

PUBLIC DISCLOSURE

SEPTEMBER 3, 2014

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**NORTHPOINT MORTGAGE INC.
MC1515**

**559 MAIN STREET, SUITE 302
STURBRIDGE MA. 01518**

**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 (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 **NorthPoint Mortgage Inc. (NorthPoint or the Lender)** prepared by the Division, the mortgage lender's supervisory agency, as of **September 3, 2014**.

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 NorthPoint'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 NorthPoint's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered NorthPoint's lending and community development activities for the period of January 1, 2013 through June 30, 2014 (YTD 2014). 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 2013 and YTD 2014 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 2013 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 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 reasonable 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 borrower reflects, given the demographics of Massachusetts, an adequate record of serving the credit need among individuals of different income levels, including low- and moderate-income.
- NorthPoint offers a limited 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.
- Fair lending policies and practices are considered reasonable.
- The Lender offers certain Community Development Services and Qualified Investments.

PERFORMANCE CONTEXT

Description of Mortgage Lender

NorthPoint was established in the Commonwealth of Massachusetts in 2005, was granted a mortgage broker's license by the Division in March 2006 and a mortgage lender's license in August 2007. NorthPoint's main office is located at 559 Main Street in Sturbridge, Massachusetts. The Lender has seven additional branch offices located in Massachusetts, Rhode Island, Connecticut, New Hampshire, and New Jersey. The company is also licensed to do business in Maine.

NorthPoint offers a variety of mortgage loan products to meet the needs of the Commonwealth's borrowers. NorthPoint is an approved lender for various federally supported programs, and offers a selection of MassHousing products, although only in a mortgage broker capacity.

Underwriting of Massachusetts loans and the major functions in the loan process are done at NorthPoint's main office, as well as the Westborough branch location. Approved loans are funded through established warehouse lines of credit. NorthPoint's business development relies primarily on referrals and repeat customers. The marketing program includes postal and electronic correspondence to past and potential clients, realtors, attorneys and local Chambers of Commerce. 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	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	19.3	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	\$86,272			Median Housing Value		373,206
Households Below Poverty Level	11.14%					
2013 HUD Adjusted Median Family Income	\$84,208			Unemployment Rate		5.6%*

Source: 2010 US Census; *as of 07/31/2014

Based on the 2010 Census, the Commonwealth's population stood at 6.6 million people with a total of 2.8 million housing units. Of the total housing units, 1.6 million or 57.7 percent are owner-occupied, 904,078 or 32.5 percent are rental-occupied, and 9.8 percent are vacant units.

According to the 2010 Census there are 2.5 million households in the Commonwealth with a median 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, 17.76 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 \$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 10.9 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 5.6 percent as of July 31, 2014, which was a decrease from February 2014 when the unemployment rate was at 6.5 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

NorthPoint's lending efforts are rated under 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 NorthPoint.

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

The mortgage lender's distribution of lending in the Commonwealth when compared to the demographic and aggregate lending data was reasonable.

The following table summarizes the 2013 and YTD 2014 home mortgage lending categorized by census tract income level. The lending activity is compared with the percent of owner-occupied housing units based on the 2010 Census and Guaranteed Rate's home mortgage lending performance is compared to aggregate lending performance.

<i>Distribution of HMDA Loans by Income Category of the Census Tract</i>						
Census Tract Income Level	Total Owner-Occupied Housing Units	2013 NorthPoint		2013 Aggregate Lending Data	YTD 2014 NorthPoint	
		%	#		%	#
Low	2.9	7	2.2	2.8	1	1.0
Moderate	13.7	24	7.4	12.3	13	12.5
Middle	48.9	140	42.9	46.1	48	46.2
Upper	34.5	155	47.5	38.8	42	40.4
Total	100.0	326	100.0	100.0	104	100.0

Source: 2013 & YTD 2014 HMDA LAR Data and 2010 U.S. Census Data.

