac Isl.</i>	0	0.0	0.1	0	0.0	.1
<i>2 or more Minority</i>	0	0.0	0.0	0	0.0	.0
<i>Joint Race (White/Minority)</i>	5	2.1	1.1	3	0.9	1.1
Total Minority	10	4.1	8.0	15	4.6	7.8
<i>White</i>	225	92.2	71.6	251	77.5	68.1
<i>Race Not Available</i>	9	3.7	20.4	58	17.9	24.1
Total	244	100.0	100.0	324	100.0	100.0
ETHNICITY						
<i>Hispanic or Latino</i>	2	0.8	2.1	3	0.9	2.1
<i>Not Hispanic or Latino</i>	225	92.2	76.5	284	87.7	73.1
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	4	1.6	0.8	2	0.6	.8
<i>Ethnicity Not Available</i>	13	5.4	20.6	35	10.8	24.0
Total	244	100.0	100.0	324	100.0	100.00

Source: PCI Corporation CRA Wiz, Data Source: 2000 U.S. Census Data

GMH's total applications were below the 2010 and 2011 aggregate's performance for racial minority applicants. GMH received 4.4 percent and 4.6 percent of its applications from racial minorities while the aggregate received 8.0 percent and 7.8 percent. The lender did have a positive trend while the aggregate's was declining. The mortgage lender's performance was also slightly below the aggregate for applications from ethnic minorities. GMH received 2.4 percent of its applications from ethnic minorities while the aggregate received 2.9 percent in 2010. For 2011, GMH's performance for ethnic minorities declined to 1.5 percent while the aggregate remained at 2.9 percent.

The Division recommends management review its marketing processes to ensure all segments of the population are reached.

V. *Loss of Affordable Housing*

This review concentrated on the suitability and sustainability of mortgage loans originated by GMH by taking into account delinquency and default rates of the mortgage 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. Additionally, individual mortgage loans were tracked for their status through local Registries of Deeds and other available sources including public records of foreclosure filings.

An extensive 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 or a systematic pattern of lending, including a pattern of early payment defaults, resulting in the loss of affordable housing units. Further, 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 the Commonwealth or a broader regional area that includes the Commonwealth.

GMH's Service Test performance was determined to be "Needs to Improve" at this time.

Mortgage Lending Services

The Commissioner evaluates the availability and effectiveness of a mortgage lender's systems for delivering mortgage lending services, pursuant to the following criteria:

- (a) the availability and effectiveness of systems for delivering mortgage lending services (e.g., Internet, telephone solicitation, direct mail) in low- and moderate-income geographies and to low- and moderate-income individuals, including, to the extent applicable, the current distribution of the mortgage lender's branches among low-, moderate-, middle-, and upper-income geographies;
- (b) 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; and

(c) the range of services provided in low-, moderate-, middle-, and upper- income geographies and the degree to which the services are tailored to meet the needs of those geographies.

GMH provides an effective delivery of mortgage lender services accessible to geographies and individuals of different income levels in the Commonwealth. Customers can apply to GMH for a mortgage over the telephone and via the company's website. GMH's main office is located at 10 Campus Boulevard in Newtown Square, Pennsylvania. Presently, GMH does not maintain a branch office in Massachusetts.

Business development relies primarily on referrals and repeat customers. GMH does minimal advertising in Massachusetts.

As GMH does not routinely service mortgage loans, it would not work directly with delinquent borrowers. Therefore, this review would not include an evaluation of loan mitigation and modification efforts as the mortgage lender would not be accountable for such action. However, 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.

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.

At present, GMH is not engaged in any such activity.

Qualified Investments

A Qualified Investment for the purposes of this MLCI evaluation is a lawful investment, deposit, membership share, or grant that has as its primary purpose community development. The evaluation considered (1) the number of investments and grants, (2) the extent to which community development opportunities have been made available to the institution, and (3) the responsiveness of the institution's community development grants to the assessment area's needs.

GMH does not currently engage in any qualified community development investments.

Management is encouraged to employ a strong focus and a pro-active commitment in community development activities or investments that meet the definition of community development under the MLCI regulation. Other activities may include, but not necessarily be limited to: financial literacy education initiatives targeted to low and moderate-income individuals; and foreclosure prevention counseling and/or providing technical assistance to community organizations in a leadership capacity.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

- 1) Make its most current MLCI performance evaluation available to the public.
- 2) Provide a copy of its current evaluation to the public, upon request. In connection with this, 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 MLCI 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.