

PUBLIC DISCLOSURE

October 9, 2013

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**PRIMELENDING, A PLAINSCAPITAL COMPANY
MC13649**

**18111 PRESTON ROAD, SUITE 900
DALLAS TX. 75252**

**DIVISION OF BANKS
1000 WASHINGTON STREET
BOSTON MA. 02118**

<p>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.</p>

GENERAL INFORMATION

Massachusetts General Laws chapter 255E, section 8 and the Division of Banks' (Division) regulation 209 CMR 54.00, Mortgage Lender Community Investment (CRA for Mortgage Lenders), 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 CRA for Mortgage Lenders performance of **PrimeLending, a PlainsCapital Company (PrimeLending or Lender)** prepared by the Division, the mortgage lender's supervisory agency, as of **October 9, 2013**.

SCOPE OF EXAMINATION

An evaluation was conducted using examination procedures, as defined by CRA. 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 for Mortgage Lenders examination included a comprehensive review and analysis, as applicable, of PrimeLending'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 for Mortgage Lenders examination procedures were used to evaluate PrimeLending's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered PrimeLending's lending and community development activities for the period of January 1, 2012 through June 30, 2013. 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 2012 and the first two quarters as of June 30, 2013 (YTD 2013) is presented in the geographic distribution, lending to borrowers of different incomes and the Minority Application Flow tables. Comparative analysis of the mortgage lender's lending performance for the year of 2012 is provided because 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 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 for Mortgage Lenders 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 CRA RATING:

This mortgage lender is rated "Satisfactory."

- The geographic distribution of the Lender's loans reflects a good 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 borrowers reflects, given the demographics of Massachusetts, a good record of serving the credit need among individuals of different income levels, including low- and moderate-income.
- PrimeLending offers a number of flexible lending products, provided in a safe and sound manner to address the credit needs of low-and moderate-income individuals.
- Fair lending policies and practices are considered reasonable.
- The Lender has a limited number of Community Development Services.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Established in 1986, PrimeLending is a wholly owned subsidiary of PlainsCapital Bank with its main office located at 18111 Preston Road in Dallas, Texas. The Lender is licensed in all 50 states and the District of Columbia, and was granted a license by the Division in October 2009. PrimeLending maintains five branch offices located within Massachusetts in East Boston, Hanover, Hyannis, Longmeadow, and Provincetown.

The Lender offers a variety of mortgage loan products to meet the needs of the Commonwealth's borrowers.

Underwriting is performed at PrimeLending's main office, while certain major loan processing functions could also be performed at a regional hub-office in Hyannis. Approved loans are funded through an established warehouse line of credit. PrimeLending's business development relies primarily on established relationships with real estate offices, personal referrals, and repeat customers. Originated loans are closed in the Lender's name and sold immediately to secondary market investors, with servicing rights released.

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	#	Low %	Moderate %	Middle %	Upper %	N/A %
Geographies (Census Tracts)	1,474	10.8	20.0	40.7	27.1	1.4
Population by Geography	6,547,629	8.9	18.9	42.8	29.2	0.2
Owner-Occupied Housing by Geography	1,608,474	2.9	13.7	48.9	34.5	0.0
Family Distribution by Income Level	1,600,588	19.3	17.7	24.4	38.6	0.0
Distribution of Low and Moderate Income Families	592,420	7.7	18.4	43.6	30.3	0.0
Median Family Income (MFI)	\$86,272	Median Housing Value				373,206
2013 HUD Adjusted MFI	\$84,208	Unemployment Rate				7.0%*
2012 HUD Adjusted MFI	\$87,891	Households Below Poverty Level				11.14%

Source: 2010 US Census
*as of 12/31/2013

Based on the 2010 Census, the Commonwealth's population grew to just over 6.5 million people with a total of 2.7 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 household income of \$69,101. Over 39 percent of the households are now classified as low- and moderate-income. In addition, over 11 percent of the total number of 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" totaled slightly over 1.6 million. Of all family households, 19.3 percent were low-income, 17.7 percent were moderate-income, 24.4 percent were middle-

income, and 38.6 percent were upper-income. The median family income according to the 2010 census was \$86,272. The Housing and Urban Development (HUD) adjusted median family income is \$87,891 in 2012 and \$84,208 in 2013. 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, 160 or 10.8 percent are low-income; 295 or 20.0 percent are moderate-income; 600 or 40.7 percent are middle-income; 399 or 27.1 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 income 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, 2013, stood at 7.0 percent which was an increase from December 31, 2012 at 6.7 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

PrimeLending'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 PrimeLending Mortgage.

PrimeLending'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 PrimeLending is addressing the credit needs throughout the Commonwealth of Massachusetts' low, moderate, middle, and upper-income Census tracts.

