

PUBLIC DISCLOSURE

NOVEMBER 29, 2016

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**AMERICAN NEIGHBORHOOD MORTGAGE ACCEPTANCE COMPANY LLC
MC338923**

**700 EAST GATE DRIVE, SUITE 400
MOUNT LAUREL N.J. 08054**

**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>
--

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 **American Neighborhood Mortgage Acceptance Company LLC (the Lender or AnnieMac)** prepared by the Division, the Lender's supervisory agency, as of **November 29, 2016**.

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 AnnieMac'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 AnnieMac's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered AnnieMac'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 2015 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. Home mortgage lending data for the first two quarters of 2016 (YTD 2016) is referenced in the narrative to illustrate trends in AnnieMac's lending data.

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 good dispersion in low and moderate-income level census tracts, as it is reflective of the distribution of owner occupied housing in those census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects a good record of serving the credit needs among individuals of different income levels.
- AnnieMac offers a variety of flexible lending products to address the credit needs of low and moderate-income level individuals.
- Fair lending policies and practices are considered adequate.
- The Lender provides a limited number of Community Development Services within the Commonwealth.

PERFORMANCE CONTEXT

Description of Mortgage Lender

AnnieMac was established in the state of Delaware in April 2010, and was granted a license by the Division in 2011. AnnieMac's main office is located at 700 East Gate Drive in Mount Laurel, New Jersey. The Lender has four additional branch offices located within Massachusetts, in Waltham, Revere, Wellesley, and Hopkinton. The company is licensed to do business throughout the United States.

AnnieMac offers a variety of mortgage loan products to meet the needs of the Commonwealth's borrowers. AnnieMac is an approved lender for the Federal Housing Administration and offers a selection of MassHousing products.

Underwriting functions and loan processing operations are located at AnnieMac's corporate office. Approved loans are funded through established warehouse lines of credit. AnnieMac's business development relies primarily on industry relation referrals and repeat customers. Various marketing tools are also employed, including direct mail promotions. Originated loans are closed in the Lender's name and sold immediately to secondary market investors, with servicing rights retained as well as released.

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		3.6*	
2014 HUD Adjusted Median Family Income	\$83,700		2015 HUD Adjusted Median Family Income		\$87,300	

Source: 2010 US Census

*as of 09/30/2016

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. Nearly 40 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 for 2015 is \$87,300. 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 3.6 percent as of September 2016, which was a decrease from June 2016 when the unemployment rate was at 4.2 percent. Employment rates would tend to affect a borrower’s ability to remain current on mortgage loan obligations and also correlates to delinquency and default rates.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The lending test evaluates a mortgage lender’s record of helping to meet the mortgage credit needs of the Commonwealth through its lending activities. AnnieMac’s lending efforts are rated under the six performance criteria: Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending Practices, Loss Mitigation Efforts, 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 AnnieMac.

AnnieMac’s Lending Test performance was determined to be “Satisfactory.” The rating is based upon lending performance and the Commissioner’s authority pursuant to the Division’s regulation 209 CMR 54.25(3) which provides adjustments on the basis of evidence of illegal credit practices.

I. Geographic Distribution

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

The following table presents, by number, AnnieMac’s 2014 and 2015 HMDA reportable loans in low, moderate, middle, and upper-income geographies, in comparison to the percentage of owner-occupied housing units in each of the Census tract income categories, and the 2015 aggregate lending data.

<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>2014 AnnieMac</i>		<i>2015 Aggregate Lending Data</i>	<i>2015 AnnieMac</i>	
	<i>%</i>	<i>#</i>	<i>%</i>	<i>% of #</i>	<i>#</i>	<i>%</i>
<i>Low</i>	3.1	23	10.7	3.6	21	10.9
<i>Moderate</i>	13.0	47	22.0	12.9	40	20.7
<i>Middle</i>	48.3	99	46.3	46.5	90	46.6
<i>Upper</i>	35.6	45	21.0	37.0	42	21.8
<i>Total</i>	<i>100.0</i>	<i>214</i>	<i>100.0</i>	<i>100.0</i>	<i>193</i>	<i>100.0</i>

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

As reflected in the above table, of the total 214 loans originated in 2014, 32.7 percent were originated in low and moderate-income geographies. The percentages in each category exceeded 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, AnnieMac’s lending performance remained consistent for low and moderate-income census tracts. Overall, the geographic distribution of residential mortgage loans reflects a good dispersion throughout low and moderate-income level census tracts within the Commonwealth, and a preliminary review of the YTD 2016 data confirms this positive trend, as it indicates that 34.9 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 AnnieMac's 2014 and 2015 HMDA-reportable loans to low, moderate, middle, and upper-income borrowers in comparison to the percentage of total families within the Commonwealth in each respective income group, and the 2015 aggregate lending data.

