

**PUBLIC DISCLOSURE**

**MARCH 10, 2016**

**MORTGAGE LENDER COMMUNITY INVESTMENT  
PERFORMANCE EVALUATION**

**NEW DAY FINANCIAL LLC D/B/A NEWDAY USA  
MC1043**

**8160 MAPLE LAWN BOULEVARD, SUITE 300  
FULTON MD. 20759**

**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, 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 Day Financial, LLC d/b/a NewDay USA (New Day Financial or Lender)** prepared by the Division, the Lender's supervisory agency, as of **March 10, 2016**.

## SCOPE OF EXAMINATION

An 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 Day Financial'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 Day Financial's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered New Day Financial's lending and community development activities for the period of January 2014 through December 2015. The data and applicable timeframes for the Lending Test and the Service Test are discussed below.

The Lending Test evaluates the mortgage lender's community investment performance pursuant to the following five criteria: geographic distribution of loans, lending to borrowers of different incomes, innovative and flexible lending practices, fair lending, and loss of affordable housing.

Home mortgage lending for 2014 and 2015 is presented in the geographic distribution, lending to borrowers of different incomes and the Minority Application Flow tables. Comparative analysis of the Lender's lending performance for the year of 2014 is provided because it is the most recent year for which aggregate HMDA lending data is available. The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes lending information from all HMDA reporting mortgage lenders which originated loans in the Commonwealth of Massachusetts.

In addition to gathering and evaluating statistical information relative to a mortgage lender's loan volume, the CRA examination also reflects an in depth review of the entity's mortgage lending using qualitative analysis, which includes, but is not limited to: an assessment of the suitability and sustainability of the mortgage lender's loan products by reviewing the lender's internally maintained records of delinquencies and defaults as well as information publicly available through the Federal Reserve Banks and through local Registries of Deeds and through other sources available to the examination team. The examination included inspection of individual loan files for review of compliance with consumer protection provisions and scrutiny of these files for the occurrence of disparate treatment based on a prohibited basis.

The Service Test evaluates the mortgage lender's record of helping to meet the mortgage credit needs by analyzing the availability and effectiveness of a mortgage lender's systems for delivering mortgage loan products, the extent and innovativeness of its community development services, and, if applicable, loss mitigation services to modify loans and/or efforts to keep delinquent home borrowers in their homes.

## **MORTGAGE LENDER'S CRA RATING:**

**This mortgage lender is rated "Satisfactory".**

- The geographic distribution of the Lender's loans reflects reasonable 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 Day Financial offers flexible lending products, which are provided in a safe and sound manner and address the credit needs of low and moderate-income level individuals.
- Fair lending policies and practices are considered adequate.
- The Lender does not provide Community Development Services within the Commonwealth.
- New Day Financial provides mortgage lending services that are accessible to geographies and individuals of different income levels in the Commonwealth.

## PERFORMANCE CONTEXT

### Description of Mortgage Lender

New Day Financial was established in 2002 in the State of Delaware, and was granted a mortgage company license by the Division in 2004. New Day Financial's main office is located in Fulton, Maryland. The Lender is authorized to conduct business throughout the United States, and does not maintain any branch offices within Massachusetts.

New Day Financial offers primarily refinance loan products guaranteed by Department of Veteran Affairs (VA), and is also an approved non-supervised lender for the Department of Housing and Urban Development (HUD), offering Federal Housing Administration (FHA) insured loans. The Lender's business model is based on extensive direct mail marketing campaign.

All underwriting and approval functions in the loan process are conducted at New Day Financial's main office. Approved loans are funded through established warehouse lines of credit, closed in Lender's name and sold immediately to secondary market investors, with servicing rights retained.

### Demographic Information

The regulation requires mortgage lenders to be evaluated on their performance within the Commonwealth of Massachusetts. Demographic data is provided below to offer contextual overviews of economic climate along with housing and population characteristics for the Commonwealth of Massachusetts.

2010 CENSUS DEMOGRAPHIC INFORMATION						
Demographic Characteristics	Amount	Low %	Moderate %	Middle %	Upper %	N/A %
Geographies (Census Tracts)	1,474	10.8	20.0	40.7	27.1	1.4
Population by Geography	6,547,629	8.9	18.9	42.8	29.2	0.2
Owner-Occupied Housing by Geography	1,608,474	2.9	13.7	48.9	34.5	0.0
Family Distribution by Income Level	1,600,588	19.2	17.8	24.4	38.6	0.0
Distribution of Low and Moderate Income Families Throughout AA Geographies	592,420	7.7	18.4	43.6	30.3	0.0
Median Family Income		\$86,272	Median Housing Value			373,206
Households Below Poverty Level		11.1%	Unemployment Rate			4.7*
2014 HUD Adjusted Median Family Income		\$83,700	2015 HUD Adjusted Median Family Income			\$87,300

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

Based on the 2010 Census, the Commonwealth's population stood at 6.55 million people with a total of 2.79 million housing units. Of the total housing units, 1.61 million or 57.7 percent are owner-occupied, 904,078 or 32.5 percent are rental-occupied, and 9.8 percent are vacant units.

