

PUBLIC DISCLOSURE

December 7, 2010

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**ATLANTIC HOME LENDING, INC.
MC 1444**

**275 TURNPIKE STREET, SUITE 203
CANTON, MASSACHUSETTS 02021**

**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.

GENERAL INFORMATION

Massachusetts General Laws chapter 255E, section 8 and the Division of Banks' ("Division") regulation 209 CMR 54.00, Mortgage Lender Community Investment ("MLCI"), 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 a 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 MLCI performance of **Atlantic Home Lending, Inc. (or "Atlantic Home")** prepared by the Division, the mortgage lender's supervisory agency, as of **December 7, 2010**.

SCOPE OF EXAMINATION

An evaluation was conducted using examination procedures as defined by MLCI. A review of the Division's records, as well as the mortgage lender's public MLCI file, did not reveal any complaints relating to Atlantic Home's MLCI performance.

The MLCI examination included a comprehensive review and analysis, as applicable, of Atlantic'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.

MLCI examination procedures were used to evaluate Atlantic Home's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Atlantic Home's lending and community development activities for the period of January 2008 through December 2010, unless otherwise noted. 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. The MLCI evaluation includes an analysis of the mortgage loans reportable under the Home Mortgage Disclosure Act ("HMDA") for 2009 and 2010. The residential loan data was obtained from the Loan Application Registers ("LAR") maintained by Atlantic Home pursuant to HMDA.

Home mortgage lending for 2008, 2009 and 2010 is presented in the following tables: geographic distribution, lending to borrowers of different incomes and the minority application flow. Comparative analysis is provided for the mortgage lender's 2009 and 2010 lending performance as this 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 Massachusetts.

In addition to gathering and evaluating statistical information relative to a mortgage lender's loan volume, the MLCI 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 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 MLCI RATING: This Mortgage Lender is rated "Satisfactory"

This "Satisfactory" rating is based upon:

- The distribution of borrowers reflects, given the volume of originations and the lender's product lines, an adequate record of serving the credit needs among individuals of different income levels, include low- and moderate-income.
- The geographic distribution of the lender's loans reflects an adequate dispersion in low- and moderate-income census tracts.
- The mortgage lender offers a limited number of flexible lending programs to the customers it serves.
- Fair lending policies and practices are considered adequate. No complaints were received during the evaluation period.
- The mortgage lender had a limited number of Community Development services.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Atlantic Home Lending, Inc. was incorporated in the Commonwealth of Massachusetts on August 18, 2005 and is engaged as full service residential mortgage lending and brokering business. Atlantic Home was granted a mortgage lender and broker license by the Division on November 17, 2005 and is also licensed in New Hampshire. The lender is headquartered at 275 Turnpike Street in Canton, Massachusetts. Products offered within the Commonwealth include first residential mortgage loans and commercial loans. All loans are funded under the lender's \$10 million warehouse line of credit and are sold on a servicing-released basis to secondary market investors.

The lender takes loan applications in person, over the telephone and by mail. The lender originates most of its business through customer referrals and currently maintains a website (www.atlantichomelending.com). The President is primarily responsible for the day to day operations of the lender and the accounting and all underwriting is handled by the Executive Vice President. During 2009, Atlantic Home was primarily a wholesale lender.

The lender is an approved FHA lender and acts as a principal agent. The lender does not have delegated underwriting authority to underwrite FHA loans.

For the examination period, 2008, 2009 and 2010 Atlantic Home originated 775 loans totaling approximately \$212.3 million in Massachusetts.

Demographic Information

The MLCI 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.

DEMOGRAPHIC INFORMATION*						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A
Geographies (Census Tracts)	1,361	8.4	21.7	46.1	23.4	0.4
Population by Geography	6,349,097	5.8	20.5	47.6	26.0	0.1
Owner-Occupied Housing by Geography	1,508,248	1.6	12.8	54.0	31.6	0.0
Family Distribution by Income Level	1,587,537	20.5	17.7	22.3	39.5	0.0
Distribution of Low and Moderate Income Families throughout AA Geographies	606,419	10.0	29.4	46.2	14.4	0.0
Median Family Income		\$65,318	Median Housing Value		\$209,519	
2009 HUD Adjusted Median Family Income		\$82,684	Unemployment Rate		9.3%**	
Households Below Poverty Level		9.8%				

*Source: 2000 US Census

**as of 3/10

Based on 2000 Census data, the Commonwealth of Massachusetts has a total population of just over 6.3 million people and a total of 2.6 million housing units. Of the total housing units, 1.5 million or 57.5 percent are owner-occupied, 935,332 or 35.7 percent are rental-occupied, and 6.8 percent are vacant units.

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.