NorthPoint's geographic distribution shows of the total 326 loans originated in 2013, 9.6 percent were in the low and moderate income geographies. The percentages in each category are below 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.

NorthPoint's Massachusetts loan volume during the first six months of 2014 appears consistent with the previous year's production. While the percentage of lending in low income census tracts decreased in 2014, lending in moderate-income census tracts is improving to levels more comparable to the area's owner occupied housing units and the aggregate lending data. Overall, the geographic distribution of residential mortgage loans reflects a satisfactory dispersion throughout low and moderate income level census tracts within the Commonwealth and a preliminary review of the interim data for 2014 confirms a positive trend, as it indicates that 13.5 percent of loans were originated in low and moderate income geographies.

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 NorthPoint's 2013 and YTD 2014 HMDA-reportable loans to low, moderate, middle, and upper-income borrowers in comparison to the 2013 aggregate data (exclusive of NorthPoint) and the percentage of total families within the Commonwealth in each respective income group.

<i>Distribution of HMDA Loans by Borrower Income</i>						
Census Tract Income Level	Total Families (2010 Census)	2013 NorthPoint		2013 Aggregate Lending Data	YTD 2014 NorthPoint	
		%	#	%	#	%
Low	19.3	19	5.8	5.4	5	4.8
Moderate	17.8	61	18.7	15.9	23	22.1
Middle	24.4	71	21.8	22.9	35	33.7
Upper	38.5	167	51.2	43.7	41	39.4
N/A	0.00	8	2.5	12.1	0	0.0
Total	100.00	326	100.0	100.0	104	100.0

Source: 2013 & YTD 2014 HMDA LAR Data and 2010 U.S. Census Data

NorthPoint's lending to low and moderate income borrowers in 2013 was above performance of the aggregate data and lending to moderate income borrowers was above the percentage of moderate-income families. NorthPoint's lending to low-income borrowers during that same period was below the percentage of low-income families, however high housing costs in Massachusetts limit the number of low-income borrowers from qualifying for residential loans.

The Lender's overall lending performance to low and moderate-income level borrowers during the first half of 2014 remained at reasonable levels. A preliminary review of the interim data for 2014 indicates that 26.93 percent of loans were originated for low and moderate-income individuals. The distribution of borrower reflects a good record of serving the credit need among individuals of different income levels, including low- and moderate-income.

III. Innovative or Flexible Lending Practices

NorthPoint offers a limited 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.

NorthPoint became a US Department of Housing and Urban Development (HUD) approved Non-Supervised Loan Correspondent in early 2011 for Federal Housing Administration (FHA) loans. FHA products provide competitive interest rates, smaller down payments for low and moderate income first time homebuyers and existing homeowners. Between January 2012 and June 2014 NorthPoint originated 911 loans of which 116 were FHA loans totaling \$26.4 million. Of these FHA loans, 40 benefited low and moderate-income level consumers, while 16 were originated in low and moderate-income census tract.

NorthPoint offers the USDA Rural Housing (USDA) program, an innovative loan program that provides 100 percent financing for eligible homebuyers in rural-designated areas. This program for home purchase transactions offers fixed rates and does not require a down payment.

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. During the examination review period, NorthPoint originated 36 USDA loans totaling \$7.3 million. Of these, 15 loans benefited low and moderate-income level consumers and 3 loans were originated in low and moderate-income census tract.

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 NorthPoint personnel, and individual file review. No evidence of disparate treatment was identified.

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

Fair lending is incorporated in NorthPoint's company-wide policy and procedures. Employees are instructed on the requirements of the statutes and regulations prohibiting discrimination in credit. NorthPoint's lending policies and procedures apply to all employees.

Fair lending is further enforced through annual training courses which all employees are required to take. All employees are provided with training in fair lending issues appropriate to their job description and responsibilities.

In addition, NorthPoint conducts quarterly and periodic staff meetings that include updates to existing HMDA and fair lending procedures to ensure compliance.

