

**PUBLIC DISCLOSURE**

**DECEMBER 2, 2015**

**MORTGAGE LENDER COMMUNITY INVESTMENT  
PERFORMANCE EVALUATION**

**PLAZA HOME MORTGAGE INC.  
MC 2113**

**4820 EASTGATE MALL, SUITE 100  
SAN DIEGO CA. 92121**

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

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this mortgage lender. The rating assigned to this mortgage lender does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this mortgage lender.</p>
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## GENERAL INFORMATION

Massachusetts General Laws chapter 255E, section 8 and the Division of Banks' (Division) regulation 209 CMR 54.00 et seq., 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 **Plaza Home Mortgage Inc. (Plaza Home)** prepared by the Division, the mortgage lender's supervisory agency, as of **December 2, 2015**.

## 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 examination included a comprehensive review and analysis, as applicable, of Plaza Home'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 Plaza Home's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Plaza Home's lending and community development activities for the period of January 1, 2014 through September 30, 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 the first three quarters of 2015 (YTD 2015) 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 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 “High Satisfactory”.**

- The geographic distribution of the mortgage lender's loans reflects a good 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, a good record of serving the credit needs among individuals of different income levels, including low and moderate-income levels.
- Plaza Home 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.
- Fair lending policies and practices are considered adequate.
- Plaza Home provides an effective delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in the Commonwealth.
- Plaza Home provided an adequate level of community development services in the Commonwealth.

## **PERFORMANCE CONTEXT**

### **Description of Mortgage Lender**

Plaza Home was incorporated in the State of California in 2001, and was granted mortgage lender's license by the Massachusetts Division of Banks in 2006. Plaza Home's main office is located in San Diego, California. The mortgage lender maintains a regional branch office within Massachusetts, located at 500 Edgewater Drive in Wakefield. Plaza Home is licensed to do business throughout the United States.

Plaza Home offers a variety of mortgage loan products to meet the needs of the Commonwealth's borrowers. Plaza Home is an approved lender for the Federal Housing Administration (FHA), Veterans Administration (VA) and US Department of Agriculture (USDA).

All underwriting and major functions in the loan process are done at Plaza Home's main and regional offices. Plaza Home's business development relies exclusively on wholesale production contracts. Approved loans are funded through established warehouse lines of credit. Originated loans are closed in mortgage lender's name and sold to secondary market investors. Approximately 95 percent of originated loans are sold directly to FNMA, GNMA and FHLMC with servicing rights retained. The remaining loan volume is sold to other investors, 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.

<b>2010 CENSUS DEMOGRAPHIC INFORMATION</b>						
<b>Demographic Characteristics</b>	<b>Amount</b>	<b>Low %</b>	<b>Moderate %</b>	<b>Middle %</b>	<b>Upper %</b>	<b>N/A %</b>
Geographies (Census Tracts)	1,474	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		5.3%*		
2014 HUD Adjusted Median Family Income	\$83,700	2015 HUD Adjusted Median Family Income		\$87,300		

Source: 2010 US Census; \*as of 12/31/2014

Based on the 2010 Census, the Commonwealth's population stood at 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. Thirty-nine percent of the households are now classified

as low and moderate-income. In addition, over eleven 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, 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 according to the 2010 census was \$86,272. The Housing and Urban Development (HUD) adjusted median family income was \$83,700 in 2014 and increased to \$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, 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 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, 2014, stood at 5.3 percent which was a decrease from December 31, 2013, at which time it stood at 6.2 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

Plaza 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 Plaza Home.

Plaza Home's Lending Test performance was determined to be "High Satisfactory" at this time.

#### *I. Geographic Distribution*

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

The table below shows the distribution of HMDA-reportable loans by census tract income level. The lending activity is compared with the percent of owner-occupied housing units based on Census demographics. Plaza Home's 2014 and YTD 2015 home mortgage lending performance is compared to aggregate lending performance in 2014, the most recent year available.

Distribution of HMDA Loans by Income Level Category of the Census Tract						
Census Tract Income Level	2014 Total Owner- Occupied Housing Units	2014 Plaza Home		2014 Aggregate Lending Data	YTD 2015 Plaza Home	
		#	%	% of #	#	%
Low	3.1	51	6.5	3.5	56	8.2
Moderate	13.0	144	18.5	13.3	131	19.1
Middle	48.3	426	54.8	46.6	365	53.4
Upper	35.6	157	20.2	36.5	129	18.9
N/A	0.0	0	0.0	0.1	3	0.4
<b>Total</b>	<b>100.0</b>	<b>778</b>	<b>100.0</b>	<b>100.0</b>	<b>684</b>	<b>100.0</b>

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

As reflected in the above table, of the total 778 loans originated in 2014, 25.0 percent were in the low- and moderate-income level geographies. The percentages in each category were above the percentages of the area's owner occupied housing units in low- and moderate-income level geographies, as well as the aggregate lending data percentages.