According to the 2010 Census there are 2.51 million households in the Commonwealth with a median household income of \$69,101. Over 39 percent of the households are now classified as low and moderate-income. In addition, over 11 percent of the total number of households are

living below the poverty level. Individuals in these categories may find it challenging to qualify for traditional mortgage loan products.

Households classified as “families” totaled slightly over 1.60 million. Of all family households, 19.2 percent were low-income, 17.8 percent were moderate-income, 24.4 percent were middle-income, and 38.6 percent were upper-income. The median family income according to the 2010 census was \$86,272. The Housing and Urban Development (HUD) adjusted median family income is \$87,300 in 2015. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

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

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

The median housing value for Massachusetts was \$373,206 according to the 2010 Census. The unemployment rate for the Commonwealth of Massachusetts stood at 4.7 percent as of January 2016, which was an increase from October 2015 when the unemployment rate was at 4.6 percent. Employment rates would tend to affect a borrower’s ability to remain current on mortgage loan obligations and also correlates to delinquency and default rates.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

New Day Financial’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 Day Financial.

New Day Financial’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 Day Financial 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 Day Financial’s 2014 and 2015 HMDA reportable loans in low, moderate, middle, and upper-income geographies, in comparison to the aggregate lending data (exclusive of New Day Financial), as well as the percentage of owner-occupied housing units in each of the census tract income categories.

Distribution of HMDA Loans by Income Level Category of the Census Tract						
Census Tract Income Level	Total Owner- Occupied Housing Units	2014 New Day Financial		2014 Aggregate Lending Data	2015 New Day Financial	
		#	%	% of #	#	%
<b>Low</b>	3.1	2	2.6	3.5	5	6.5
<b>Moderate</b>	13.0	7	9.2	13.3	12	15.6
<b>Middle</b>	48.3	42	55.3	46.7	33	42.8
<b>Upper</b>	35.6	25	32.9	36.4	27	35.1
<b>N/A</b>	0.0	0	0.0	0.1	0	0.0
<b>Total</b>	<b>100.0</b>	<b>76</b>	<b>100.0</b>	<b>100.0</b>	<b>77</b>	<b>100.0</b>

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

As reflected in the above table, 76 loans were originated in 2014, of which 11.8 percent were in the low and moderate-income geographies. The percentages in each category were slightly lower but comparable to the percentage of the area’s owner occupied housing units in low and moderate-income geographies, as well as the aggregate lending data percentages.

In 2015 the Lender’s loan volume remained consistent, however the percentage of lending in low and moderate-income level census tracts increased, exceeding the comparison lending data from the prior year.

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

Overall, the geographic distribution of residential mortgage loans reflects 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 Lender is addressing the credit needs of the Commonwealth’s residents.

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

<b>Distribution of HMDA Loans by Borrower Income Level</b>						
<b>Median Family Income Level</b>	<b>2014 % of Families</b>	<b>2014 New Day Financial</b>		<b>2014 Aggregate Lending Data</b>	<b>2015 New Day Financial</b>	
	<b>%</b>	<b>#</b>	<b>%</b>	<b>% of #</b>	<b>#</b>	<b>%</b>
<b>Low</b>	22.2	2	2.6	5.0	2	2.6
<b>Moderate</b>	16.5	17	22.4	15.9	28	36.3
<b>Middle</b>	20.6	28	36.8	21.7	22	28.6
<b>Upper</b>	40.7	29	38.2	40.8	20	26.0
<b>N/A</b>	0.0	0	0.0	16.6	5	6.5
<b>Total</b>	<b>100.0</b>	<b>76</b>	<b>100.0</b>	<b>100.0</b>	<b>77</b>	<b>100.0</b>

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

As shown in the above table, lending to low-income borrowers during 2014 and 2015 was below the percentage of low-income families and the aggregate data. New Day Financial’s lending to moderate-income borrowers during that same period exceeded the percentage of moderate-income families, as well as the performance of the aggregate data.

Although lending to low-income borrowers falls below the comparison data, the Lender’s overall lending performance to low and moderate-income borrowers is adequate.

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

## ***III. Innovative or Flexible Lending Practices***

New Day Financial offers VA loans as its primary loan product. These loans are considered an innovative or flexible lending product and are provided in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies. VA loans are subject to typical underwriting requirements but provide competitive interest rates, have no down payment requirement and allow qualified borrowers to purchase a home without out of pocket cost. The VA loan’s effective loan limits range from \$417,000 to more than \$1 million. There is also no private



mortgage insurance or mortgage insurance premium. Nearly all of New Day Financial's loans originated during the examination period were VA loans. During the review period, New Day Financial originated 152 VA loans totaling \$44.85 million. Of these, 49 loans benefited low to moderate-income borrowers, while 26 loans were originated in low and moderate-income geographies.