NorthPoint contracts with a third-party who conducts annual fair lending audits to review lending data and identify areas of concern.

MINORITY APPLICATION FLOW

For 2013 and YTD 2014 NorthPoint received 516 HMDA-reportable loan applications from within the Commonwealth of Massachusetts. Of these applications, 25 or 4.8 percent were received from racial minority applicants, of which 20 or 80.0 percent resulted in originations. NorthPoint received 15 or 2.9 percent of HMDA reportable applications from ethnic groups of Hispanic origin within its assessment area of which 12 or 80.0 percent were originated.

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 6.0 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	2013 NorthPoint	2013 Aggregate Data	YTD 2014 NorthPoint
			8

	#	%	% of #	#	%
American Indian/ Alaska Native	0	0.0	0.2	0	0.0
Asian	10	2.5	4.8	4	3.3
Black/ African American	3	0.7	2.4	1	0.8
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority	2	0.5	0.0	0	0.0
Joint Race (White/Minority)	4	1.0	1.2	1	0.8
Total Minority	19	4.7	8.7	6	4.9
White	359	91.0	69.5	113	93.4
Race Not Available	17	4.3	21.8	2	1.7
Total	395	100.0	100.0	121	100.0
ETHNICITY					
Hispanic or Latino	6	1.5	2.8	2	1.7
Not Hispanic or Latino	364	92.2	74.7	111	91.7
Joint (Hisp-Lat /Not Hisp-Lat)	2	0.5	0.9	5	4.1
Ethnicity Not Available	23	5.8	21.6	3	2.5
Total	395	100.0	100.00	121	100.0

Source: 2010 U.S. Census Data, 2013 & 2014 HMDA Data

NorthPoint's performance was below the aggregate data for racial and ethnic minority applicants. A preliminary review of the interim data for 2014 indicates continuation of these trends, with 4.9 percent of applications coming from racial minorities and 5.8 percent from ethnic minorities.

V. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by NorthPoint 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 1.70 percent, 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.

NorthPoint's Service Test performance was determined to be "Needs to Improve."

Mortgage Lending Services

NorthPoint provides an effective delivery of mortgage lender services accessible to geographies and individuals of different income levels in the Commonwealth. Customers can apply to NorthPoint for a mortgage over the telephone, on the company's website or at any of the five sales office locations. NorthPoint maintains two offices within Massachusetts in Sturbridge and Westborough. Both these locations are located in upper-income geographies.

Business development relies primarily on referrals and repeat customers. In addition, NorthPoint advertises with mailers and emails to prior clients, potential clients, realtors, or other relevant entities.

NorthPoint became a Veterans Administration agent in 2009. The VA Home Loan Guarantee Program is designed specifically for the unique challenges facing service members and their families. Through VA-approved lenders, the program offers low closing cost, no down payment requirement, and no private mortgage insurance requirement. At the time of the examination, NorthPoint originated 19 VA loans; however, those loans were underwritten by an investor and therefore not included within the Lender's HMDA data and flexible lending products.

NorthPoint also offers Massachusetts Housing Finance Agency (MassHousing) loan 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. NorthPoint is authorized to act in a mortgage broker's capacity for MassHousing, and in 2012 and 2013 took two loan applications under this program.

As NorthPoint 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.

During the examination review period, NorthPoint co-sponsored and presented six educational first-time homebuyer seminars in Framingham and Bellingham, middle income geographies, and in Marlborough, a moderateincome geography.

A Mortgage Executive at NorthPoint is involved with the Massachusetts Mortgage Bankers Association, where he currently serves on the Education Committee and the Compliance Committee. In the Spring of 2012 he served as guest lecturer at Quinsigamond Community College in Worcester, giving presentation on credit and mortgage process.

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.

NorthPoint donated \$1,000 during the examination period to the Massachusetts Mortgage Bankers Association Community College Scholarship Program.

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.