

**PUBLIC DISCLOSURE**

**JUNE 2, 2011**

**MORTGAGE LENDER COMMUNITY INVESTMENT  
PERFORMANCE EVALUATION**

**BROKER SOLUTIONS INC. d/b/a NEW AMERICAN FUNDING  
MC6606**

**16808 ARMSTRONG AVENUE, SUITE 215  
IRVINE, CALIFORNIA 92606**

**DIVISION OF BANKS  
1000 WASHINGTON STREET  
BOSTON, MASSACHUSETTS 02118**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this mortgage lender. The rating assigned to this mortgage lender does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this mortgage lender.

## GENERAL INFORMATION

Massachusetts General Laws chapter 255E, section 8 and the Division of Banks' ("Division") regulation 209 CMR 54.00, Mortgage Lender Community Investment ("MLCI"), 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 MLCI performance of **Broker Solutions Inc. d/b/a New American Funding ("Broker Solutions")** prepared by the Division, the mortgage lender's supervisory agency, as of June 2, 2011.

## SCOPE OF EXAMINATION

An evaluation was conducted using examination procedures, as defined by MLCI. A review of the Division's records, as well as the mortgage lender's public file, did not reveal any complaints relating to the lender's MLCI performance.

The MLCI examination included a comprehensive review and analysis, as applicable, of Broker Solutions':

- (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.

MLCI examination procedures were used to evaluate Broker Solutions' community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Broker Solutions' lending and community development activities for the period of January 2009 through December 2010. 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 2009 and 2010 is presented in the geographic distribution, lending to borrowers of different incomes and the Minority Application Flow tables. Comparative analysis of the mortgage lender's lending performance for the year of 2009 and 2010 is provided because these are the most recent years for which aggregate HMDA lending data is available. The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes lending information from all HMDA reporting lenders which originated loans in the Commonwealth of Massachusetts.

In addition to gathering and evaluating statistical information relative to a mortgage lender's loan volume, the MLCI 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 MLCI RATING:**

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

- The geographic distribution of the lender's loans reflects a reasonable dispersion in low- and moderate-income census tracts as it is reflective of the distribution of owner occupied housing in those census tracts.
- The distribution of loans by borrower income reflects, given the demographics of Massachusetts, a reasonable record of serving the credit need among individuals of different income levels, including low- and moderate-income.
- The mortgage lender offers a good level of FHA loans as its sole flexible lending program to the customers it serves.
- Fair lending policies and practices are considered reasonable. No complaints were received during the evaluation period.
- The mortgage lender had no verifiable Community Development services.

## PERFORMANCE CONTEXT

### Description of Mortgage Lender

Broker Solutions was incorporated in the State of California on June 19, 2002 as a subchapter “S” corporation and has been operating as a mortgage broker since 2003. In June 2005, the company was granted a mortgage lender license by the Division. Broker Solutions’ main office is located in Irvine, California. The lender maintains four additional branch offices, all in California. Although the company is also licensed to do business in approximately 20 states throughout the country, its principal markets and revenue production are located primarily in California.

Broker Solutions offers a variety of mortgage loan products to meet the needs of the Commonwealth’s borrowers. Broker Solutions is an approved lender for the Federal Housing Administration (FHA) and Veteran Administration (VA).

Underwriting and major functions in the loan process are conducted at Broker Solutions’ corporate office in Irvine, California.

During 2009 and 2010, Broker Solutions originated 7,749 residential mortgage loans totaling \$2.1 billion. Of this volume, 106 loans amounting to \$30.5 million were to Massachusetts consumers.

Approved loan applications are closed and funded through warehouse lines of credit maintained with three separate institutions for the total of \$120 million. Loans are closed in Broker Solutions’ name and sold immediately to investors, with limited recourse and servicing rights released. Broker Solutions’ business development relies primarily on referrals and repeat customers.

### Demographic Information

The MLCI 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.

