

PUBLIC DISCLOSURE

March 18, 2019

**CRA FOR MORTGAGE LENDERS
PERFORMANCE EVALUATION**

**MORTGAGE RESEARCH CENTER, LLC
d/b/a Veterans United Home Loans, Veteran Loan Center,
www.VAMortgageCenter.com and VALoans.com
MC1907**

**1400 VETERANS UNITED DRIVE
COLUMBIA, MISSOURI 65203**

**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 **Mortgage Research Center, LLC d/b/a Veterans United Home Loans, Veteran Loan Center, www.VAMortgageCenter.com and VALoans.com (Mortgage Research Center 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 March 18, 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 Mortgage Research Center's:

- (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 within the Commonwealth of Massachusetts (Massachusetts).

CRA examination procedures were used to evaluate Mortgage Research Center's community investment performance. These procedures utilized two performance tests: the Lending Test and Service Test. This evaluation considered Mortgage Research Center's lending and community development activities for the period of January 1, 2016, through December 31, 2017. 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 2016 and 2017 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 2016 and 2017 is provided as those are the most recent years 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, which 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: "High Satisfactory"

- The geographic distribution of the Lender's loans reflect a good 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 a good record of serving the credit needs among individuals of different levels, including those of LMI levels.
- Mortgage Research Center 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: "Satisfactory"

- Service delivery systems are reasonably accessible to geographies and individuals of different income levels in Massachusetts.
- Mortgage Research Center provided a reasonable level of Community Development activities within Massachusetts.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Mortgage Research Center was established in Missouri in 2002 and the Division granted it a mortgage broker and mortgage lender license in 2005. Mortgage Research Center is a nationwide residential mortgage lender and licensed in 50 states and the District of Columbia. The Lender's corporate headquarters is located in Columbia, Missouri.

In Massachusetts, the Lender conducts business under the names Veterans United Home Loans, Veteran Loan Center, www.VAMortgageCenter.com, and VALoans.com. Mortgage Research Center's primary focus is the originating of residential mortgages using the US Department of Veterans Affairs (VA) mortgage programs. The Lender is also approved to offer Federal Housing Administration (FHA), USDA, and Fannie Mae conventional loan products. The Lender's current business development relies upon online marketing. The Lender has no branches in Massachusetts. The Lender originates and sells residential mortgage loans to the secondary market with servicing rights released or securitized to Ginnie Mae with servicing rights retained and serviced through Cenlar, FSB.

During the examination period of 2016 and 2017, Mortgage Research Center originated 668 loans totaling approximately \$277.8 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.

2010 CENSUS DEMOGRAPHIC INFORMATION						
Demographic Characteristics	Amount	Low %	Moderate %	Middle %	Upper %	N/A %
Geographies (Census Tracts)	1,474	11.1	19.0	40.6	27.9	1.4
Population by Geography	6,547,629	9.2	18.0	42.4	30.2	0.2
Owner-Occupied Housing by Geography	1,608,474	3.1	13.0	48.3	35.6	0.0
Family Distribution by Income Level	1,600,588	22.2	16.5	20.6	40.7	0.0
Distribution of Low and Moderate Income Families	619,565	15.7	25.9	40.9	17.5	0.0
Median Family Income	\$86,272	Median Housing Value				\$373,206
Households Below Poverty Level	11.1%	Unemployment Rate				3.6*
2016 HUD Adjusted Median Family Income	\$86,904	2017 HUD Adjusted Median Family Income				\$91,119

Source: 2010 US Census; *Bureau of Labor Statistics as of 12/31/2017

Based on the 2010 Census, Massachusetts's population was above 6.5 million people with a total of 2.8 million housing units. Of the total housing units, 1.6 million or 57.7 percent are owner occupied, 904,078 or 32.5 percent are rental-occupied, and 9.8 percent are vacant units.

According to the 2010 Census, there are 2.5 million households in Massachusetts with a median of household income of \$69,101. Over 39 percent of households are now classified as LMI. Over 11 percent of the total number households are 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, 22.2 percent were low-income, 16.5 percent were moderate-income, 20.6 percent were middle-income, and 40.7 percent were upper-income. The median family income reported by the 2010 Census was \$86,272. The Housing and Urban Development (HUD) adjusted median family income was \$86,904 in 2016 and increased to \$91,119 in 2017. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

Massachusetts contained 1,474 Census tracts. Of these, 164 or 11.1 percent are low-income; 281 or 19.0 percent are moderate-income; 598 or 40.6 percent are middle-income; 411 or 27.9 percent are upper-income; and 20 or 1.4 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 \$373,206 according to the 2010 Census. The unemployment rate for the Massachusetts as of December 31, 2017, stood at 3.6 percent, which was a decrease from December 31, 2016, at which time it stood at 3.8 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 Mortgage Research Center.

