

PUBLIC DISCLOSURE

APRIL 9, 2018

**CRA FOR MORTGAGE LENDERS
PERFORMANCE EVALUATION**

**PRIMARY RESIDENTIAL MORTGAGE, INC.
ML3094**

**1480 NORTH 2200 WEST
SALT LAKE CITY, UTAH 84116**

**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

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **Primary Residential Mortgage, Inc., (Primary Residential 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 **April 9, 2018**.

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 mortgage 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 Primary Residential'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.

CRA examination procedures were used to evaluate Primary Residential's community investment performance. These procedures utilized two performance tests: the Lending Test and Service Test. This evaluation considered Primary Residential'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 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 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 the Minority Application Flow Tables. Comparative analysis of the Lender's lending performance for the year of 2016 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 the Commonwealth of 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 the mortgage lender's loan products by reviewing the lender's internally maintained records of the 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 evaluated the mortgage lender's record of helping to meet the mortgage credit needs by analyzing the extent and innovativeness of its community development services, the availability and effectiveness of a mortgage lender's system for delivering mortgage loan products, and if applicable, efforts to keep delinquent home borrowers in their homes, and the range and to what degree of services provided.

MORTGAGE LENDER'S CRA RATING

This mortgage lender is rated “Satisfactory”

Lending Test: “High Satisfactory”

- The geographic distribution of the Lender’s loan reflects a good dispersion in low- and moderate-income level census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects, a good record of servicing the credit needs among individuals of different income levels.
- Primary Residential offers flexible lending products, which are provided in a safe and sound manner to address the credit needs of low- and moderate-income 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. The Lender demonstrates the ability to work with delinquent borrowers to facilitate a resolution of delinquency.
- Fair lending policies are considered adequate.

Service Test: “Needs to Improve”

- Primary Residential provided a limited number of community development activities in the Commonwealth.
- Service delivery systems are reasonably accessible to geographies and individuals of different income levels in the Commonwealth.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Primary Residential was organized in Nevada under the name of Vandeford Center, Inc. on December 31, 1996. On August 10, 2000, the name was changed to Primary Residential Mortgage, Inc., organized for the purpose of making, acquiring, managing, servicing and selling real estate loans. Primary Residential is a subsidiary of Primary Residential Group, Inc., a wholly-owned subsidiary of The Vandeford Company, Inc.

The Lender's corporate headquarters is located in Salt Lake City, Utah. The Lender was first licensed by the Division as a mortgage lender in February, 2002, and currently holds a mortgage lender license and third party servicer registration. The Lender is licensed in forty-nine states and the District of Columbia. There are three branches located in Massachusetts in Salem, Taunton and Worcester.

Primary Residential originates first residential mortgage loans, and is predominantly engaged in the underwriting, funding, selling and servicing of residential first mortgages. The Lender also brokers loans to approved wholesale lenders. The Lender has forty-one loan officers at various locations licensed to originate loans in Massachusetts. Loans are funded through a warehouse line of credit and sells loans to approved correspondent lenders. Primary Residential maintains a servicing portfolio at its servicing location in Centennial Park, Arizona. Primary Residential's business relies upon repeat customers, referrals and marketing efforts. During the examination period of 2016 and 2017, Primary Residential originated 536 loans totaling \$140.1 million in Massachusetts.

Demographic Information

The CRA 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.

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			3.5*
2016 HUD Adjusted Median Family Income	\$86,904		2017 HUD Adjusted Median Family Income			\$91,119

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

Based on the 2010 Census, the Commonwealth'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 the Commonwealth with a median of household income of \$69,101. Over 39 percent of households are now classified as low- and moderate-income. 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.

The Commonwealth of 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 Commonwealth of Massachusetts as of December 31, 2017, stood at 3.5 percent, which was an increase from December 31, 2016, at which time it stood at 3.1 percent. 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

The lending test evaluates a mortgage lender's record of helping to meet the mortgage credit needs of the Commonwealth through its lending activities. Primary Residential's lending efforts are rated under six performance criteria: Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending Practices, Loss Mitigation Efforts, Fair Lending Policies and Procedures, and Loss of Affordable Housing. The following details the data compiled, reviewed and conclusions on Primary Residential's lending.

Primary Residential's Lending Test performance was rated as **"High Satisfactory"**.

