

PUBLIC DISCLOSURE

May 2, 2016

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

SIERRA PACIFIC MORTGAGE COMPANY INC.

MC1788

**1180 IRON POINT ROAD, SUITE 200
FOLSOM CA. 95630**

**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>
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GENERAL INFORMATION

Massachusetts General Laws chapter 255E, section 8 and the Division of Banks' (Division) regulation 209 CMR 54.00, Mortgage Lender Community Investment (CRA), 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 performance of **Sierra Pacific Mortgage Company Inc. (the Lender or Sierra Pacific)** prepared by the Division, the Lender's supervisory agency, as of **May 2, 2016**.

SCOPE OF EXAMINATION

An onsite 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.

The CRA examination included a comprehensive review and analysis, as applicable, of Sierra Pacific'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 mortgage 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 Sierra Pacific's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Sierra Pacific's lending and community development activities for the period of January 2014 through December 2015. 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 2014 and 2015 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 2014 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 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 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 adequate dispersion in low and moderate-income level census tracts, as it is reflective of the distribution of owner occupied housing in those census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects, an adequate record of serving the credit needs among individuals of different income levels, including low and moderate-income levels.
- Sierra Pacific 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, although the actual distribution of these flexible lending products appears to be underutilized.
- Fair lending policies and practices are considered reasonable.
- Currently, the Lender does not engage in any Community Development Services or Qualified Investments within the Commonwealth.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Sierra Pacific was established in the State of California in 1986, and was first granted a license by the Division in 2001. Sierra Pacific's main office is located in Folsom CA. The Lender maintains four branch offices located within Massachusetts, in Beverly, Lexington, Norwood, and Woburn. The company is licensed to do business throughout the United States.

Sierra Pacific offers a variety of mortgage loan products to meet the needs of the Commonwealth's borrowers. Sierra Pacific is an approved lender for the Federal Housing Administration, Veteran Administration, US Department of Agriculture, and offers a selection of NHF and MassHousing products.

All underwriting and major functions in the loan process for Massachusetts consumers are performed at Sierra Pacific's East Coast Regional Operations Center in Ellicott City, Maryland. Approved loans are funded through established warehouse lines of credit. Sierra Pacific's business development relies primarily on referrals and repeat customers. Originated loans are closed in Lender's name and sold immediately to secondary market investors, with servicing rights both, retained and released.

Demographic Information

The 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	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	19.2	17.8	24.4	38.6	0.0
Distribution of Low and Moderate Income Families Throughout AA Geographies	592,420	7.7	18.4	43.6	30.3	0.0
Median Family Income	\$86,272		Median Housing Value		373,206	
Households Below Poverty Level	11.1%		Unemployment Rate		4.7*	
2014 HUD Adjusted Median Family Income	\$83,700		2015 HUD Adjusted Median Family Income		\$87,300	

Source: 2010 US Census; *as of 01/31/2016

Based on the 2010 Census, the Commonwealth's population stood at 6.55 million people with a total of 2.79 million housing units. Of the total housing units, 1.61 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 2.51 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 1.60 million. Of all family households, 19.2 percent were low-income, 17.8 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 \$87,300 in 2015. 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 stood at 4.7 percent as of January 2016, which was a slight increase from October 2015 when the unemployment rate was at 4.6 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

Sierra Pacific'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 Sierra Pacific.

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

The following table presents, by number, Sierra Pacific's 2014 and 2015 HMDA reportable loans in low, moderate, middle, and upper-income geographies, in comparison to the 2014 aggregate lending data (exclusive of Sierra Pacific), as well as the percentage of owner-occupied housing units in each of the Census tract income categories.

<i>Distribution of HMDA Loans by Income Level Category of the Census Tract</i>						
<i>Census Tract Income Level</i>	<i>Total Owner-Occupied Housing Units</i>	<i>2014 Sierra Pacific</i>		<i>2014 Aggregate Lending Data</i>	<i>2015 Sierra Pacific</i>	
	<i>%</i>	<i>#</i>	<i>%</i>	<i>% of #</i>	<i>#</i>	<i>%</i>
<i>Low</i>	3.1	17	3.4	3.5	27	4.3
<i>Moderate</i>	13.0	85	17.1	13.3	99	16.0
<i>Middle</i>	48.3	255	51.3	46.6	323	52.1
<i>Upper</i>	35.6	140	28.2	36.5	170	27.4
<i>N/A</i>	0.0	0	0.0	0.1	1	0.2
<i>Total</i>	<i>100.0</i>	<i>497</i>	<i>100.0</i>	<i>100.0</i>	<i>620</i>	<i>100.0</i>

Source: 2014 & 2015 HMDA LAR Data and 2010 U.S. Census Data.

