

**PUBLIC DISCLOSURE**

**7/28/2020**

**MORTGAGE LENDER COMMUNITY INVESTMENT  
PERFORMANCE EVALUATION**

**NEW DAY FINANCIAL, LLC  
d/b/a NewDay USA and d/b/a NewDay Home Loans  
MC1043**

**8160 Maple Lawn Boulevard  
Fulton, Maryland 20759**

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

<p><b>NOTE:</b> 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.</p>
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## GENERAL INFORMATION

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **New Day Financial, LLC d/b/a NewDay USA and d/b/a NewDay Home Loans (New Day Financial or Lender)** pursuant to 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 July 28, 2020.

## 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 New Day Financial'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 in the Commonwealth of Massachusetts (Commonwealth or Massachusetts).

CRA examination procedures were used to evaluate New Day Financial's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered New Day Financial's lending for the period of January 1, 2018 through December 31, 2019 and community development activities for the same period. 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 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 data for 2018 and 2019 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 2018 and 2019 is also provided. 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 Home Mortgage Disclosure Act (HMDA) reporting mortgage lenders that 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 the mortgage lender's loan products by reviewing the mortgage lender's 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 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 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.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects an adequate record of servicing the credit needs among individuals of different income levels.
- New Day Financial offers flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI 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 and practices are considered adequate.

### **Service Test: “Needs to Improve”**

- New Day Financial did not provide community development activities within the Commonwealth.
- The Lender’s service delivery systems are reasonably accessible to geographies and individuals of different income levels in the Commonwealth.

## **PERFORMANCE CONTEXT**

### **Description of Mortgage Lender**

New Day Financial was organized in Delaware as a limited liability company on November 27, 2002 and the Division granted a mortgage lender and a mortgage broker license to New Day Financial on October 14, 2004. The Lender’s corporate office is located at 8160 Maple Lawn Boulevard in Fulton, Maryland. New Day Financial is an automatic approval underwriter for Department of Veterans Affairs (VA) and an approved Direct Endorsement underwriter for the Federal Housing Administration (FHA) and FHA Home Equity Conversion Mortgage (HECM) reverse mortgages. New Day is licensed to lend in 44 states and the District of Columbia. Although New Day Financial maintains a license in Massachusetts, the Lender is not accepting loan inquiries or applications in the Commonwealth as of the date of this evaluation.

The Lender’s business focuses both on the retail origination and underwriting of residential first mortgage loans. The loan types made are primarily VA purchases and refinances while some FHA purchase and refinance loans are also made. New Day Financial is an approved seller servicer and retains the servicing rights on a portion of its loans and also sells loans to secondary investors. In addition to the internal staff that monitors the servicing of the loans, New Day Financial outsources the mortgage servicing operations to a third party loan servicer, with whom it has contracted to service loans and perform loss mitigation for the loans when it has retained the servicing rights.

During 2018 and 2019, New Day Financial originated 254 loans totaling approximately \$73.3 million in Massachusetts.

### **Demographic Information**

The Division’s regulation 209 CMR 54.00 requires mortgage lenders to be evaluated on their performance within the Commonwealth. Demographic data is provided below to offer contextual overviews of the economic climate along with housing and population characteristics for Massachusetts.

<b>DEMOGRAPHIC INFORMATION OF THE COMMONWEALTH</b>						
<b>Demographic Characteristics</b>	<b>Amount</b>	<b>Low %</b>	<b>Moderate %</b>	<b>Middle %</b>	<b>Upper %</b>	<b>N/A %</b>
Geographies (Census Tracts)	1,478	12.2	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			2.8%*
2018 HUD Adjusted Median Family Income		\$95,500	2019 HUD Adjusted Median Family Income			\$101,200
<i>Source: 2015 ACS US Census; * Bureau of Labor Statistics as of 12/31/2019</i>						

Based on the 2015 American Community Survey (ACS), the Commonwealth's population was above 6.7 million people with a total of 2.8 million housing units. Of the total housing units, 1.58 million or 56.4 percent are owner occupied, 966,054 or 34.5 percent are rental units, and 9.1 percent are vacant units.