Distribution of HMDA Loans by Borrower Income Level						
Median Family Income Level	% of Families	2014 AnnieMac		2015 Aggregate Lending Data	2015 AnnieMac	
		#	%	% of #	#	%
Low	22.2	20	9.4	4.8	15	7.8
Moderate	16.5	57	26.6	15.8	59	30.6
Middle	20.6	63	29.4	21.4	53	27.4
Upper	40.7	55	25.7	39.2	41	21.2
N/A	0.0	19	8.9	18.8	25	13.0
Total	100.0	214	100.0	100.0	193	100.0

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

As shown in the above table, at 9.4 percent and 7.8 percent respectively, lending to low-income borrowers during 2014 and 2015 was below the percentage of families. However, the lending was above the performance of the aggregate data for both years. AnnieMac's lending to moderate-income borrowers during the review period exceeded the percentage of moderate-income families, as well as the performance of the aggregate data.

The Lender's overall lending performance to low and moderate-income borrower's stands at a good position. This trend also appears to be supported by a preliminary review of the YTD 2016 data that indicates that 34.9 percent of loans were originated for low and moderate-income individuals.

III. Innovative or Flexible Lending Practices

AnnieMac offers several of flexible lending products to address the credit needs of low- and moderate-income individuals or geographies.

AnnieMac became a Housing and Urban Development approved Non-Supervised FHA Loan Correspondent (Direct Endorsement Lender) in 2010. 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, AnnieMac originated 227 FHA loans totaling \$66 million. Of these, 92 loans benefited low- to moderate-income borrowers, while 101 loans were originated in low- and moderate-income level geographies.

The Lender became a Veterans Administration's Automatic Approval Agent in 2011. The VA Home Loan Guarantee Program is designed specifically for the unique challenges facing service members and their families. Through VA-approved lenders like AnnieMac, the program offers low closing cost, no down payment requirement, and no private mortgage insurance requirement. In addition, under certain circumstances the Service Members Civil Relief Act provides military personnel with rights and protections on issues relative to mortgage interest rates and foreclosure

proceedings. During the review period, AnnieMac originated ten VA loans totaling over \$3 million. Of these, three loans benefited low and moderate-income borrowers, while four loans were originated in low and moderate-income level geographies.

AnnieMac also offers loan products guaranteed by the USDA. Rural Housing Program is an innovative loan program that provides 100% financing for eligible homebuyers in rural-designated areas. This program is for home purchase transactions which offers fixed rates, and does not require a down payment. Income requirements do apply and the property must be located in a rural development designated area. Farm Service Agency loan products provide flexible temporary financing for customers who are planning to start, purchase, sustain or expand a family farm. During the review period, AnnieMac originated ten loans totaling \$2 million. Of these, four loans benefited low and moderate-income borrowers, while none were originated in low and moderate-income level geographies.

The Licensee offers Fannie Mae 'My Community Loan Program' designed for first time homebuyers with limited or no credit history and down payment options. The My Community program allows homebuyers to qualify for a mortgage at conforming interest rates and lower PMI premiums. In 2015, the Licensee originated four My Community loans in Massachusetts, totaling \$890,000.

IV. Loss Mitigation Efforts

The Division reviews a mortgage lender's efforts to work with delinquent home mortgage loan borrowers to facilitate a resolution of the delinquency, including the number of loan modifications, the timeliness of such modifications, and the extent to which such modifications are effective in preventing subsequent defaults or foreclosures

AnnieMac uses a third party to sub-service its \$1.20 billion retained servicing portfolio. At present, the delinquency ratio remains below one percent. The review of investor score cards revealed an overall default rate of less than one percent. Nonetheless, a general trend of higher default rates for government secured loans than for conventional loan products is noted.