There are 2.4 million households in the Commonwealth with a median household income of \$53,686 according to the 2000 Census. Over 40 percent of the households are classified as low- and moderate-income. In addition, 9.8 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” total slightly over 1.5 million. Of all family households, 20.5 percent are low income, 17.7 percent are moderate income, 22.3 percent are middle income, and 39.5 percent are upper income. The median family income according to the 2000 census was \$65,318. The Housing and Urban Development (“HUD”) adjusted median family income is \$82,684. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth of Massachusetts contains 1,361 Census tracts. Of these, 114 or 8.4 percent are low-income; 295 or 21.7 percent are moderate-income; 628 or 46.1 percent are middle-income; 319 or 23.4 percent are upper-income; and 5 or 0.4 percent are NA or have no income designation. The five census tracts with no income designation are located in Bridgewater (a correctional facility), Boston (islands in Boston Harbor), Amherst (U MASS campus), Harvard (Fort Devens), and Grafton (Tufts Veterinary School). These Census tracts contain no housing units and will not be included in this evaluation since they provide no lending opportunities.

The median housing value for Massachusetts was \$209,519 according to the 2000 Census. However, recent figures from the Warren Group, publishers of the Banker’s and Tradesman, show the median price for a single-family increased to \$345,000 in 2007 and experienced a drop of 11.6 percent to \$305,000 in 2008. Fluctuating housing values have a direct effect in mortgage affordability and the types of financial products adequate for homeowners and property buyers.

The unemployment rate for the state of Massachusetts as of March 2010 was 9.3 percent, up from 7.7 percent in February 2009. This represents a significant increase from 2008 when the unemployment rate stood at 6.4 percent. A consistent increase in job losses may impact borrowers’ ability to remain current on mortgage loan obligations and correlates with high delinquency and rising default rates.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Atlantic Home's Lending Test performance was rated an overall "Satisfactory." Atlantic Home'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 Atlantic Home.

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how Atlantic Home is addressing the credit needs throughout the Commonwealth of Massachusetts' low-, moderate-, middle-, and upper-income census tracts.

Atlantic Home's distribution of lending in the Commonwealth when compared to the demographics and aggregate lending data was adequate. The dispersion of lending in the Commonwealth includes low- and moderate-income geographies. The table below shows the distribution of HMDA-reportable loans by Census tract income.

Distribution of HMDA Loans by Income Category of the Census Tract									
Census Tract Income Level	% Total Owner-Occupied Housing Units	Atlantic 2008		Atlantic 2009		Aggregate Lending Data (% of #) 2009	Atlantic 2010		Aggregate Lending Data (% of #) 2010
		#	%	#	%	%	#	%	%
Low	1.6	0	0.0	3	0.9	1.5	2	.7	1.3
Moderate	12.8	13	9.4	16	4.7	10.6	29	9.7	10.0
Middle	54.0	74	53.6	169	50.0	50.8	135	45.2	49.4
Upper	31.6	51	37.0	150	44.4	37.1	133	44.4	39.3
Total	100.0	138	100.0	338	100.0	100.0	299	100.0	100.0

Source: 2008 and 2009 HMDA Data and 2000 U.S. Census

The mortgage lender's geographic distribution of loans was not consistent with the distribution of owner occupied housing units in the low- and moderate-income census tracts for 2008, 2009 and 2010. The 2009 lending performance reflected an improvement over 2008 in lending in low-income Census tracts. The 2010 performance showed a slight decline in lending in low-income Census tracts; however, Atlantic Home increased its lending in moderate-income tracts by 13 loans (an 81 percent increase over the prior year) to be on par with the aggregate. However, it is noted that Atlantic Home's level of lending in any given year results in a small increase in any of the categories resulting in a disproportional increase in the percentage of lending in that category.

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. Atlantic Home has a reasonable record of serving the mortgage credit needs of borrowers of different income levels based on the area's demographics and a comparison to aggregate lending data in Massachusetts.

The following table shows, by number, HMDA reportable loans to low-, moderate-, middle- and upper-income borrowers in comparison to the aggregate and the percentage of total families within the Commonwealth in each respective income group.

Distribution of HMDA Loans by Borrower Income									
Census Tract Income Level	% Families	Atlantic 2008		Atlantic 2009		Aggregate Lending Data (% of #) 2009	Atlantic 2010		Aggregate Lending Data (% of #) 2010
		#	%	#	%		#	%	
Low	20.5	3	2.2	9	2.6	5.1	6	2.0	4.4
Moderate	17.7	29	21.0	56	16.6	16.6	42	14.1	15.3
Middle	22.3	50	36.2	93	27.5	23.7	82	27.4	22.7
Upper	39.5	56	40.6	179	53.0	39.7	169	56.5	42.8
NA*	0.0	0	0.0	1	0.3	14.9	0	0	14.8
Total	100.0	138	100.0	338	100.0	100.0	299	100.0	100.0

Source: 2008 & 2009 HMDA Data and 2000 U.S. Census *Income Not Available

Atlantic Home's performance in relation to the aggregate for low-income borrowers fell short of the aggregate. However, the 2009 performance reflected an improvement in volume and relative comparison to the aggregate over 2008. Lending to low-income borrowers tripled from 2008 to 2009. In 2010, the percentage of lending to low-income borrowers fell slightly, as did the performance of the aggregate. Atlantic Home's percentage of lending to moderate-income borrowers was equal to that of the aggregate for 2009 after exceeding aggregate performance in 2008 but did experience a decline in 2010.