DEMOGRAPHIC INFORMATION*						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A
Geographies (Census Tracts)	1,361	8.4	21.7	46.1	23.4	0.4
Population by Geography	6,349,097	5.8	20.5	47.6	26.0	0.1
Owner-Occupied Housing by Geography	1,508,248	1.6	12.8	54.0	31.6	0.0
Family Distribution by Income Level	1,587,537	20.5	17.7	22.3	39.5	0.0
Distribution of Low and Moderate Income Families throughout AA Geographies	606,419	10.0	29.4	46.2	14.4	0.0
Median Family Income		\$65,318	Median Housing Value		\$209,519	
2009 HUD Adjusted Median Family Income		\$82,684	Unemployment Rate		8.3%**	
Households Below Poverty Level		9.8%				

\*Source: 2000 US Census; \*\*as of 12/10

Based on 2000 Census data, the Commonwealth of Massachusetts has a total population of just over 6.3 million people and a total of 2.6 million housing units. Of the total housing units, 1.5 million or 57.5 percent are owner-occupied, 935,332 or 35.7 percent are rental-occupied, and 6.8 percent are vacant units.

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.

There are 2.4 million households in the Commonwealth with a median household income of \$53,686 according to the 2000 Census. Approximately 40 percent of the households are classified as low- or moderate-income. In addition, 9.8 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” total slightly over 1.5 million. Of all family households, 20.5 percent are low income, 17.7 percent are moderate income, 22.3 percent are middle income, and 39.5 percent are upper income. The median family income according to the 2000 census was \$65,318. The Housing and Urban Development (“HUD”) adjusted median family income is \$82,684. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth of Massachusetts contains 1,361 Census tracts. Of these, 114 or 8.4 percent are low-income; 295 or 21.7 percent are moderate-income; 628 or 46.1 percent are middle-income; 319 or 23.4 percent are upper-income; and 5 or 0.4 percent are NA or have no income designation. The five census tracts with no income designation are located in Bridgewater (a correctional facility), Boston (islands in Boston Harbor), Amherst (U MASS campus), Harvard (Fort Devens), and Grafton (Tufts Veterinary School). These Census tracts contain no housing units and will not be included in this evaluation since they provide no lending opportunities.

The median housing value for Massachusetts was \$209,519 according to the 2000 Census. However, recent figures from the Warren Group, publishers of the Banker and Tradesman, show the median price for a single-family house had increased to \$300,500 by 2008 and experienced a drop of 5.2 percent to \$285,000 in 2009. Fluctuating housing values have a direct effect on the types of financial products adequate for homeowners and property buyers.

The unemployment rate for the state of Massachusetts dropped from 8.4 percent in September 2010 to 8.3 percent in December 2010, the lowest unemployment rate since April 2009. 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**

Broker Solutions' 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 Broker Solutions.

#### ***I. Geographic Distribution***

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

The mortgage lender's geographic distribution of loans is consistent with the distribution of owner occupied housing units and above the performance of the aggregate distribution of loans for low- and moderate-income borrowers in the Commonwealth. Overall, Broker Solutions' distribution of loans reflects a reasonable distribution of loans in the Commonwealth.

The following table presents Broker Solutions' HMDA reportable loans as well as the 2009 and 2010 aggregate data (exclusive of Broker Solutions). In addition, the table also reflects the percentage of owner-occupied housing units in each of the Census tract income categories.

<b><i>Distribution of HMDA Loans by Income Category of the Census Tract</i></b>							
<b><i>Census Tract Income Level</i></b>	<b><i>% Total Owner-Occupied Housing Units</i></b>	<b><i>Broker Solutions 2009</i></b>		<b><i>Aggregate Lending Data (% of #) 2009</i></b>	<b><i>Broker Solutions 2010</i></b>		<b><i>Aggregate Lending Data (% of #) 2010</i></b>
		<b><i>#</i></b>	<b><i>%</i></b>		<b><i>#</i></b>	<b><i>%</i></b>	
<b><i>Low</i></b>	1.6	2	3.7	1.6	1	1.9	1.3
<b><i>Moderate</i></b>	12.8	13	24.1	10.6	6	11.5	10.0
<b><i>Middle</i></b>	54.0	32	59.2	50.7	28	53.9	49.4
<b><i>Upper</i></b>	31.6	7	13.0	37.1	17	32.7	39.3
<b><i>Total</i></b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>	<b>100.0</b>	<b>52</b>	<b>100.0</b>	<b>100.0</b>

*Source: 2009 and 2010 HMDA Data and 2000 U.S. Census*

As reflected in the above table, the highest concentration of residential loans was originated in the middle-income census tracts for both 2009 and 2010. As noted above this performance is consistent with the distribution of housing units. Lending volume remained stable from 2009 to 2010 but there was an increase in the proportion of lending to upper-income borrowers. Even with this shift, the lender exceeded the performance of the aggregate, particularly in low-and-moderate income Census tracts.

