

**PUBLIC DISCLOSURE**

**June 9, 2010**

**MORTGAGE LENDER COMMUNITY INVESTMENT  
PERFORMANCE EVALUATION**

**FRANKLIN AMERICAN MORTGAGE COMPANY  
MC5207 et al**

**510 CORPORATE CENTER DRIVE  
FRANKLIN, TN 37067**

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

<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.
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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 ("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 **Franklin American Mortgage Company (or "Franklin American")** prepared by the Division, the mortgage lender's supervisory agency, as of **June 9, 2010**.

## SCOPE OF EXAMINATION

An onsite 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 MLCI file, did not reveal any complaints relating to Franklin American's MLCI performance.

The MLCI examination included a comprehensive review and analysis, as applicable, of Franklin American'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 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 Franklin American's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Franklin American's lending and community development activities for the period of January 2008 through December 2009. 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 2008 and 2009 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 2008 is provided because it is the most recent year for which aggregate lending data pursuant to the Home Mortgage Disclosure Act ("HMDA") 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. Home mortgage lending data for 2009 is referenced in the narrative to illustrate trends in Franklin American's lending data.

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 an adequate 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 borrowers reflects, given the demographics of Massachusetts, an adequate record of serving the credit need among individuals of different income levels, including low- and moderate-income.
- Franklin American offers a variety of flexible lending practices, which are provided in a safe and sound manner to address the credit needs of low- and moderate-income individuals.
- The mortgage lender had a number of Community Development services.
- Fair lending policies and practices are considered reasonable. No complaints were received during the evaluation period.

## **PERFORMANCE CONTEXT**

### **Description of Mortgage Lender**

Franklin American is a full service, privately held mortgage banking company, incorporated in the state of Tennessee, founded in 1993 by Dan Crockett. Mr. Crockett, who has sole voting rights, is active as the mortgage lender's President and CEO. The Division first licensed Franklin American as a mortgage lender on October 16, 2006 and it was granted a mortgage company license, MC5207, on June 23, 2008. Franklin American's corporate office is located at 510 Corporate Center Drive in Franklin, Tennessee. In March 2008, Franklin American opened its first New England wholesale operations office in Danvers, Massachusetts. This wholesale office processes applications from over 300 approved brokers. Franklin American continued its Massachusetts expansion by opening two retail branch locations in July of 2008, in Braintree and West Wareham. Franklin American now has 945 full-time employees, and is licensed in 49 states.

The mortgage lender is engaged in the origination and sale of first lien residential mortgage loans, secured primarily by one-to-four family residential properties. Loans are closed through a warehouse line of credit and sold in the secondary market to one of two investors, Bank of America or Wells Fargo. Mortgages are sold with limited recourse and servicing rights released. Franklin American currently originates or purchases mortgage loans through three channels of business, including wholesale, retail and correspondent.

Franklin American's wholesale channel makes up 90 percent of the mortgage lender's originations. Account Executives at the mortgage lender solicit business from area mortgage brokers. Mortgage loans are originated through approved mortgage brokers who have taken the application and processed the loan file. Franklin American provides rate protection, underwriting and closing support to the brokers. Loans are processed and underwritten in the Danvers operations office. The retail channel originates mortgage loans through loan officers in direct contact with the consumer, often utilizing third party relationships such as realtors, builders, and referrals. Loans are processed in the Braintree and West Wareham retail branches. The correspondent channel purchases closed mortgage loans from correspondent lenders as secondary market transactions. After a loan is closed and funded by the correspondent lender, it is delivered to the correspondent operations center in Irving, Texas for review and purchase.

For the examination period, 2008 and 2009, Franklin American originated or purchased a total of 4,680 loans totaling \$1.2 billion in Massachusetts.

### **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		9.3%**	
Households Below Poverty Level		9.8%				

\*Source: PCI Corporation Inc., CRA Wiz, Data Source: 2000 US Census

\*\*as of 2/10

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.