The following table presents PrimeLending's 2012 and YTD 2013 HMDA reportable loans, as well as the 2012 aggregate lending data (exclusive of PrimeLending). 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>2012 PrimeLending</i>		<i>Aggregate Lending Data 2012</i>	<i>YTD 2013 PrimeLending</i>	
		<i>#</i>	<i>%</i>	<i>(% of #)</i>	<i>#</i>	<i>%</i>
<i>Low</i>	2.9	25	4.0	2.5	22	7.2
<i>Moderate</i>	13.7	78	12.6	11.2	56	18.5
<i>Middle</i>	48.9	330	53.2	45.7	156	51.5
<i>Upper</i>	34.5	187	30.2	40.6	69	22.8
<i>Total</i>	<i>100.0</i>	<i>620</i>	<i>100.0</i>	<i>100.0</i>	<i>303</i>	<i>100.0</i>

Source 2012 HMDA, YTD 2013 HMDA Data and 2010 U.S. Census

PrimeLending's geographic distribution of loans during 2012 was above the distribution of owner-occupied housing units and the aggregate lending data in low-income tracts and comparable in moderate-income census tracts during that time period. The Lender's performance in YTD 2013 showed an increase in the percentage of lending in both low- and moderate-income tracts from 2012. Overall, the geographic distribution of residential mortgage loans reflects good dispersion throughout low and moderate-income level census tracts within the Commonwealth.

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.

PrimeLending 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 data in Massachusetts.

The following table shows PrimeLending's 2012 and YTD 2013 HMDA-reportable loans to low, moderate, middle, and upper-income borrowers in comparison to the 2012 aggregate lending

data (exclusive of PrimeLending) 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	2012 PrimeLending		Aggregate Lending Data 2012	YTD 2013 PrimeLending	
		#	%	(% of #)	#	%
Low	19.3	39	6.3	3.6	34	11.2
Moderate	17.8	145	23.4	11.9	67	22.1
Middle	24.4	171	27.6	20.4	95	31.4
Upper	38.5	225	36.3	50.4	92	30.4
N/A	0.0	40	6.4	13.7	15	4.9
Total	100.0	620	100.0	100.0	303	100.0

Source: 2012 HMDA Data, YTD 2013 HMDA Data and 2010 U.S. Census

As shown in the table above, PrimeLending’s lending performance to low- and moderate-income borrowers in both 2012 and 2013 was well above the performance of the aggregate data to low- and moderate income borrowers and also above the percentage of moderate-income families in the Commonwealth. In addition, the high housing costs limit the number of low-income borrowers from qualifying for residential loans.

It is noted that the percentage of lending to low-income borrowers increased from 2012 to 2013. PrimeLending’s overall lending performance to low and moderate-income borrowers remains at a good level.

III. Innovative or Flexible Lending Practices

PrimeLending offers a number of 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.

PrimeLending is an approved lender for the Federal Housing Administration (FHA), Veterans Administration (VA), and offers a selection of USDA rural housing products.

FHA products provide competitive interest rates and smaller down payments that are attractive for low- and moderate-income first time homebuyers and existing homeowners. During 2012 and YTD 2013, PrimeLending originated 202 FHA loans totaling \$56.1 million. Of these, 81 loans benefited the low- and moderate-income census tracts, while 88 loans were originated for low- and moderate-income level consumers.

The VA Home Loan Guarantee Program is designed specifically for the unique challenges facing service members and their families. The program offers low closing cost, no down payment requirement, and no private mortgage insurance requirement. During 2012 and YTD 2013, PrimeLending originated 20 VA loans totaling \$6.0 million. Of these, three loans benefited a moderate-income census tract, while seven loans were originated for low- and moderate-income level consumers.

USDA Rural Housing Program is an innovative loan program for eligible homebuyers in rural-designated areas. For home purchase transactions, the program offers fixed interest rates, and 100 percent financing with no down payment requirement. Income requirements do apply and borrowers can earn no more than 115 percent of the HUD median income for their area, adjusted by family size. The property must be located in a rural development designated area. In 2012, PrimeLending originated ten USDA loans totaling \$2.0 million of which nine benefited moderate-income level consumers.

The My Community loan program through MassHousing offers loan limits as high as \$417,000 with the borrower's income limit up to \$110,700, with no down payment requirement, and a 30 year fixed rate loan. Recently approved, PrimeLending is finalizing its procedures for offering this product.

IV. 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 mortgage lender personnel, and individual file review. No evidence of disparate treatment was identified.

PrimeLending has established a reasonable record relative to fair lending policies and practices. The fair lending policies and procedures apply to all residential mortgage transactions, products types, and geographies.

Fair lending is incorporated in PrimeLending's company-wide policies 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.

PrimeLending has a senior management team that makes up the Fair Lending Committee. The Committee monitors complaints, pricing, underwriting, marketing, and redlining through internal and external resources and reports to PrimeLending's Board of Directors.

