

PUBLIC DISCLOSURE

JANUARY 8, 2015

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

NEW FED MORTGAGE CORP.

MC1881

**98 HIGH STREET
DANVERS MA. 01923**

**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 **New Fed Mortgage Corp. (the Lender or New Fed)** prepared by the Division, the Lender's supervisory agency, as of **January 8, 2015**.

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 New Fed'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 New Fed's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered New Fed's lending and community development activities for the period of January 2013 through September 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 interim three-quarters of 2014 (YTD 2014) 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 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 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 mortgage 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 an 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.
- New Fed makes limited use of 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 reasonable.
- The Lender provides a limited number of Community Development Services and Qualified Investments.

PERFORMANCE CONTEXT

Description of Mortgage Lender

New Fed was established in the Commonwealth of Massachusetts in April 2000, and was licensed by the Division in 2001 as mortgage broker, while the mortgage lender license was granted in February 2002. New Fed's main office is located at 99 High Street in Danvers, a middle-income level geography. The Lender has two additional branch offices located within Massachusetts in Rockland (a middle-income level geography) and Methuen (a low-income level geography). New Fed is also licensed to do business in Florida, Maine, New Hampshire and Rhode Island.

New Fed offers a variety of mortgage loan products to meet the needs of the Commonwealth's borrowers. New Fed is an approved direct endorsement lender for the Federal Housing Administration, and authorized lender for the Veterans Administration.

A portion of generated mortgage loan applications are underwritten by the Lender's investors. All in-house underwriting and major functions in the loan process are done at New Fed's main office. Approved loans are funded through established warehouse lines of credit. New Fed's business development relies primarily on referrals and repeat customers. Originated loans are closed in the Lender's name and sold immediately to secondary market investors, with servicing rights released. Loan applications obtained through MassHousing and the USDA are brokered to other lenders.

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	11.1%	Unemployment Rate				5.6%*
2012 HUD Adjusted Median Family Income	\$87,891	2013 HUD Adjusted Median Family Income				\$84,208

*Source: 2010 US Census
as of 09/30/2014

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 \$87,891 in 2012 and \$84,208 in 2013. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth of Massachusetts contained 1,474 Census tracts. Of these, 160 or 10.8 percent are low-income; 295 or 20.0 percent are moderate-income; 600 or 40.7 percent are middle-income; 399 or 27.1 percent are upper-income; and 20 or 1.4 percent are NA or have no income designation. The tracts with no income designation are located in areas that contain no housing units and will not be included in this evaluation since they provide no lending opportunities. These areas are made up of correctional facilities, universities, military installations, and uninhabited locations such as the Boston Harbor Islands.

Low-income is defined as individual income that is less than 50 percent of the area median income. Moderate-income is defined as individual income that is at least 50 percent and less than 80 percent of the area median income. Middle-income is defined as individual income that is at least 80 percent and less than 120 percent of the area median income. Upper-income is defined as individual income that is more than 120 percent of the area median income.

The median housing value for Massachusetts was \$373,206 according to the 2010 Census. The unemployment rate for the Commonwealth of Massachusetts stood at 5.6 percent as of September 30, 2014, which was a decrease from September 2013 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

New Fed'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 New Fed.

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

The following table presents, by number, New Fed's 2013 and interim three-quarters 2014 HMDA reportable loans in low, moderate, middle, and upper-income geographies in comparison to the 2013 aggregate lending data (exclusive of New Fed), 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>2013 New Fed</i>		<i>2013 Aggregate Lending Data</i>	<i>YTD 2014 New Fed</i>	
	<i>%</i>	<i>#</i>	<i>%</i>	<i>% of #</i>	<i>#</i>	<i>%</i>
<i>Low</i>	2.9	8	2.3	2.8	21	7.3
<i>Moderate</i>	13.7	45	12.8	12.3	38	13.2
<i>Middle</i>	48.9	206	58.7	46.1	154	53.7
<i>Upper</i>	34.5	92	26.2	38.8	74	25.8
<i>N/A</i>	0.0	0	0.0	0.0	0	0.0
<i>Total</i>	<i>100.0</i>	<i>351</i>	<i>100.0</i>	<i>100.0</i>	<i>287</i>	<i>100.0</i>

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

As reflected in the above table, of the total 351 loans originated in 2013, 15.1 percent were in the low and moderate-income level geographies. The percentages in each category were generally in line with 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 2014, the percentage of lending in low-income level census tracts improved significantly, exceeding the aggregate lending data, while the percentage for moderate-income level census tracts remained at levels comparable to 2013.

The highest concentration of residential loans was originated in the middle and upper-income level census tracts for both 2013 and 2014. Given that 83.4 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 a reasonable 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 New Fed'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 New Fed) and the percentage of total families within the Commonwealth in each respective income group.

Distribution of HMDA Loans by Borrower Income Level						
Census Tract Income Level	Total Families (2010 Census)	2013 New Fed		2013 Aggregate Lending Data	YTD 2014 New Fed	
		#	%		#	%
	%	#	%	% of #	#	%
Low	19.2	21	6.0	5.4	16	5.6
Moderate	17.8	79	22.5	15.9	84	29.3
Middle	24.4	124	35.3	22.9	83	28.9
Upper	38.6	110	31.3	43.7	102	35.5
N/A	0.0	17	4.9	12.1	2	0.7
Total	100.0	157	100.0	100.0	287	100.0

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

As shown in the above table, lending to moderate-income level borrowers during 2013 and 2014 exceeded the percentage of moderate-income level families and the performance of the aggregate data. New Fed's lending to low-income level borrowers during that same period was considerably below the percentage of low-income level families, yet in line with the performance of the aggregate data.