Mortgage Research Center's Lending Test performance was determined to be "**High Satisfactory**" at this time.

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well Mortgage Research Center 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 U.S. Census demographics and Mortgage Research Center's 2016 and 2017 home mortgage lending performance. This lending performance is compared to aggregate lending performance in 2016 and 2017.

<i>Geographic Distribution of HMDA loans by Census Tract</i>						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	3.1	3.5	8	1.7	1,897	1.4
2017	3.4	4.8	19	3.9	3,932	2.7
Moderate						
2016	13.0	12.9	78	16.3	17,784	13.2
2017	13.8	15.9	92	18.8	24,984	17.4
Middle						
2016	48.3	47.0	264	55.1	74,526	55.4
2017	44.4	43.5	253	51.7	73,289	51.2
Upper						
2016	35.6	36.6	129	26.9	40,359	30.0
2017	38.3	35.7	125	25.6	41,083	28.7
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.1	0.1	0	0.0	0	0.0
Totals						
2016	100.0	100.0	479	100.0	134,566	100.0
2017	100.0	100.0	489	100.0	143,288	100.0

Source 2016 & 2017 HMDA Data and 2010 U.S. Census

Mortgage Research Center's geographic distribution of loans in low-income tracts was below aggregate lending and the demographics in 2016. In 2017, the Lender's performance of lending in low-income tracts improved from 1.7 percent to 3.9 which was below aggregate lending and above the demographics in 2017. The Lender's geographic distribution of loans in moderate-income tracts was above aggregate lending and the demographics in 2016 and 2017. The Lender's geographic distribution of residential mortgage is good 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 were reported by Mortgage Research Center during 2016 and 2017, and compares this activity to the 2016 and 2017 aggregate lending data and the percentage of families by income level within the assessment area using U.S. Census demographics.

<i>Distribution of HMDA Loans by Borrower Income</i>							
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%	
Low							
2016	22.2	4.2	29	6.1	5,044	3.7	
2017	23.3	5.2	30	6.1	5,642	3.9	
Moderate							
2016	16.5	14.9	152	31.7	37,080	27.6	
2017	16.4	17.6	167	34.2	41,692	29.1	
Middle							
2016	20.6	22.5	172	35.9	48,534	36.1	
2017	19.4	23.3	170	34.8	50,648	35.3	
Upper							
2016	40.7	44.4	110	23.0	39,604	29.4	
2017	40.9	40.8	117	23.9	44,035	30.7	
Not Available							
2016	0.0	14.0	16	3.3	4,304	3.2	
2017	0.0	13.0	5	1.0	1,271	0.9	
Totals							
2016	100.0	100.0	479	100.0	134,566	100.0	
2017	100.0	100.0	489	100.0	143,288	100.0	

Source: 2016 & 2017 HMDA Data and 2010 U.S. Census

Mortgage Research Center achieved a good 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 2016 and 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 2016 and 2017.

III. *Innovative or Flexible Lending Practices*

Mortgage Research Center 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 has been a VA Automatic Approval Agent since 2004. 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 948 VA loans totaling \$273.3 million. Of these, 367 benefited LMI individuals and 191 benefited LMI geographies.

The Lender has been an approved HUD direct endorsement mortgage lender since 2004. FHA products provide competitive interest rates and smaller down payment requirements for LMI first time homebuyers and existing homeowners. During the review period, the Lender originated 12 FHA loans totaling \$2.8 million. Of these, 7 benefited LMI individuals and 6 benefited LMI geographies.

IV. *Loss Mitigation Efforts*

The Division reviews 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. Mortgage Research Center does not routinely service mortgage loans for Massachusetts consumers; it does not work directly with delinquent borrowers. Therefore, this review did not include an evaluation of loan mitigation and modification efforts. Lending practices and products did not show an undue concentration or systematic pattern of lending resulting in mortgage loans that were not sustainable.

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 the Equal Credit Opportunity Act. The review included, but was not limited to, review of written policies and procedures and interviews with Mortgage Research Center's personnel.