There are 2.4 million households in the Commonwealth with a median household income of \$53,686 according to the 2000 Census. Over 40 percent of the households are classified as low- and 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 increased to \$345,000 in 2007 and experienced a drop of 11.6 percent to \$305,000 in 2008. 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 as of April 2010 was 9.9 percent, up from 7.7 percent in February 2009. This represents a significant increase from 2007 when the unemployment rate stood at 4.5 percent. A consistent increase in job losses may impact borrowers’ ability to remain current on mortgage loan obligations and correlates with high delinquency and rising default rates.



## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **LENDING TEST**

Franklin American's Lending Test performance was rated an overall Satisfactory. Franklin American'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 Franklin American.

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

The geographic distribution of loans was reviewed to assess how well Franklin American 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 the performance of the aggregate with regard to distribution of loans in the Commonwealth. The manner in which the lender obtains applications and the volume of applications is significant given that there is no branch presence within the Commonwealth. Franklin American's distribution of loans reflects an adequate distribution of loans in the Commonwealth.

The following table presents Franklin American's HMDA reportable loans as well as the 2008 aggregate data (exclusive of Franklin American). 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>Franklin American 2008</i></b>		<b><i>Aggregate Lending Data (% of #) 2008</i></b>	<b><i>Franklin American 2009</i></b>		<b><i>Franklin American Total</i></b>	
		<b><i>#</i></b>	<b><i>%</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	32	1.6	2.2	60	2.2	92	2.0
<b><i>Moderate</i></b>	12.8	296	15.1	14.2	463	17.0	759	16.2
<b><i>Middle</i></b>	54.0	1,071	54.8	51.8	1,543	56.6	2,614	55.8
<b><i>Upper</i></b>	31.6	556	28.5	31.7	659	24.2	1,215	26.0
<b><i>NA*</i></b>	0	0	0.0	0.1	0	0.0	0	0.0
<b><i>Total</i></b>	<b>100.0</b>	<b>1,955</b>	<b>100.0</b>	<b>100.0</b>	<b>2,725</b>	<b>100.0</b>	<b>4,680</b>	<b>100.0</b>

*Source: 2008 and 2009 HMDA Data and 2000 U.S. Census*

As reflected in the above table, the highest concentration of residential loans was originated in the middle- and upper-income census tracts. Given that 85.6 percent of the area's owner-occupied housing units are in middle and upper-income census tracts, it is reasonable to find the majority of loans originated within these designated census tracts.

Of the 1,955 loans originated in 2008, 1.6 percent of the total loans were in the low-income geographies. This lending is consistent with the percentage of owner occupied housing units in low-income geographies and is below the aggregate at 2.2 percent. Lending to moderate-income geographies at 15.1 percent exceeds both the percentage of the area's owner occupied housing units as well as the aggregate lending in moderate-income geographies.



For 2009, the lender showed an increase in overall loan volume. There was also an increase in the percentage of lending to 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.

Franklin American achieved an adequate 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 aggregate and the percentage of total families within the Commonwealth in each respective income group.

<b><i>Distribution of HMDA Loans by Borrower Income</i></b>								
<b><i>Median Family Income Level</i></b>	<b><i>% of Families</i></b>	<b><i>Franklin American 2008</i></b>		<b><i>Aggregate Lending Data (% of #) 2008</i></b>	<b><i>Franklin American 2009</i></b>		<b><i>Franklin American Total</i></b>	
		<b><i>#</i></b>	<b><i>%</i></b>		<b><i>#</i></b>	<b><i>%</i></b>	<b><i>#</i></b>	<b><i>%</i></b>
<b><i>Low</i></b>	20.5	108	5.5	5.0	210	7.7	318	6.8
<b><i>Moderate</i></b>	17.7	420	21.5	16.9	653	24.0	1,073	22.9
<b><i>Middle</i></b>	22.3	637	32.6	23.8	714	26.2	1,351	28.9
<b><i>Upper</i></b>	39.5	706	36.1	37.8	622	22.8	1,328	28.4
<b><i>NA*</i></b>	0	84	4.3	16.5	526	19.3	610	13.0
<b><i>Total</i></b>	<b>100.0</b>	<b>1,955</b>	<b>100.0</b>	<b>100.0</b>	<b>2,725</b>	<b>100.0</b>	<b>4,680</b>	<b>100.0</b>

*Source: 2008 & 2009 HMDA Data and 2000 U.S. Census \*Income Not Available*

As shown in the above table, upper-income borrowers accounted for the highest proportion of total loans, with 36.1 percent originated in 2008 by Franklin American.