According to the ACS data, there are 2.5 million households in the Commonwealth 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 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 1.62 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 ACS data was \$93,145. The Department of Housing and Urban Development (HUD) adjusted median family income was \$95,500 in 2018 and increased to \$101,200 in 2019. The HUD adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth 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 income 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 data. The unemployment rate for Massachusetts as of December 31, 2019, stood at 2.8 percent, which was a decrease from December 31, 2018, at which time it stood at 3.1 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 with delinquency and default rates.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The Lending Test evaluates a mortgage lender’s record of helping to meet the mortgage credit needs of the Commonwealth through its lending activities. 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, as well as conclusions on the mortgage lending of New Day Financial. New Day Financial’s 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 New Day Financial is addressing the credit needs throughout the Commonwealth’s low-, moderate-, middle-, and upper-income census tracts. The table below shows the distribution of HMDA-reportable loans by census tract income level. The lending activity is compared with the percent of owner-occupied housing units based on the ACS census demographics and New Day Financial’s 2018 and 2019 home mortgage lending performance comprised of loans originated and purchased by New Day Financial. This lending performance is compared to aggregate lending performance in 2018 and 2019.

Geographic Distribution of HMDA Loans by Census Tract						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	3.4	4.8	8	5.5	1,671	4.1
2019	3.4	4.4	3	2.8	818	2.5
Moderate						
2018	13.8	15.5	29	19.9	6,924	16.9
2019	13.8	14.6	21	19.4	5,841	18.0
Middle						
2018	44.4	43.2	73	50.0	20,639	50.5
2019	44.4	43.5	53	49.1	16,295	50.2
Upper						
2018	38.3	36.3	36	24.7	11,676	28.5
2019	38.3	37.3	31	28.7	9,475	29.2
Not Available						
2018	0.1	0.2	0	0.0	0	0.0
2019	0.1	0.1	0	0.0	0	0.0
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>146</b>	<b>100.0</b>	<b>40,910</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>108</b>	<b>100.0</b>	<b>32,429</b>	<b>100.0</b>

Source: 2015 ACS Census; 1/1/2018 - 12/31/2019 Lender HMDA Data, 2018 & 2019 HMDA Aggregate Data

As shown in the above table, New Day Financial’s lending to low- and moderate-income geographies during 2018 was above the percentage of owner occupied housing units, as well as above the performance of the aggregate data for lending in low-income census tracts in 2018 and lending to moderate-income census tracts in 2018 and 2019. Data for 2019 showed a decrease in the number of loans made in LMI census tracts and New Day Financial’s lending to low-income borrowers was below the aggregate in 2019. The Lender’s lending performance is considered adequate at this time.

## II. Borrower Characteristics

The distribution of loans by borrower income levels was reviewed to determine the extent to which the mortgage lender is addressing the credit needs of the Commonwealth’s residents. The table below illustrates HMDA-reportable loan originations and purchases, categorized by borrower income level, that were reported by New Day Financial during 2018 and 2019, and compares this activity to the 2018 and 2019 aggregate lending data and the percentage of families by income level within the assessment area using the ACS Census demographics.

<b>Distribution of HMDA Loans by Borrower Income</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2018	23.3	6.2	10	6.8	1,696	4.1
2019	23.3	6.0	7	6.5	1,667	5.1
Moderate						
2018	16.4	18.1	55	37.7	13,339	32.6
2019	16.4	18.2	43	39.8	11,344	35.0
Middle						
2018	19.4	23.0	41	28.1	11,438	28.0
2019	19.4	22.8	36	33.3	11,420	35.2
Upper						
2018	40.9	39.9	30	20.5	10,956	26.8
2019	40.9	39.8	22	20.4	7,998	24.7
Not Available						
2018	0.0	12.8	10	6.8	3,481	8.5
2019	0.0	13.2	0	0.0	0	0.0
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>146</b>	<b>100.0</b>	<b>40,910</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>108</b>	<b>100.0</b>	<b>32,429</b>	<b>100.0</b>

*Source: 2015 ACS Census; 1/1/2018 - 12/31/2019 Lender HMDA Data, 2018 & 2019 HMDA Aggregate Data.*

As shown in the above table, New Day Financial's lending to LMI borrowers during 2018 and 2019 was above the aggregate. Also, lending to moderate income borrowers in 2018 and 2019 was double that of the aggregate and the percentage of families. The Lender's overall lending performance to LMI borrowers is considered adequate at this time.

### **III. Innovative or Flexible Lending Practices**

New Day Financial originated flexible lending products, which were provided in a safe and sound manner to address the credit needs of LMI individuals and geographies. During the examination period, New Day Financial primarily offered products through the VA Home Loan Program to qualifying veterans. VA loans offer veterans flexible terms such as low or no down payments and no monthly insurance premiums. During 2018 and 2019, New Day Financial originated 236 VA loans. For this period, 108 or 46% were made to LMI borrowers and 57 or 24% were made to LMI census tracts. During the evaluation period New Day Financial also originated products insured by HUD through its FHA programs. Examples of these products which may, have helped LMI families included high-LTV offerings, including 97% LTV options, 3.5% down payment purchases, and streamline refinance transactions. During 2018 and 2019, New Day Financial closed 18 FHA loans. For this period, 7 or 39% were made for LMI borrowers and 4 or 22% were made to LMI census tracts.