PrimeLending has established an internal Fair Lending Monitoring Program supervised under the direction of the Senior Vice President and Director of Compliance. The internal program monitors practices for marketing, underwriting, redlining, and complaints for fair lending purposes.

Internal training for regulatory compliance including the Community Reinvestment Act, Home Mortgage Disclosure Act, and Fair Lending is provided on an annual basis. Those individuals responsible for the day to day implementation of state and federal laws and regulations participate in additional routine educational courses.

MINORITY APPLICATION FLOW

For 2012 and YTD 2013 PrimeLending received 1,438 HMDA-reportable loan applications from within the Commonwealth of Massachusetts. Of these applications, 52 or 3.6 percent were received from minority applicants, of which 39 or 75.0 percent resulted in originations. PrimeLending received 184 or 12.8 percent of HMDA reportable applications from ethnic groups of Hispanic origin within its assessment area, of which 121 or 65.8 percent were originated. This compares to 65.8 percent overall ratio of originated loans by the lender, and the 76.3 percent for the ratio of the aggregate.

Demographic information for Massachusetts reveals the total ethnic and racial minority population stood at 23.8 percent of the total population as of the 2010 Census. This segment of the population is comprised of 9.59 percent Hispanic or Latino. Racial minorities consisted of 5.98 percent Black; 5.33 percent Asian/Pacific Islander; 0.16 percent American Indian/Alaskan Native; and 2.81 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. 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	PrimeLending 2012		Aggregate Data 2012	PrimeLending YTD 2013	
	Amt	%	%	Amt	%
<i>American Indian/ Alaska Native</i>	3	0.3	0.1	4	0.8
<i>Asian</i>	10	1.1	4.8	5	1.0
<i>Black/ African American</i>	16	1.7	1.7	7	1.5
<i>Hawaiian/Pacific Islander</i>	0	0.0	0.1	0	0.0
<i>2 or more Minority</i>	0	0.0	0.1	0	0.0
<i>Joint Race (White/Minority)</i>	2	0.2	1.2	5	1.0
Total Minority	31	3.3	8.0	21	4.3
<i>White</i>	707	73.9	69.6	316	65.6
<i>Race Not Available</i>	218	22.8	22.4	145	30.1
Total	956	100.0	100.0	482	100.0
ETHNICITY					
<i>Hispanic or Latino</i>	97	10.1	2.1	78	16.2
<i>Not Hispanic or Latino</i>	632	66.1	74.7	257	53.3
<i>Joint (Hisp- Lat /Not Hisp-Lat)</i>	7	0.8	0.8	2	0.4
<i>Ethnicity Not Available</i>	220	23.0	22.4	145	30.1
Total	956	100.0	100.0	482	100.0

Source: 2000 U.S. Census Data, 2012 & YTD 2013 HMDA Data

PrimeLending's performance was below the 2012 aggregate data for racial minority applicants, despite the fact that the percentage of applications from racial minorities increased slightly from 2012 to 2013. On the other hand, Lender's performance was significantly above the aggregate data for applications from ethnic minorities and in this category, the number of minority applications increased sharply in 2013. At these levels, the Lender's lending to ethnic and racial minorities is considered adequate.

V. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by PrimeLending 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 could be 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. Furthermore, at overall 2.85% (1.30% for 60+ days) the delinquency rates were found to be slightly elevated, but 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.

PrimeLending's Service Test performance was determined to be "Satisfactory" at this time.

Mortgage Lending Services

PrimeLending provides an effective delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in the Commonwealth. Customers can apply to PrimeLending for a mortgage over the telephone and via the company's website and at any of the five Massachusetts office locations. These branch offices are located in upper-income geographies (Hanover and Longmeadow), a moderate-income geography (Provincetown), and low-income geographies (East Boston and Hyannis).

Business development relies primarily on real estate agent relationships, referrals, and repeat customers. PrimeLending does minimal advertising in Massachusetts.

At certain office locations, PrimeLending employs a number of Spanish speaking mortgage loan originators and also provide Spanish speaking attorneys for Spanish speaking borrowers.

As PrimeLending 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..

Periodically, the PrimeLending employees have participated in first time homebuyers seminars conducted in Spanish. These seminars are generally organized by local real estate firms.

Between February and October 2013, PrimeLending officers participated in three first-time homebuyer seminars/workshops organized by Perlera Real Estate, Centre Realty Group, and Chelsea Restoration Group respectively. Some of these consumer-education programs were specifically targeted for Spanish-speaking audiences. In 2012, PrimeLending closed one mortgage loan where the borrower received down-payment assistance from the North Suburban Consortium, via Malden Redevelopment Authority.

Qualified Investments

A Qualified Investment for the purposes of this CRA for Mortgage Lenders 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.

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

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

- 1) Make its most current CRA for Mortgage Lenders 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 CRA for Mortgage Lenders 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.