During the first three quarters of 2015, the mortgage lender's overall percentages of lending in low- and moderate-income level census tracts increased from the prior year and continues to far exceed the aggregate lending data.

Overall, the geographic distribution of residential mortgage loans reflects a 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 mortgage lender is addressing the credit needs of the Commonwealth's residents.

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

<i>Distribution of HMDA Loans by Borrower Income Level</i>						
<i>Median Family Income Level</i>	<i>2014 % of Families</i>	<i>2014 Plaza Home</i>		<i>2014 Aggregate Lending Data</i>	<i>YTD 2015 Plaza Home</i>	
	<i>%</i>	<i>#</i>	<i>%</i>	<i>% of #</i>	<i>#</i>	<i>%</i>
<i>Low</i>	22.2	46	5.9	5.0	45	6.6
<i>Moderate</i>	16.5	224	28.8	15.9	180	26.3
<i>Middle</i>	20.6	255	32.8	21.6	175	25.6
<i>Upper</i>	40.7	170	21.8	40.9	113	16.5
<i>N/A</i>	0.0	83	10.7	16.6	171	25.0
<i>Total</i>	<i>100.0</i>	<i>778</i>	<i>100.0</i>	<i>100.0</i>	<i>684</i>	<i>100.0</i>

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

As shown in the above table, lending to moderate-income level borrowers during 2014 and first three quarters of 2015 was notably above the percentage of moderate-income level families and the performance of the aggregate data. Plaza Home's lending to low-income level borrowers during that same period was below the percentage of low-income level families, however exceeded the performance of the aggregate data. Lending to low-income borrowers increased from 2014 to 2015.

Plaza Home's overall lending performance to low- and moderate-income level borrowers is good. The high housing costs throughout Massachusetts can restrict the ability of low-income level mortgage loan applicants to qualify for residential loans, which rather limits the opportunities to lend to this particular group of consumers.

## III. Innovative or Flexible Lending Practices

Plaza Home offers innovative and 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.

Plaza Home became a Housing and Urban Development (HUD) Direct Endorsement FHA Lender in 2004. FHA products provide competitive interest rates, smaller down payments for low and moderate income first time homebuyers and existing homeowners. During the review period, Plaza Home originated 678 FHA loans totaling \$167 million. Of these, 264 loans benefited low- to moderate-income level consumers, while 227 loans were originated in low- or moderate-income level geographies.



Plaza Home became Veterans Administration 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 Plaza Home, the program offers low closing cost, no down payment requirement, and no private mortgage insurance requirement. During the review period, Plaza Home originated 178 VA loans totaling \$50 million. Of these, 38 loans benefited low- to moderate-income level consumers, and 21 loans were originated in low- or moderate-income level geographies.

Since 2008 Plaza Home also offers loan products guaranteed by the USDA. The Rural Housing Program is an innovative loan program that provides 100% financing for eligible homebuyers in rural-designated areas. 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, Plaza Home originated 102 USDA loans totaling \$23 million. Of these, 28 loans benefited low- to moderate-income level consumers, and 11 loans were originated in low- or moderate-income level geographies.

#### ***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 Plaza Home's personnel, and individual file review.

Plaza Home's compliance with the laws relating to discrimination and other illegal credit practices was reviewed. Plaza Home has established an adequate record relative to fair lending policies and practices. No evidence of discriminatory or other illegal credit practices were identified.

The fair lending review was conducted in accordance the with Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Fair lending is incorporated in Plaza Home's company-wide policies and procedures that apply to all employees. Employees are instructed not to discriminate against loan applicants on a prohibited basis. Senior management is responsible for ensuring that the mortgage lender is in compliance with current laws and regulations, and for making necessary changes and updates to policies and procedures. Mortgage loan originators are required to complete the continuing education program, in line with the NMLS requirements. All staff attend mandatory periodic in-house and on-line courses which include Home Mortgage Disclosure Act (HMDA), Equal Credit Opportunity Act and fair lending topics, as well as any required agency specific or investor specific training.