Overall, Atlantic Home's distribution of loans reflects adequate performance in the Commonwealth.

III. Innovative or Flexible Lending Practices

Atlantic Home offers a limited number of innovative or 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.

The lender is an approved FHA lender but does not have delegated underwriting authority to underwrite FHA loans. Loans are underwritten through a principal agent and closed in Atlantic Home's name. The FHA products offered by Atlantic provide competitive interest rates and require smaller down payments for low- and moderate-income first time homebuyers and existing homeowners. The lender is also licensed in Massachusetts as a mortgage broker and has the ability to broker loans, such as MassHousing loans.

During the examination period, Atlantic Home originated 16 FHA loans totaling \$4,456,000.

IV. Fair Lending

The Division examines a mortgage lender's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-103 and Regulatory Bulletin 5.3-101. 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.

Atlantic Home's compliance with the laws relating to discrimination and other illegal credit practices was reviewed. No evidence of discriminatory or other illegal credit practices were identified.

The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Atlantic Home does not have formal fair lending policies or procedures in place; however, staff members are regularly notified of regulatory changes and updates.

Atlantic Home has a reasonable record relative to fair lending policies and practices.

MINORITY APPLICATION FLOW

Demographic information for Massachusetts reveals that the total ethnic and racial minority population stood at 18.12 percent of the total population in 2008. This segment of the population is comprised of 6.75 percent Hispanic or Latino and 11.38 percent racial minority: 5.01 percent Black; 3.73 percent Asian; .18 percent American Indian; .03 percent Native Hawaiian/Other Pacific Islander; and 2.42 percent identified as Other Race.

For 2008 and 2009, Atlantic received 511 HMDA-reportable loan applications from within the Commonwealth of Massachusetts of which 93.2 percent were originated. Of these applications, 10 or 2.0 percent were received from minority applicants, of which 9 or 90 percent resulted in originations. Atlantic Home received 4 or 0.7 percent of HMDA reportable applications from ethnic groups of Hispanic origin within its assessment area of which 100 percent were originated. The aggregate originated approximately 67 percent of applications from racial minority applicants and 60 percent of applications received from Hispanics.

For 2009, the aggregate received 7.4 percent of applications from racial minorities and 3.0 from Hispanic applicants compared with 2.8 percent and .9 percent, respectively, by Atlantic Home.

Atlantic Home's 2008 and 2009 performance was well below the aggregate's performance for racial and ethnic minority applicants.

V. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Atlantic 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 were tracked for their status through local Registries of Deeds and other available public records of foreclosure filings.

An extensive review of information and documentation, from both internal and external sources as 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. Further, delinquency rates were found to be consistent with industry averages.

SERVICE TEST

The service test evaluates a mortgage lender's record of helping to meet the mortgage credit needs in the 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.

Atlantic Home's Service Test performance was determined to be rated "Needs to Improve" at this time.

Mortgage Lending Services

Atlantic Home 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 Atlantic Home for a mortgage over the telephone and via the company's website or at the main location located at 275 Turnpike Street in Canton which is situated in an upper-income geography.

Business development relies primarily on referrals and repeat customers. Atlantic Home is a retail and wholesale lender in Massachusetts who also has the ability to broker loans, such as MassHousing loans, which the lender would otherwise not be able to offer to borrowers. Through these mortgage lender and broker relationships, Atlantic Home offers a variety of FHA and flexible lending products. Atlantic Home receives applications from its team of licensed loan officers and does minimal advertising.

As Atlantic Home does not 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.

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.

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance. Atlantic Home has a minimal number of qualified community development services to address the area's community development needs.

The Executive Vice President of Atlantic Home was on the Scituate Housing Partnership from 2004 to 2008 and was the Chair from 2005 to 2008.

Another loan officer at Atlantic Home is a member of the Real Estate Investment Association's Massachusetts chapter which is designed to promote education about home-buying. The loan officer sits on the Q&A panel. He is also a member of the Boston Irish Business Association which annually holds a real estate and financial panel to educate the community on the industry.

Qualified Investments

A Qualified Investment for the purposes of this MLCI 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.

Contributions

Atlantic Home made one qualified donation during the examination period which went to the Massachusetts Mortgage Bankers Foundation, Inc., a philanthropic organization organized for the purpose of providing grants that would be utilized towards the development of education and promotion of affordable housing within the Commonwealth of Massachusetts.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 255E, Section 8, and 209 CMR 54.00, the Mortgage Lender Community Investment (MLCI) regulation, requires all mortgage lenders to take the following actions within 30 business days of receipt of the MLCI evaluation of their mortgage lender:

- 1) Make its most current MLCI 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 its supervisory agency, may not be altered or abridged in any manner. The mortgage lender is encouraged to include its response to the evaluation in its MLCI 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.