New Day Financial also offers FHA products as a HUD approved Non-Supervised FHA Loan Correspondent (Direct Endorsement Lender). FHA products provide competitive interest rates and smaller down payments to assist low and moderate-income first time homebuyers and existing homeowners. During the review period, New Day Financial originated one FHA loan in 2015.

#### ***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 Day Financial's personnel, and individual file review. No evidence of disparate treatment was identified.

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

Fair lending is incorporated in New Day Financial's company-wide policies and procedures that apply to all employees. Employees are instructed not to engage in any inappropriate conduct, take any action based upon prohibited basis, or steer consumers to loan products unsuitable for their needs.

New Day Financial provides training to all employees annually. Employees regularly participate in corporate training and on-line courses regarding fair lending, equal credit opportunity act, and HMDA as well as agency and investor required trainings. New Day Financial engages a third party vendor to perform monthly post funding loan reviews on a randomly selected sample of files for compliance. In addition, New Day Financial conducts internal audits regularly. Senior management is responsible for ensuring that the Lender is in compliance with all state and federal laws and regulations, including CRA and Fair Lending, and for making necessary changes and updates to policies and procedures.

#### **Minority Application Flow**

New Day Financial's 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.

During 2014 and 2015 New Day Financial received 1,726 HMDA-reportable mortgage loan applications from within the Commonwealth of Massachusetts. Of these applications, 181 or 11.5 percent were received from racial minority applicants, of which 11 or 6.1 percent resulted in originations. For the period, New Day Financial received 56 or 3.6 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, of which two or 3.6 percent were

originated. This compares to 8.9 percent overall ratio of mortgage loans originated by the Lender in Massachusetts. Aggregate data shows a 71.8 percent approval ratio.

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 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 Lender received from minority applicants.

<b>MINORITY APPLICATION FLOW</b>					
<b>RACE</b>	<b>2014 New Day Financial</b>		<b>2014 Aggregate Data</b>	<b>2015 New Day Financial</b>	
	<b>#</b>	<b>%</b>	<b>% of #</b>	<b>#</b>	<b>%</b>
American Indian/ Alaska Native	6	0.7	0.2	13	1.5
Asian	2	0.2	4.8	4	0.5
Black/ African American	42	4.9	3.1	56	6.5
Hawaiian/Pacific Islander	3	0.4	0.1	1	0.1
2 or more Minority	4	0.5	0.1	5	0.6
Joint Race (White/Minority)	31	3.6	1.2	14	1.6
<b>Total Minority</b>	<b>88</b>	<b>10.3</b>	<b>9.5</b>	<b>93</b>	<b>10.8</b>
White	677	78.7	67.7	714	82.4
Race Not Available	95	11.0	22.8	59	6.8
<b>Total</b>	<b>860</b>	<b>100.0</b>	<b>100.0</b>	<b>866</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	19	2.2	3.8	21	2.4
Joint (Hisp-Lat /Not Hisp-Lat)	12	1.4	1.0	4	0.5
<b>Total Hispanic or Latino</b>	<b>31</b>	<b>3.6</b>	<b>4.8</b>	<b>25</b>	<b>2.9</b>
Not Hispanic or Latino	734	85.4	72.6	782	90.3
Ethnicity Not Available	95	11.0	22.6	59	6.8
<b>Total</b>	<b>860</b>	<b>100.0</b>	<b>100.0</b>	<b>866</b>	<b>100.0</b>

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

New Day Financial'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.

## **V. Loss of Affordable Housing**

This review concentrated on the suitability and sustainability of mortgage loans originated by New Day Financial 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 that showed an undue pattern of early payment defaults, resulting in the loss of affordable housing units. Overall delinquency rates were found to be below or 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 Day Financial's Service Test performance was determined to be "Needs to Improve" at this time. During the review period, the Lender did not engage in any qualified community development services within the Commonwealth.

### **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.

New Day Financial provides an effective delivery of mortgage lending services that are accessible to geographies and individuals of different income levels in the Commonwealth. Customers can apply to New Day Financial for a mortgage over the telephone and via the company's website. New Day Financial does not maintain an office within Massachusetts. Business development relies primarily on direct mail marketing, and television and internet advertising.

New Day Financial is an approved Government National Mortgage Association (Ginnie Mae) issuer and retains servicing rights on loans sold. The portfolio is sub-serviced, and the Lender monitors loan performance via servicing reports. As described above, lending practices and products did not indicate an undue concentration or a systematic pattern of lending resulting in mortgage loans that would not be 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.

New Day Financial does not engage in any qualified community development services.

Management is encouraged to employ a stronger 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.