As reflected in the above table, of the total 497 loans originated in 2014, 20.5 percent were in the low and moderate-income level geographies. The percentages in each category were comparable to the percentage of the area's owner occupied housing units in low and moderate-income level geographies, as well as the aggregate lending data percentages.

In 2015, the percentages of lending in low and moderate-income level census tracts remained at levels similar to 2014.

The highest concentration of residential loans was originated in the middle and upper-income level census tracts for both 2014 and 2015. Given that over 80.0 percent of the area's owner-occupied housing units are in middle and upper-income level census tracts, it is reasonable to find the majority of loans originated within these designated census tracts.

Overall, the geographic distribution of residential mortgage loans reflects an adequate 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.

The following table shows Sierra Pacific's 2014 and 2015 HMDA-reportable loans to low, moderate, middle, and upper-income borrowers in comparison to the 2014 aggregate lending data (exclusive of Sierra Pacific) and the percentage of total families within the Commonwealth in each respective income group.

Distribution of HMDA Loans by Borrower Income Level						
Median Family Income Level	% of Families	2014 Sierra Pacific		2014 Aggregate Lending Data	2015 Sierra Pacific	
		#	%	% of #	#	%
Low	22.2	45	9.1	5.0	39	6.3
Moderate	16.5	118	23.7	15.9	141	22.7
Middle	20.6	138	27.8	21.7	199	32.1
Upper	40.7	194	39.0	40.8	215	34.7
N/A	0.0	2	0.4	16.6	26	4.2
Total	100.0	497	100.0	100.0	620	100.0

Source: 2014 & 2015 HMDA LAR Data and 2010 U.S. Census Data.

As shown in the above table, lending to low-income borrowers during 2014 was below the percentage of low-income families, yet above the performance of the aggregate data. Sierra Pacific's lending to moderate-income borrowers during that same period exceeded the demographics, as well as the performance of the aggregate data.

The high housing costs throughout Massachusetts can restrict the ability of low-income mortgage loan applicants to qualify for residential loans, which may constraint the opportunities to lend to these consumers.

Although lending to low-income level borrowers decreased from 2014 to 2015, the Lender's overall lending performance to low and moderate-income borrowers, remains at reasonable levels.

III. Innovative or Flexible Lending Practices

Sierra Pacific 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.

Sierra Pacific became a Housing and Urban Development approved Non-Supervised FHA Loan Correspondent (Direct Endorsement Lender) in 1995. FHA products provide competitive interest rates, smaller down payments for low and moderate income first time homebuyers and existing homeowners. Since 2009 Sierra Pacific also offers HUD insured Home Equity Conversion Mortgage product. During the review period, Sierra Pacific originated 162 FHA loans totaling over \$47 million. Of these, 55 loans benefited low to moderate-income consumers, while 44 loans were originated in low and moderate-income level geographies.

Sierra Pacific became Veterans Administration's Automatic Approval Agent in 2001. The VA Home Loan Guarantee Program is designed specifically for the unique challenges facing service members and their families. Through VA-approved lenders like Sierra Pacific, the program offers low closing cost, no down payment requirement, and no private mortgage insurance requirement. In addition, under certain circumstances the Service Members Civil Relief Act provides military personnel with rights and protections on issues relative to mortgage interest rates and foreclosure proceedings. During the review period, Sierra Pacific originated 42 VA loans totaling nearly \$13 million. Of these, 14 loans benefited low to moderate-income consumers, while three loans were originated in low or moderate-income level geographies.

Since 2008 Sierra Pacific also offers loan products guaranteed by the USDA. Rural Housing Program is an innovative loan program that provides 100% 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. Income requirements do apply and the property must be located in a rural development designated area. Farm Service Agency loan products provide flexible temporary financing for customers who are planning to start, purchase, sustain or expand a family farm. During the review period, Sierra Pacific originated 29 loans totaling approximately \$6 million. Of these, 13 loans benefited low to moderate-income consumers, but none were originated in low and moderate-income level geography.

Sierra Pacific also offers National Homebuyers Fund Inc. (NHF) products. NHF is a non-profit public benefit corporation established to stimulate and expand responsible homeownership opportunities nationwide. Through its multi-state single-family financing program, NHF provides affordable interest rates and down payment assistance for both, returning and first-time homebuyers. Various options/levels of assistance are available to meet each household's specific needs. In 2014 and 2015, Licensee originated 2 NHF loans in Massachusetts, with a total of \$537,000 in dollar volume.

Sierra Pacific also offers Massachusetts Housing Finance Agency (MassHousing) products. MassHousing is a self-supporting not-for-profit public agency that provides financing for homebuyers and homeowners, and for developers and owners of affordable rental housing. The agency sells bonds to fund its programs, which include the 'My Community' program. In 2014 and 2015, Sierra Pacific originated 5 MassHousing loans with a total of \$1.3 million in dollar volume.

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 Sierra Pacific's personnel, and individual file review. No evidence of disparate treatment was identified.