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well Primary Residential is addressing the credit needs throughout the Commonwealth of Massachusetts' low-, moderate-, middle-, and upper-income census tracts. The following table shows the distribution of HMDA-reportable loans by census tract income level. The lending activity is compared to the 2016 aggregate data (inclusive of the Lender) and the percentage of owner-occupied housing units within the Commonwealth of Massachusetts within each respective group.

<i>Distribution of HMDA Loans by Income Category of the Census Tract</i>						
Census Tract Income Level	% Total Owner-Occ. Housing Units	2016 Primary Residential		2016 Aggregate Lending Data (% of #)	2017 Primary Residential	
		#	%		#	%
Low	3.1	19	6.3	3.5	21	8.9
Moderate	13.0	67	22.4	12.9	51	21.5
Middle	48.3	156	52.2	47.0	114	48.1
Upper	35.6	57	19.1	36.6	51	21.5
NA	0.0	0	0.0	0.0	0	0.0
Total	100.0	299	100.0	100.0	237	100.0

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

As reflected in the above table, of the total loans originated in 2016 and 2017, 6.3 and 22.4 percent respectively, were in the low- and moderate-income census tracts. The percentages were above the percentage of the of the area's owner occupied housing units in low- and moderate-income census tracts, as well as the aggregate percentages. Lending in low-income census tracts increased from 2016 to 2017.

Overall, the geographic distribution of residential mortgage loans reflects a good dispersion throughout low- and moderate-income geographies within the Commonwealth.

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 following table shows Primary Residential's 2016 and 2017 HMDA-reportable loans to low-, moderate-, middle- and upper-income borrowers in comparison to the percentage of total families within the Commonwealth in each respective income group, and the 2016 aggregate lending data. (inclusive of the Lender)

<i>Distribution of HMDA Loans by Borrower Income</i>						
Median Family Income Level	% of Families	2016 Primary Residential		2016 Aggregate Lending Data (% of #)	2017 Primary Residential	
		#	%		#	%
Low	22.2	23	7.7	4.2	14	5.9
Moderate	16.5	83	27.8	14.9	81	34.2
Middle	20.6	76	25.4	22.5	92	38.8
Upper	40.7	63	21.1	44.4	49	20.7
NA	0	54	18.0	14.0	1	0.4
Total	100.0	299	100.0	100.0	237	100.0

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

As shown in the above table, lending to low- and moderate-income borrowers in 2016 and 2017 was above the aggregate data. Primary Residential's lending to low-income borrowers was below demographics; and lending to moderate-income borrowers was above demographics during the same period. The percentage of lending to moderate-income borrowers increase from 2016 to 2017.

The Lender's overall lending performance of lending to low- and moderate-income borrowers is good.

III. Innovative or Flexible Lending Practices

Primary Residential offers flexible lending products, which are provided in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Primary Residential has been an approved Housing and Urban Development direct endorsement mortgage lender of the Federal Housing Administration (FHA) insured mortgage since 1998. FHA products provide competitive interest rates and smaller down payment requirements for low- and moderate-income first time homebuyers and existing homeowners. During the review period, Primary Residential originated 268 FHA loans totaling \$71.2 million. Of these, 208 or 78 per cent benefited low- or moderate-income individuals or geographies.

The Lender has been a Veterans Administration's Automatic Approval Agent since 1998. The VA Home Loan Guarantee 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 requirement. During the review period, the Lender originated 17 VA loans totaling \$4.8 million. Of these, 11 benefited low- or moderate-income individuals or geographies.

Primary Residential has offered loan products guaranteed by the USDA Rural Housing program which 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 fixed rates, and does not require a down payment and includes low- and moderate-income requirements. During the review period, Primary Residential originated 19 USDA loans for \$3.9 million which benefited 9 low- or moderate-income individuals or geographies.

The Lender also offers the FNMA HomeReady and Freddie Mac HomePossible programs. This program is designed to provide consumers with flexible credit options to help them meet their home buying and refinancing needs, and help mortgage lenders to serve a market of creditworthy low- to moderate-income borrowers. During the review period, Primary Residential originated 25 loans for \$6 million.

In addition, Primary Residential started offering MassHousing loans which allow borrowers to buy homes with lower down payments. To be eligible for these loans, a borrower must meet minimum income and loan limits. During the review period, the lender originated one loan for \$372,400.

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.

Primary Residential services loans internally. Currently, the retained servicing portfolio is valued at \$70.4 million. The Lender has a loss mitigation department and a loan default policy. Available options include repayment plans, forbearance agreements, modifications, short sales, assumptions, and deed-in-lieu of foreclosure depending on the circumstances. At this time, the delinquency ratio is below industry average.