Overall, the geographic distribution of residential loans reflects a reasonable dispersion throughout 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.

Broker Solutions achieved a reasonable 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 following table shows HMDA-reportable loans to low-, moderate-, middle- and upper-income borrowers in comparison to the 2009 and 2010 aggregate lending and the percentage of total families within the Commonwealth in each respective income group.

<b>Distribution of HMDA Loans by Borrower Income</b>							
<b>Median Family Income Level</b>	<b>% of Families</b>	<b>Broker Solutions 2009</b>		<b>Aggregate Lending Data (% of #) 2009</b>	<b>Broker Solutions 2010</b>		<b>Aggregate Lending Data (% of #) 2010</b>
		<b>#</b>	<b>%</b>			<b>%</b>	
<b>Low</b>	20.5	2	3.7	5.1	4	7.7	4.4
<b>Moderate</b>	17.7	6	11.1	16.6	8	15.4	15.3
<b>Middle</b>	22.3	3	5.5	23.7	12	23.1	22.7
<b>Upper</b>	39.5	5	9.3	39.7	12	23.1	42.8
<b>NA*</b>	0	38	70.4	14.9	16	30.7	14.8
<b>Total</b>	<b>100.0</b>	<b>54</b>	<b>100.0</b>	<b>100.0</b>	<b>52</b>	<b>100.0</b>	<b>100.0</b>

Source: 2009 & 2010 HMDA Data and 2000 U.S. Census \*Income Not Available

As reflected in the above table, even though a significant percentage of originated loans were to borrowers for which income was unknown, Broker Solutions' lending to low- and moderate-income borrowers compared favorably to the aggregate, taking into account the overall low volume of lending and the positive trend. The high percentage of lending to borrowers for which income was not available is reflective of the relatively large amount of the HUD-approved FHA Streamline Refinance mortgage loans closed by the lender which do not require verification of the borrower's income.

The proportion of lending to low- and moderate-income borrowers was comparable to the aggregate percentage in both years under review, with a positive trend from 2009 to 2010. Broker Solutions' overall loan volume in Massachusetts, for both years, is marginal but has remained consistent. Overall, the distribution of residential loans based on applicant income reflects a reasonable dispersion throughout the Commonwealth.

## III. Innovative or Flexible Lending Practices

Broker Solutions offers a limited number of innovative and flexible products, provided in a safe and sound manner, to address the credit needs of low- and moderate-income individuals or geographies

Broker Solutions is a HUD-approved Non-Supervised Loan Correspondent of FHA loans. Currently, approximately 75% of mortgage loan production consists of FHA products, which historically provide competitive interest rates, as well as smaller downpayments for low- and moderate-income first time homebuyers and existing homeowners. During the examination review period, Broker Solutions closed a total of 80 FHA refinance mortgage loans totaling \$22,620,833 and one FHA debt consolidation mortgage loan for \$209,100 within the Commonwealth of Massachusetts.



#### IV. Fair Lending

The Division examines a mortgage lender's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-103 and Regulatory Bulletin 5.3-101. 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. No evidence of disparate treatment was identified.

Broker Solutions has established an adequate record relative to fair lending policies and practices. Fair lending is incorporated in Broker Solutions' company-wide policy and procedures.

Broker Solutions' lending policies and procedures apply to all employees and are amended as needed to keep pace with the various regulatory changes. The Quality Control department administers the fair lending policy and provides in-house training to employees.

All prospective loans are subject to internal quality control auditing prior to final loan approval. Quality control reviews include loan verification screening for employment and income. Audits consist of compliance testing to ensure that applicable state and federal regulations were adhered to during the origination process. Further reviews are conducted on all declined loan files to determine that proper disclosure was given to the consumer and that the reason for the decline is valid and accurately noted in the Broker Solution's loan origination system.

#### MINORITY APPLICATION FLOW

For 2009 and 2010, Broker Solutions received 158 HMDA-reportable loan applications from within the Commonwealth of Massachusetts. Of these applications, 25 or 15.8 percent were received from minority applicants, of which 19 or 76.0 percent resulted in originations. Broker Solutions also received 12 or 7.6 percent of HMDA reportable applications from ethnic groups of Hispanic origin, of which 10 or 83.3 percent were originated.