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

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

Fair lending is incorporated in AnnieMac's company-wide policies and procedures that apply to all employees. Fair lending training is structured and administered annually and management is responsible for ensuring the Lender is in compliance with current laws and regulations. AnnieMac utilizes its internal quality action committee, as well as external vendors, to conduct targeted periodic reviews and annual audits for compliance with regulatory requirements, including limited CRA and Fair Lending topics.

Minority Application Flow

The Division reviewed the Lender's HMDA data to determine whether the mortgage application flow from various racial and ethnic groups was consistent with area demographics.

During 2014 and 2015 AnnieMac received 605 HMDA-reportable mortgage loan applications from within the Commonwealth of Massachusetts. The racial and ethnic identity was not specified in approximately six and three percent of the applications, respectively. Of the remaining applications, 78 or 12.9 percent were received from racial minority applicants, and 51 or 65.4 percent resulted in originations. For the review period, AnnieMac received 135 or 22.3 percent of HMDA reportable applications from ethnic groups of Hispanic or Latino origin, and 96 or 71.1 percent were originated. This compares to the 67.3 percent overall ratio of mortgage loans originated by the Lender in Massachusetts, and a 72.7 percent approval ratio for 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 2.8 percent self-identified as Other Race.

Refer to the following table for information on the mortgage lender's minority loan application flow as well as a comparison to aggregate lending data throughout the Commonwealth of Massachusetts. The comparison of this data assists in deriving reasonable expectations for the rate of applications the mortgage lender received from minority applicants.

MINORITY APPLICATION FLOW					
RACE	2014 AnnieMac		2015 Aggregate Data	2015 AnnieMac	
	#	%	% of #	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	0.2	0	0.0
<i>Asian</i>	9	2.8	4.8	2	0.7
<i>Black/ African American</i>	37	11.5	3.3	19	6.7
<i>Hawaiian/Pacific Islander</i>	1	0.3	0.2	0	0.0
<i>2 or more Minority</i>	0	0.0	0.1	0	0.0
<i>Joint Race (White/Minority)</i>	6	1.9	1.3	4	1.4
Total Minority	53	16.5	9.9	25	8.8
<i>White</i>	246	76.4	67.5	245	86.6
<i>Race Not Available</i>	23	7.1	22.6	13	4.6
Total	322	100.0	100.0	283	100.0
ETHNICITY					
<i>Hispanic or Latino</i>	57	17.7	4.0	70	24.7
<i>Joint (Hisp-Lat /Not Hisp-Lat)</i>	5	1.5	1.0	3	1.1
Total Hispanic or Latino	62	19.2	5.0	73	25.8
<i>Not Hispanic or Latino</i>	253	78.6	72.6	199	70.3
<i>Ethnicity Not Available</i>	7	2.2	22.4	11	3.9
Total	322	100.0	100.0	283	100.0

Source: PCI Corporation CRA Wiz, Data Source: 2000 U.S. Census Data, 2014 & 2015 HMDA Data

In both 2014 and 2015, AnnieMac's overall racial minority application flow was comparable with the population demographics derived from the census data. The Lender's performance was also generally similar to the aggregate figures. Ethnic minority flow was notably above the demographic data, as well as the performance of the aggregate. It is noted the rate of racial minority applications declined from 2014 to 2015. A preliminary review of the YTD 2016 data indicates continuation of these trends, with 7.9 percent of applications coming from racial minorities and 23.6 percent from ethnic minorities.

VI. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by AnnieMac 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 less than one percent, 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.

AnnieMac's Service Test performance was determined to be "Satisfactory" at this time.

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.

Over the review period, AnnieMac's loan officers participated in several homebuyer seminars at various locations throughout the Commonwealth. These included Spanish language presentations, benefiting Hispanic Massachusetts consumers and geographies.

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.

AnnieMac provides satisfactory delivery of mortgage lender services that are accessible to geographies and individuals of different income levels within the Commonwealth. Business development relies primarily on referrals. Customers can also apply to AnnieMac for a mortgage loan over the telephone and via the company's website.

Through its “Partners with Heroes” joint initiative with ReMax Partners, AnnieMac offers beneficial/reduced credit terms to police, firefighters, EMS personnel, teachers, nurses and military personnel.

Overall, AnnieMac’s lending practices and products do not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable. Currently, delinquency levels and Lender’s loss mitigation efforts do not pose regulatory concern.

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.