Considering the high housing costs throughout Massachusetts, the number of middle and upper-income level residential areas creates somewhat fewer opportunities to lend to low and moderate-income level borrowers. In addition the high housing costs, 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 is reasonable.

III. Innovative or Flexible Lending Practices

New Fed offers two types 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.

New Fed became a Housing and Urban Development direct endorsement mortgage lender in 2011 for Federal Housing Administration (FHA) insured mortgages. FHA products provide competitive interest rates and smaller down payments for low- and moderate-income first time homebuyers and existing homeowners. During the review period, New Fed originated 173 FHA loans totaling more than \$52 million. Of these, 75 loans benefited low to moderate-income level consumers, while 57 loans were originated in low and moderate-income level geographies.

New Fed became Veterans Administration authorized lender in 2007. The VA Home Loan Guarantee Program is designed specifically for the unique challenges facing service members and their families. Through VA-approved lenders like Veterans United, the program offers low closing cost, no down payment requirement, and no private mortgage insurance requirement. During the review period, New Fed did not originate any VA loans.

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

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

Fair lending is incorporated in New Fed's company-wide policies and procedures that apply to all personnel. Employees are instructed not to discriminate against loan applicants on a prohibited basis. Mortgage loan originators are required to complete the continuing education program, in line with the NMLS requirements. All staff also participates in periodic on-line courses, as well as any required agency specific or investor specific training. 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. New Fed also conducts periodic reviews and annual audits for compliance with regulatory requirements, including HMDA.

MINORITY APPLICATION FLOW

For 2013 and the interim three-quarters of 2014 New Fed had underwritten 860 HMDA-reportable loan applications from within the Commonwealth of Massachusetts. Of these applications, 53 or 6.2 percent were received from ethnic groups of Hispanic origin, of which 35 or 66.0 percent were originated. New Fed received, 54 or 6.3 percent of HMDA reportable applications from racial minority applicants, of which 37 or 68.5 percent resulted in originations. This compares to 74.2 percent overall ratio of mortgage loans originated by the Lender in Massachusetts, and the 74.6 percent for the ratio of 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 6.0 percent Black; 5.3 percent Asian/Pacific Islander; 0.2 percent American Indian/Alaskan Native; and 2.81 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 New Fed		2013 Aggregate Data	YTD 2014 New Fed	
	#	%	% of #	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	0.2	0	0.0
<i>Asian</i>	18	3.7	4.8	7	1.9
<i>Black/ African American</i>	4	0.8	2.4	15	4.0
<i>Hawaiian/Pacific Islander</i>	0	0.0	0.1	0	0.0
<i>2 or more Minority</i>	0	0.0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	5	1.0	1.2	5	1.3
Total Minority	27	5.5	8.7	27	7.2
<i>White</i>	456	93.8	69.5	342	91.5
<i>Race Not Available</i>	3	0.7	21.8	5	1.3
Total	486	100.0	100.0	374	100.0
ETHNICITY					
<i>Hispanic or Latino</i>	10	2.1	2.8	35	9.4
<i>Not Hispanic or Latino</i>	471	96.9	74.7	331	88.5
<i>Joint (Hisp-Lat /Not Hisp-Lat)</i>	2	0.4	0.9	6	1.6
<i>Ethnicity Not Available</i>	3	0.6	21.6	2	0.5
Total	486	100.0	100.0	374	100.0

Source: PCI Corporation CRA Wiz, Data Source: 2000 U.S. Census Data, 2013 & YTD 2014 HMDA Data

New Fed's racial and ethnic minority application flow was lower than the population demographics derived from the census data, however, the Lender's performance was generally comparable to the aggregate data. Year to date data from 2014 shows an increase in the number of application received from minorities.

V. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by New Fed 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. Overall 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.

New Fed's Service Test performance was determined to be "Needs to Improve" at this time.

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 level geographies and individuals.

New Fed 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 New Fed for a mortgage loan over the telephone, via the company's website, and at any of the three office locations, two located in middle-income geographies and one located within a low-income geography.

Business development relies primarily on referrals and repeat customers. New Fed does minimal advertising in Massachusetts.

New Fed also offers Massachusetts Housing Finance Agency (MassHousing) products, and the USDA Rural Housing Program. However, since New Fed is not authorized to act as a mortgage lender for MassHousing generated mortgage loan applications are forwarded to Merrimack Mortgage Company Inc. (ML2561) for approval.

As New Fed 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 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 period, New Fed sponsored one first-time homebuyer seminar in Quincy.

Qualified Investments

For the purposes of this CRA evaluation, a Qualified Investment is a lawful investment, deposit, membership share, or grant, the primary purpose of which is 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.

During the review period, New Fed made direct monetary donations to Habitat for Humanity, Massachusetts Mortgage Bankers Association Foundation, and New England Mortgage Bankers Conference Foundation.

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 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.