#### **Minority Application Flow**

Plaza Home's HMDA Loan Application Registers for 2014 and YTD 2015 were reviewed to determine if the application flow from the different racial and ethnic groups within the Commonwealth was reflective of the area's demographics.

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.

For 2014 and YTD 2015, Plaza Home had received 1,772 HMDA-reportable mortgage loan applications from within the Commonwealth of Massachusetts. Of these applications, 201 or 11.3 percent were received from various racial minority applicants, and 150 or 74.6 percent resulted in originations. During this period, Plaza Home received 231 or 13.0 percent of HMDA reportable applications from ethnic groups of Hispanic origin, and 186 or 80.5 percent were originated. This compares to 82.5 percent overall ratio of mortgage loans originated by the mortgage lender in Massachusetts, and the 71.5 percent for the ratio of the aggregate.

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 Plaza Home		2014 Aggregate Data	YTD 2015 Plaza Home	
	#	%	% of #	#	%
American Indian/ Alaska Native	2	0.2	0.2	0	0.0
Asian	42	4.5	4.8	21	2.5
Black/ African American	55	5.9	3.1	57	6.8
Hawaiian/Pacific Islander	2	0.2	0.1	2	0.2
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	10	1.1	1.2	10	1.2
<b>Total Minority</b>	<b>111</b>	<b>11.9</b>	<b>9.5</b>	<b>90</b>	<b>10.7</b>
White	650	69.9	67.7	587	69.7
Race Not Available	169	18.2	22.8	165	19.6
<b>Total</b>	<b>930</b>	<b>100.0</b>	<b>100.0</b>	<b>842</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	94	10.1	3.8	119	14.1
Not Hispanic or Latino	662	71.2	72.6	546	64.9
Joint (Hisp-Lat /Not Hisp-Lat)	8	0.9	1.0	10	1.2
Ethnicity Not Available	166	17.8	22.6	167	19.8
<b>Total</b>	<b>930</b>	<b>100.0</b>	<b>100.0</b>	<b>842</b>	<b>100.0</b>

Source: 2000 U.S. Census Data, 2014 & YTD 2015 HMDA Data

In both 2014 and YTD 2015, Plaza Home's racial minority application flow was comparable with the population demographics derived from the census data. The mortgage lender's performance was also similar to the aggregate figures. Ethnic minority flow was slightly above the demographic data and exceeded the performance of the aggregate.

## V. *Loss of Affordable Housing*

This review concentrated on the suitability and sustainability of mortgage loans originated by Plaza Home by taking into account delinquency and default rates of the mortgage lender and those of the overall marketplace. Information provided by the mortgage 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, the overall delinquency rates were found to be consistent with industry averages. Current Massachusetts foreclosure ratio stands at 0.44 percent.

## **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.

Plaza Home's Service Test performance was determined to be "Satisfactory" during the evaluation period.

### **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.

Plaza Home provides an effective delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in the Commonwealth. Plaza Home's New England regional office is located at 500 Edgewater Drive in Wakefield, Massachusetts. Business development relies entirely on wholesale loan production by receiving all applications from licensed mortgage brokers and lenders. Plaza Home conducts no advertising or direct consumer outreach and does not deal directly with consumers within Massachusetts.

Plaza Home maintains an internal loss mitigation department and collection department through its loan sub-servicer. Employees working with consumers on loan modifications or collections are subject to defined guidelines. Plaza Home's policies and procedures are accessible to all employees.

### **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.

Plaza Home provided an adequate level of Community Development Services in the Commonwealth.

Plaza Home's Community Enrichment Program (CEP) was developed expressly to promote homeownership in under-served communities. The program is presented to participating mortgage brokers. The CEP leverages the loan products already offered by Plaza Home, and enhances them by offering consumer price incentives for properties located in designated under-served areas. The CEP is available nationwide, including in many targeted areas within Massachusetts. The CEP is available with nearly all Plaza Home's loan programs, but highlights those programs that might

provide more flexibility for low and moderate-income borrowers, and specially designed products, such as Fannie Mae My Community or Freddie Mac Home Possible.

In addition, Plaza Home provides training materials for mortgage brokers to educate themselves and their customers about the CEP and some of the other resources that might be used in conjunction with the CEP, such as down-payment assistance programs and homeownership counseling services. This includes webinars and power-point presentations. Promotional and educational flyers are available for the mortgage brokers to use.

In addition, Plaza Home's New England regional office participated in the mortgage lender's corporate annual food drive for needy families, providing approximately 1,000 meals each season.

Management is encouraged to continue its 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.

## **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.