

PUBLIC DISCLOSURE

January 21 , 2016

**CRA FOR MORTGAGE LENDERS
PERFORMANCE EVALUATION**

**AMERICAN FINANCIAL RESOURCES
ML2826**

**9 SYLVAN WAY
PARSIPANNY, NJ 07054**

**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 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 **American Financial Resources, Inc. (American Financial Resources or Lender)** prepared by the Division, the mortgage lender's supervisory agency, as of January 21, 2016.

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 American Financial Resources:

- (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 American Financial Resources' community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered American Financial Resources' lending and community development activities for the period of January 1, 2014 through December 31, 2015. The data and applicable timeframes for the Lending Test and the Service Test are discussed below.

The Lending Test evaluates the 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 is provided for the Lender's 2014 lending performance as this is the most recent year for which aggregate HMDA lending data is available. The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes lending information from all HMDA reporting lenders which originated loans in the Commonwealth of Massachusetts.

In addition to gathering and evaluating statistical information relative to a 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 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 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:

American Financial Resources is rated "Satisfactory"

- The distribution of borrowers reflects, given the demographics of Massachusetts, reflects a good record of serving the credit need among individuals of different income levels, including those of low- and moderate-income.
- 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.
- American Financial Resources offers 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 adequate.
- The Lender provides an effective delivery of mortgage lending services throughout the Commonwealth.
- American Financial Resources provided a less than adequate level of Community Development Services in the Commonwealth.

PERFORMANCE CONTEXT

Description of Mortgage Lender

American Financial Resources, Inc. was incorporated in the state of New Jersey on December 15, 1997 and was first licensed in the Commonwealth of Massachusetts by the Division of Banks on January 13, 2005. American Financial Resources operates as a nationwide residential mortgage lender and is licensed as a mortgage banker in all 50 states and the District of Columbia. Its primary focus is the origination and selling of mortgage loans for one-to-four family properties. In Massachusetts, the Lender conducts business under the name E-Lend. The Lender's corporate headquarters is located at 9 Sylvan Way in Parsippany, New Jersey. American Financial Resources originates and sells residential mortgage loans to the secondary market with servicing rights released or retained.

During the examination period of 2014 and 2015, American Financial Resources originated 409 loans totaling approximately \$98.5 million in Massachusetts.

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	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			4.9%*	
2014 HUD Adjusted Median Family Income	\$83,700	2015 HUD Adjusted Median Family Income			\$87,300	

Source: 2010 US Census; *as of 12/31/2015

Based on the 2010 Census, the Commonwealth's population grew to just over 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 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, 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, 2015, stood at 4.9 percent which was a decrease from December 31, 2014, at which time it stood at 5.3 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

Lending performance is rated under the five performance criteria: Borrower Characteristics, Geographic Distribution, 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 American Financial Resources.

American Financial Resources' Lending Test performance was determined to be "Satisfactory" at this time.

I. 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.

American Financial Resources achieved a good record of serving the mortgage credit needs among borrowers of different income levels based on the area's demographics and a comparison to aggregate lending data in Massachusetts.

The table below shows illustrates HMDA loan originations, categorized by borrower income level, that were reported by American Financial Resources during 2014 and 2015, and compares this activity to the 2014 aggregate lending data (excluding American Financial Resources) and the percentage of families by income level within the assessment area using Census demographics.

<i>Distribution of HMDA Loans by Borrower Income</i>							
<i>Median Family Income Level</i>	<i>2014 % of Families</i>	<i>2014 American Financial Resources</i>		<i>2014 Aggregate Lending Data (% of #)</i>	<i>2015 % of Families</i>	<i>2015 American Financial Resources</i>	
		<i>#</i>	<i>%</i>			<i>#</i>	<i>%</i>
<i>Low</i>	22.2	26	12.6	5.0	22.2	22	10.9
<i>Moderate</i>	16.5	69	33.3	15.9	16.5	49	24.3
<i>Middle</i>	20.6	66	31.9	21.7	20.6	66	32.7
<i>Upper</i>	40.7	36	17.4	40.9	40.7	52	25.7
<i>NA*</i>	0.0	10	4.8	16.5	0.0	13	6.4
<i>Total</i>	100.0	207	100.0	100.0	100.0	202	100.0

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

As shown in the above table, the percentage of lending to low- and moderate-income borrowers was greater than the aggregate in both 2014 and 2015. Lending to moderate-income borrowers was also greater than the demographics in both years while lending to low-income borrowers was below the demographics. While American Financial Resources' percentage of lending to low – and moderate-income borrowers decreased in 2015, the percentage remains greater than the aggregate.