Sierra Pacific has established a reasonable record relative to fair lending policies and practices.

Sierra Pacific's dedication to the principles of fair housing, equal lending, and non-discriminatory lending practices under all local, state, and federal anti-discrimination laws is incorporated in the Lender's CMS policy.

Every new employee is required to take certain training classes within 90 days of the beginning of their employment with Sierra Pacific. Job classification determines the required courses. All loan officers are required to be licensed under the Secure and Fair Enforcement (SAFE) Act and/or state law, and complete the all the required periodic training courses. It is the responsibility of each Department or Branch Manager to ensure that employees receive ongoing training on risk and regulatory issues, and compliance training programs must be taken by certain employees on an annual basis. In addition, Sierra Pacific may periodically require special training for any class of employees.

Senior management is responsible for ensuring that the Lender is in compliance with current laws and regulations, and for making necessary changes and updates to policies and procedures. Sierra Pacific is contracted with external vendors to conduct periodic reviews and audits for compliance with regulatory requirements, including CRA and Fair Lending.

MINORITY APPLICATION FLOW

During 2014 and 2015 Sierra Pacific had received 1,570 HMDA-reportable mortgage loan applications from within the Commonwealth of Massachusetts. The racial and ethnic identity was not specified in approximately six percent of cases. Of the remaining applications, 246 or 15.7 percent were received from racial minority applicants, and 179 or 72.8 percent resulted in originations. For the period, Sierra Pacific received 98 or 6.2 percent of HMDA reportable applications from ethnic groups of Hispanic or Latino origin, and 67 or 68.4 percent were originated. This compares to 71.1 percent overall ratio of mortgage loans originated by the Lender in Massachusetts, and the 71.6 percent approval ratio for the aggregate.

Demographic information for Massachusetts reveals the total ethnic and racial minority population stood at 23.9 percent of the total population as of the 2010 Census. This segment of the population is comprised of 9.6 percent Hispanic or Latino ethnicities. At 14.3 percent, racial minorities consisted of 6.00 percent Black; 5.3 percent Asian/Pacific Islander; 0.2 percent American Indian/Alaskan Native; and 2.8 percent self-identified as Other Race.

Refer to the following table for information on the mortgage lenders' minority loan application flow as well as a comparison to aggregate lending data 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	2014 Sierra Pacific		2014 Aggregate Data	2015 Sierra Pacific	
	#	%	% of #	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	0.2	3	0.4
<i>Asian</i>	91	12.1	4.8	72	8.8
<i>Black/ African American</i>	19	2.5	3.1	41	5.0
<i>Hawaiian/Pacific Islander</i>	1	0.1	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>	9	1.2	1.2	10	1.3
Total Minority	120	15.9	9.5	126	15.5
<i>White</i>	596	78.9	67.7	625	76.7
<i>Race Not Available</i>	39	5.2	22.8	64	7.8
Total	755	100.0	100.0	815	100.0
ETHNICITY					
<i>Hispanic or Latino</i>	34	4.5	3.8	46	5.7
<i>Joint (Hisp-Lat /Not Hisp-Lat)</i>	7	0.9	0.9	11	1.3
Total Hispanic or Latino	41	5.4	4.7	57	7.0
<i>Not Hispanic or Latino</i>	676	89.6	72.6	713	87.5
<i>Ethnicity Not Available</i>	38	5.0	22.7	45	5.5
Total	755	100.0	100.0	815	100.0

Source: PCI Corporation CRA Wiz, Data Source: 2000 U.S. Census Data, 2014 & 2015 HMDA Data

In both 2014 and 2015, Sierra Pacific's overall racial minority application flow was comparable to the population demographics derived from the census data, and above the aggregate figures. Ethnic minority flow was lower than the demographic data, but in line with the performance of the aggregate.

V. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Sierra Pacific 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 less than one percent, overall delinquency rates were found to be at least 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.

Sierra Pacific'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.

At present, Sierra Pacific is not involved in any qualified community development services targeted to low and moderate income consumers or geographies within the Commonwealth of Massachusetts.

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

Mortgage Lending Services

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

Sierra Pacific provides mortgage lender services that are accessible to geographies and individuals of different income levels in the Commonwealth. Customers can apply to Sierra Pacific for a mortgage over the telephone and via the company's website and at any of the branch office locations.

Business development relies primarily on realtor referrals and repeat customers. Sierra Pacific does minimal advertising in Massachusetts.

Sierra Pacific uses a third party to sub-service its \$11.80 billion retained servicing portfolio. At present, the delinquency ratio stands below 1.00 percent and, during the review period, there were no foreclosure proceedings or loan modifications affecting Massachusetts consumers. Consequently, lending products and practices do not show any undue concentration or a systematic pattern of lending resulting in mortgage loans that are not sustainable.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

- 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. 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 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.