MINORITY APPLICATION FLOW						
RACE	Broker Solutions 2009		Aggregate Data 2009	Broker Solutions 2010		Aggregate Data 2010
	#	%	%	#	%	%
<i>American Indian/ Alaska Native</i>	0	0.0	0.1	0	0.0	.1
<i>Asian</i>	3	3.7	4.1	9	11.7	4.8
<i>Black/African American</i>	3	3.7	2.0	6	7.8	1.9
<i>Hawaiian/Pac Isl</i>	0	0.0	0.1	0	0.0	.1
<i>2 or more Minority</i>	0	0.0	0.1	0	0.0	.0
<i>Joint Race (White/Minority)</i>	1	1.2	1.0	3	3.9	1.1
<b>Total Minority</b>	<b>7</b>	<b>8.6</b>	<b>7.4</b>	<b>18</b>	<b>23.4</b>	<b>8.0</b>
<i>White</i>	56	69.2	69.8	57	74.0	71.6
<i>Race Not Available</i>	18	22.2	22.8	2	2.6	20.4
<b>Total</b>	<b>81</b>	<b>100.0</b>	<b>100.0</b>	<b>77</b>	<b>100.0</b>	<b>100.0</b>
ETHNICITY						
<i>Hispanic or Latino</i>	6	7.4	2.3	5	6.5	2.1
<i>Not Hispanic or Latino</i>	61	75.3	73.9	71	92.2	76.5
<i>Joint (Hisp/Lat/Not Hisp/Lat)</i>	0	0.0	0.8	1	1.3	.8
<i>Ethnicity Not Available</i>	14	17.3	23.0	0	0.0	20.6
<b>Total</b>	<b>81</b>	<b>100.00</b>	<b>100.0</b>	<b>77</b>	<b>100.0</b>	<b>100.0</b>

Source: PCI Corporation CRA Wiz, Data Source: 2000 U.S. Census Data

Refer to the above table for information on the mortgage lender's minority application flow as well as a comparison to aggregate lenders 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.

Demographic information for Massachusetts reveals that the total ethnic and racial minority population stood at 18.12 percent of the total population in 2010. This segment of the population was comprised of 6.75 percent Hispanic or Latino; 5.01 percent Black; 3.73 percent Asian; 0.18 percent American Indian; 0.03 percent Native Hawaiian/Other Pacific Islander; and 2.42 percent identified as Other Race.

Broker Solutions' performance was above the aggregate's performance for racial and ethnic minority applicants. However, it is noted that there was a relatively low volume of applications in each year reviewed.

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

This review concentrated on the suitability and sustainability of mortgage loans originated by Broker Solutions 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.

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. 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.

Broker Solutions' 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, pursuant to the following criteria:

- (a) the availability and effectiveness of systems for delivering mortgage lending services (e.g., Internet, telephone solicitation, direct mail) in low- and moderate-income geographies and to low- and moderate-income individuals, including, to the extent applicable, the current distribution of the mortgage lender's branches among low-, moderate-, middle-, and upper-income geographies;

- (b) 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; and
- (c) the range of services provided in low-, moderate-, middle-, and upper- income geographies and the degree to which the services are tailored to meet the needs of those geographies.

Broker Solutions does not have physical presence within the Commonwealth, yet provides an effective delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in Massachusetts. Customers may respond to the direct-mail marketing campaign and apply to Broker Solutions for a mortgage loan over the telephone and via the company's web-site.

Broker Solutions does not routinely service mortgage loans, and the lender's held-for-sale portfolio does not currently contain any Massachusetts loans held in excess of 90 days. Consequently, the lender would not work directly with delinquent borrowers. Therefore, this review does not include an evaluation of loan mitigation and modification efforts as the mortgage lender would not be accountable for such action. However, as stated 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.

### **Qualified Investments**

A Qualified Investment for the purposes of this MLCI evaluation is a lawful investment, deposit, membership share, or grant that has as its primary purpose community development. The evaluation considered (1) the number of investments and grants, (2) the extent to which community development opportunities have been made available to the institution, and (3) the responsiveness of the institution's community development grants to the assessment area's needs.

Broker Solutions has no physical presence in Massachusetts and does not currently engage in either community development services or have any qualified community development investments.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

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

- 1) Make its most current MLCI 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 MLCI 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.