During the review period, five mortgage loans originated by Primary Residential in Massachusetts underwent modification of terms. The majority remain current. There was one foreclosure sale during the examination period. 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 delinquency.

V. Fair Lending

The Division examines a mortgage lender's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. 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 Primary Residential's personnel, and individual file review. No evidence of disparate treatment was found.

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

Fair lending is incorporated in Primary Residential's company-wide policies and procedures that apply to all staff. Fair lending training is incorporated in various courses and delivered using the Lender's intranet system, as well as, outside vendors. All employees are required to complete various classes, upon hire and annually thereafter.

The compliance department is responsible for ensuring that the Lender is in compliance with current laws and regulations. Primary Residential utilizes its internal review teams, to conduct periodic and annual audits for compliance with all regulatory standards, including CRA and Fair Lending.

Minority Application Flow

Examiners reviewed Primary Residential'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, Primary Residential received 830 HMDA-reportable mortgage loan applications from within the Commonwealth of Massachusetts. Of these applications, 140 or 16.9 percent were received from racial minority applicants, and 90 or 64.3 percent resulted in originations. For the same period, Primary Residential received 80 or 9.6 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, and 46 or 57.5 percent were originated. This compares to the 64.6 percent overall ratio of mortgage loans originated by the Lender in Massachusetts, and the 70.8 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 mortgage lender's minority application flow as well as a comparison to aggregate lenders throughout the Commonwealth of 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 Primary Residential		2016 Aggregate Data	2017 Primary Residential	
	#	%	% of #	#	%
American Indian/ Alaska Native	2	0.4	0.2	0	0.0
Asian	6	1.3	5.4	3	0.8
Black/ African American	63	13.7	3.6	55	14.8
Hawaiian/Pac Isl.	1	0.2	0.2	0	0.0
2 or more Minority	1	0.2	0.1	1	0.3
Joint Race (White/Minority)	2	0.4	1.3	6	1.6
Total Minority	75	16.2	10.8	65	17.5
White	346	75.4	68.9	272	73.3
Race Not Available	38	8.4	20.3	34	9.2
Total	459	100.0	100.00	371	100.0
ETHNICITY					
Hispanic or Latino	36	7.8	4.5	32	8.6
Not Hispanic or Latino	386	84.1	74.5	307	82.8
Joint (Hisp/Lat /Not Hisp/Lat)	5	1.1	1.1	7	1.9
Ethnicity Not Available	32	7.0	19.9	25	6.7
Total	459	100.0	100.0	371	100.0

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

In 2016, Primary Residential's overall racial minority and ethnic minority application flow was above the aggregate data. A review of 2017 data shows an increase in the percentage of applications from racial and ethnic minorities.

VI. Loss of Affordable Housing

The review concentrated on the suitability and sustainability of mortgage loans originated by Primary Residential 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.

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 below 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.

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

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 a Primary Residential Loan Officer participated in one homebuyer's education class which was open to the public. Program topics included: credit, overview of loan documentation, and types of mortgage programs including FHA and VA.

Primary Residential has within its division "PRMI Giving Network" which focuses on charitable contributions on a local, national, and international level. Although Primary Residential is involved in philanthropic community service activities, the mortgage lender engaged in a limited amount of qualified community development services providing financial services within Massachusetts during the examination period.

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

Mortgage Lending Services

The Division evaluates the availability and effectiveness of a mortgage lender's system for delivering mortgage lending services to low- and moderate-income individuals and geographies.

Primary Residential provides a reasonable delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in the Commonwealth. Services do not vary in a way that inconveniences geographies or individuals, particularly low- and moderate-income geographies and low- and moderate-income individuals.

Primary Residential originates and services first lien home mortgage loans. Business development relies on multiple delivery systems. Customers can apply for a mortgage with a local Loan Originators over the phone, online, or in person and one of the Lender's has three Massachusetts retail branches. One branch is located in a low-income census tract.

The Lender offers a variety of mortgage loan products including Conventional, Jumbo, FNMA, MassHousing and government insured loans. The Lender is a US Department of Housing and Urban Development (HUD) approved lender, originating Federal Housing Administration (FHA) and Veterans Administration (VA) loans. Primary Residential has been an approved direct-endorsed FHA lender since 1999, a VA lender since 1998, and a Ginnie Mae lender since 2001. The Lender is also an approved Freddie Mac approved lender since 2000.

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.