II Geographic Distribution

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

American Financial Resources' distribution of lending is considered reasonable when compared to the demographics and aggregate lending data for the time period of January 1, 2013 through December 31, 2014.

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 and American Financial Resources' 2014 and 2015 home mortgage lending performance is compared to aggregate lending performance in each year.

<i>Geographic Distribution of HMDA Loans by Census Tract</i>							
<i>Census Tract Income Level</i>	<i>2014 % Total Owner-Occ. Housing Units</i>	<i>2014 American Financial Resources</i>		<i>2014 Aggregate Lending Data (% of #)</i>	<i>2015 % Total Owner-Occ. Housing Units</i>	<i>2015 American Financial Resources</i>	
		<i>#</i>	<i>%</i>			<i>#</i>	<i>%</i>
<i>Low</i>	3.1	13	6.3	3.5	3.1	5	2.5
<i>Moderate</i>	13.0	45	21.7	13.3	13.0	29	14.4
<i>Middle</i>	48.3	121	58.5	46.7	48.3	115	56.9
<i>Upper</i>	35.6	28	13.5	36.5	35.6	53	26.2
<i>Total</i>	100.0	207	100.0	100.0	100.0	202	100.0

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

American Financial Resources' geographic distribution of loans in low- and moderate-income tracts was above both aggregate lending and the demographics in 2014. The percentage of lending performance in 2015 decreased in low- and moderate-income income tracts, however, remained comparable to the aggregate.

III. Innovative or Flexible Lending Practices

American Financial Resources originates, underwrites, and purchases innovative or flexible lending products, which are provided in a safe and sound manner to address the credit needs of low- and moderate-income individuals and geographies.

American Financial Resources offers a variety of Federal Housing Administration (FHA) products which offer competitive interest rates and smaller down payments for low- and moderate-income first time homebuyers and existing homeowners. Between 2014 and 2015 American Financial Resources originated or purchased 234 FHA loans totaling \$56.2 million. Of these FHA loans, 96 or 41 percent were to low- and moderate-income borrowers, and 60 or 26 percent were originated in low-income census tracts.

The Veteran Affairs (VA) Home Loan Guarantee Program offered by American Financial Resources 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. Between 2014 and 2015 American Financial Resources originated or purchased 23 VA loans totaling \$6.8 million. Of these VA loans, 9 or 39 percent were to low- and moderate-income borrowers, and 2 or 9 percent were originated in low-income census tracts.

United States Department of Agriculture (USDA) Home Loans are offered in rural areas as determined by the USDA. The USDA's mission is to help lower income households obtain home loans at reasonable mortgage rates. These loans offer many advantages to qualified borrowers such as 100% financing, no monthly mortgage insurance and no asset or automatic reserve requirements. Between 2014 and 2015, American Financial Resources originated or purchased 12 USDA loans totaling \$2.6 million. Of these USDA loans, 1 or 8 percent were to low- and moderate-income borrowers.

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 lender personnel, and individual file review.

American Financial Resources' compliance with the laws relating to discrimination and other illegal credit practices was reviewed. American Financial Resources 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. American Financial Resources has a written Fair Lending Policy which includes the Lender's efforts to eliminate discrimination as well as to provide guidance to American Financial Resources employees on how to comply with fair lending policies and procedures. American Financial Resources provides fair lending training to all employees along with other applicable compliance training. American Financial Resources undergoes annual third-party audits which include Fair Lending in addition to internal quality control audits and a secondary review of all denied loans before a final decision is made in an effort to proactively monitor for possible fair lending concerns.