Mortgage Research Center's compliance with the laws relating to discrimination and other illegal credit practices was reviewed. Mortgage Research Center 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 Mortgage Research Center's HMDA data to determine whether the mortgage application flow from various racial and ethnic groups was consistent with the area demographics. During 2016 and 2017, Mortgage Research Center received 1,929 HMDA-reportable mortgage loan applications from within Massachusetts. Of these applications, 218 or 11.3 percent were received from racial minority applicants, and 110 or 50.4 percent resulted in originations. For the same period, Mortgage Research Center received 143 or 7.4 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, and 81 or 56.6 percent were originated. This compares to the 63.5 percent overall ratio of mortgage loans originated by the Lender in Massachusetts, and the 76.9 percent approved by the aggregate group.

Demographic information for Massachusetts reveals the total racial and ethnic minority population stood at 23.9 percent of total population as of 2010 Census. Racial minorities consisted of 6.0 percent Black; 5.3 percent Asian/Pacific Islander; 0.2 percent American Indian/Alaskan Native; and 2.8 percent identified as Other Race. Ethnic minorities consisted of 9.6 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 mortgage lender received from minority applicants.

MINORITY APPLICATION FLOW						
RACE	2016 Lender		2016 Aggregate Data	2017 Lender		2017 Aggregate Data
	#	%	% of #	#	%	% of #
American Indian/ Alaska Native	4	0.4	0.2	10	1.0	0.3
Asian	12	1.3	5.4	11	1.1	5.5
Black/ African American	56	6.0	3.6	64	6.4	4.1
Hawaiian/Pac Isl.	4	0.4	0.2	9	0.9	0.1
2 or more Minority	0	0.0	0.1	4	0.4	0.1
Joint Race (White/Minority)	21	2.2	1.3	23	2.3	1.4
Total Minority	97	10.3	10.8	121	12.1	11.5
White	702	75.1	68.9	739	74.4	67.0
Race Not Available	136	14.6	20.3	134	13.5	21.5
Total	935	100.0	100.0	994	100.0	100.0
ETHNICITY						
Hispanic or Latino	45	4.8	4.5	71	7.1	5.3
Not Hispanic or Latino	755	80.7	74.5	790	79.5	72.4
Joint (Hisp/Lat /Not Hisp/Lat)	12	1.3	1.1	15	1.5	1.1
Ethnicity Not Available	123	13.2	19.9	118	11.9	21.2
Total	935	100.0	100.0	994	100.0	100.0

Source: 2016 & 2017 HMDA Data and 2010 U.S. Census

In 2016 and 2017, Mortgage Research Center's performance was comparable to the aggregate's performance for racial minority applicants. For the same time period, Mortgage Research Center's performance was above the aggregate's performance for ethnic minority applicants of Hispanic origin.

VI. Loss of Affordable Housing

The review concentrated on the suitability and sustainability of mortgage loans originated by Mortgage Research Center 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 Massachusetts 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.

Mortgage Research Center's Service Test performance was determined to be "**Satisfactory**" 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.

Mortgage Research Center provided a reasonable level of Community Development Services in Massachusetts.

The Lender offers a free credit building program to its applicants. This program assists consumers who are facing credit obstacles and who do not qualify for a loan at the time of an inquiry. Consultants assist in mapping a plan, providing guidance on how to dispute charges on credit

reports, pay down debt, and establish savings. The Lender's website also offers a VA home buying Guide, calculators, and a library of resources.

Mortgage Research Center established the "Veterans United Foundation" (Foundation) in 2011, which contributes on a local and national level to charities focused on veterans and service members. The Foundation has made donations to the Massachusetts Mortgage Bankers Foundation, an organization that partners with nonprofit organizations to help support affordable homeownership, and Homes For Our Troops, an organization that builds homes for veterans in need in Massachusetts and around the country.

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.

Mortgage Research Center provides an adequate level of mortgage lending services to LMI geographies and individuals through home purchase and refinance transactions and mortgage loan servicing in Massachusetts. The Lender specializes in the VA loan product and also makes available, FHA, USDA, and conventional loan products. The Lender generates its business in Massachusetts through internet marketing. Consumers can apply for a loan on line and by telephone. The majority of originations are sold on the secondary market with servicing rights retained. Mortgage Research Center uses a third party sub-servicer to service these loans and handle loss mitigation, foreclosures, and bankruptcies.

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.