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

New Day Financial does not directly service loans in Massachusetts. During the examination period, the retained servicing rights were serviced by a third party loan servicer. As New Day Financial does not routinely service mortgage loans for Massachusetts consumers, it would not work directly with delinquent borrowers. Therefore, this review did not include an evaluation of loan mitigation and modification efforts.

### **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 (ECOA). The review included, but was not limited to, a review of written policies and procedures and interviews with New Day Financial's personnel.

New Day Financial 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 New Day Financial's HMDA data to determine whether the mortgage application flow from various racial and ethnic groups was consistent with the area demographics. During 2018, New Day Financial received 1,463 HMDA-reportable mortgage loan applications from within the Commonwealth. Of these applications, 239 or 16.3 percent were received from racial minority applicants. For the same period,

New Day Financial received 94 or 6.4 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin. This compares to the 12.3 percent of mortgage loans originated by the aggregate in Massachusetts to racial minorities and 6.9 percent to ethnic minorities in 2018.

During 2019, New Day Financial received 1,043 HMDA-reportable mortgage loan applications from within the Commonwealth. Of these applications, 126 or 12.1 percent were received from racial minority applicants. For the same period, New Day Financial received 50 or 4.8 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin.

Demographic information for Massachusetts reveals the total racial and ethnic minority population stood at 25.7 percent of total population as of the 2015 ACS data. 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 lending data throughout the Commonwealth. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Lender received from minority applicants.

<b>MINORITY APPLICATION FLOW</b>						
<b>RACE</b>	<b>2018 Lender</b>		<b>2018 Aggregate Data</b>	<b>2019 Lender</b>		<b>2019 Aggregate Data</b>
	#	%	% of #	#	%	% of #
American Indian/ Alaska Native	28	1.9	0.3	11	1.0	0.2
Asian	28	1.9	5.9	9	0.9	5.8
Black/ African American	137	9.4	4.4	76	7.3	4.2
Hawaiian/Pac Isl.	2	0.1	0.2	3	0.3	0.2
2 or more Minority	8	0.5	0.1	4	0.4	0.1
Joint Race (White/Minority)	36	2.5	1.4	23	2.2	1.4
<b>Total Minority</b>	<b>239</b>	<b>16.3</b>	<b>12.3</b>	<b>126</b>	<b>12.1</b>	<b>11.9</b>
White	1,059	72.4	66.4	801	76.8	65.6
Race Not Available	165	11.3	21.3	116	11.1	22.5
<b>Total</b>	<b>1,463</b>	<b>100.0</b>	<b>100.0</b>	<b>1,043</b>	<b>100.0</b>	<b>100.0</b>
<b>ETHNICITY</b>						
Hispanic or Latino	81	5.5	5.8	35	3.4	5.8
Not Hispanic or Latino	1,278	87.4	71.4	898	86.1	70.3
Joint (Hisp/Lat /Not Hisp/Lat)	13	0.9	1.1	15	1.4	1.1
Ethnicity Not Available	91	6.2	21.7	95	9.1	22.8
<b>Total</b>	<b>1,463</b>	<b>100.0</b>	<b>100.0</b>	<b>1,043</b>	<b>100.0</b>	<b>100.0</b>

Source: 1/1/2018 - 12/31/2019 Lender HMDA Data, 2018 & 2019 HMDA Aggregate Data

In 2018 New Day Financial’s performance was above the aggregate’s performance for racial minorities and slightly below the aggregate for ethnic minority applicants. While performance and overall loan volume

decreased to racial and ethnic minority applicants in 2019, applications received from racial minorities remained above the aggregate.

## **VI. Loss of Affordable Housing**

This review concentrated on the suitability and sustainability of mortgage loans originated by New Day Financial 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 or a systematic pattern of lending, including a pattern of early payment defaults, resulting in the loss of affordable housing units.

## 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.

New Day Financial's 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.

New Day Financial did not provide qualified community development services to homeowners in Massachusetts during the review period.

### **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.

New Day Financial provides an adequate level of mortgage lending services to LMI geographies and individuals through home purchase and refinance transactions in Massachusetts. During the examination period, New Day Financial provided mortgage lending services by internet and telephone. Overall, the Lender provides an adequate delivery of mortgage lending services throughout the Commonwealth.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 255E, Section 8, and 209 CMR 54.00, the Mortgage Lender Community Investment (CRA) regulation, require 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 Lender's Public Disclosure on its website no sooner than 30 days after the issuance of the Public Disclosure.