Minority Application Flow

American Financial Resources' Loan Application Registers for 2014 and 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 23.8 percent of the total population as of the 2010 Census. This segment of the population

is comprised of 9.6 percent Hispanic or Latino. 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 identified as Other Race.

For 2014 and 2015, American Financial Resources received 615 HMDA reportable loan applications from within the Commonwealth of Massachusetts. Of these applications, 66 or 10.7 percent were received from minority applicants, of which 44 resulted originations. American Financial Resources received 64 or 10.4 percent of HMDA reportable applications from ethnic groups of Hispanic origin, of 45 resulted in origination.

Refer to the following table for information on the Lender’s minority application flow as well as a comparison to the aggregate lenders 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.

MINORITY APPLICATION FLOW					
RACE	2014 American Financial Resources		2014 Aggregate Data	2015 American Financial Resources	
	#	%	% of #	#	%
American Indian/ Alaska Native	0	0.0	0.2	0	0.0
Asian	4	1.3	4.8	9	2.8
Black/ African American	19	6.4	3.1	31	9.8
Hawaiian/Pac. Isl.	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	2	0.7	1.2	1	0.3
Total Minority	25	8.4	9.5	41	12.9
White	262	87.9	67.7	271	85.5
Race Not Available	11	3.7	22.8	5	1.6
Total	298	100.0	100.0	317	100.0
ETHNICITY					
Hispanic or Latino	24	8.0	3.8	31	9.8
Not Hispanic or Latino	258	86.6	72.6	278	87.7
Joint (Hisp/Lat /Not Hisp/Lat)	6	2.0	1.0	3	0.9
Ethnicity Not Available	10	3.4	22.6	5	1.6
Total	298	100.0	100.0	317	100.0

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

In 2014, American Financial Resources’ performance was slightly below the aggregate’s performance for racial minorities and was above the aggregate for ethnic minorities. Based on the lending trends of 2015 data, American Financial Resources received more applications from racial and ethnic minorities exceeding the aggregate in both categories.

V. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by American Financial Resources by taking into account delinquency and default rates of the mortgage lender and those of the overall marketplace. Information provided by the Lender was reviewed as were statistics available on delinquency and default rates for mortgage loans. Additionally, individual

mortgage loans were tracked for their status through local Registries of Deeds and other available sources including public records of foreclosure filings.

A 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. Further, delinquency rates were found to be consistent with industry averages.

SERVICE TEST

The Service Test evaluates a mortgage lender's record of helping to meet the mortgage credit needs in the Commonwealth by analyzing both the availability and effectiveness of a mortgage lender's systems for delivering mortgage loan products; the extent and innovativeness of its community development services; and loss mitigation services to modify loans or otherwise keep delinquent home loan borrowers in their homes. Community development services must benefit the Commonwealth or a broader regional area that includes the Commonwealth.

American Financial Resources' Service Test performance was determined to be "Needs to Improve" during the evaluation period.

Mortgage Lending Services

American Financial Resources provides an adequate level of mortgage lending services to low and moderate income geographies and borrowers through home purchase and refinance transactions in Massachusetts. The Lender offers a variety of mortgage products including conventional, FHA, VA, and USDA loans. American Financial Resources generates most of its business in Massachusetts from mortgage brokers. The Lender's website allows customers to view loan products available and apply online as well as through loan officers over the telephone.

A portion of Massachusetts loans are sold to investors with servicing rights retained. American Financial Resources uses a third party sub servicer to service these loans and handle loss mitigation, foreclosures, and bankruptcies.

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. Overall, the lender provides an effective delivery of mortgage lending services throughout the Commonwealth.

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.

American Financial Resources provided few community development services during the examination period within the Commonwealth. It is recommended that a strong focus and proactive commitment on the part of management should be employed in community development activities that meet the definition of community development under the CRA regulation and benefit the Commonwealth of Massachusetts.

During the examination period, American Financial Resources provided financial literacy assistance to a range of communities through its public website afmortgage.com. The website's Mortgage Education Center contains information on a variety of topics related to purchasing or refinancing a home.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

- 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. 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.