Franklin American's 2008 lending to low-income borrowers was consistent with the performance of the aggregate. Considering the high housing costs throughout Massachusetts, the number of low-income borrowers with the financial ability to qualify for residential loans is limited. Lending to moderate-income borrowers, at 21.5 percent was above the percentage of moderate-income families at 17.7 percent and exceeded the performance of the aggregate at 16.9 percent.

In 2009 Franklin American concentrated its lending on FHA and other government loan products that allow more flexible lending terms. The mortgage lender's 2009 total loan volume increased and lending to low- and moderate-income borrowers also increased. There was a large increase in the percentage of loans with income not available which increased from 4.3 percent in 2008 to 19.3 percent in 2009. This change in lending is attributed to the fact that Franklin American had a notable increase in the amount of Streamline FHA loans originated in 2009; this loan product does not require verification of income on refinanced FHA loans.

Franklin American's lending to borrowers of different incomes, including low- and moderate-income borrowers is considered good.

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

Franklin American offers a number of flexible lending products, which are provided in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

It is Franklin American's policy to encourage residential lending while ensuring that the company's standards for safety and soundness are properly supported. The lender is direct endorsed by HUD to underwrite FHA and VA insured mortgages and employs FHA Direct Endorsed Underwriters. Franklin American's current product mix includes Fannie Mae (FNMC), Freddie Mac (FHLMC), MassHousing, FHA, VA and USDA/Rural Housing loans. All loan products are originated under investor guidelines and requirements, as well as adherence to state legal requirements. The variety of FHA products offered by Franklin American provide competitive interest rates and require smaller down payments for low- and moderate-income first time homebuyers and existing homeowners.

Franklin American offers FHA (Federal Housing Administration)-insured mortgages. The FHA loans offer low downpayments and liberal qualifying ratios. Also, FHA borrowers do not have to meet maximum income qualifications, as with many other government programs. Maximum loan amounts, however, are set by region across the country. Other options available include VA loans. The Department of Veterans Affairs guarantees repayment of loans made to veterans with no downpayment in most cases and liberal qualifying guidelines. Franklin American also underwrites its own VA loans.

In 2009, FHA and VA loans made up 61 percent of the Lender's originations compared to 37 percent in 2008. In 2008, Franklin American closed 605 FHA and VA loans totaling \$144.6 million in dollar volume. In 2009, there was a large increase in lending FHA and VA loans. Franklin American originated 1,376 loans totaling \$337.2 million in dollar volume.

In 2009, Franklin American also originated 5 USDA Home Loans totaling \$783,649 in Massachusetts. USDA Home Loans are offered in rural areas as determined by the United States Department of Agriculture (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.

In 2008, Franklin American originated 2 Home Possible loans in the amount of \$338,850. The Home Possible Mortgage Program is designed for first-time homebuyers and low- and moderate-income borrowers offering fixed-rate mortgages, reduced mortgage insurance coverage levels, flexible closing cost funding options and no cash-out refinancing. As part of this program, the Neighborhood Solutions Program offers additional flexibilities for teachers, firefighters, law enforcement officers, healthcare workers, and members of the US Armed Forces. Homeownership education is required for first-time homebuyers for purchase transactions through Home Possible mortgages.

Franklin American offers the My Community Mortgage Program which offers financing to low- and moderate-income homebuyers and refinancing options for existing homeowners by offering little to no down payment required and competitive fixed rate financing. The program also requires pre- and post-purchase homebuyer education. Franklin American did not originate any My Community loans during the examination period but continues to offer the product.

Franklin American's written policies and procedures ensure that each applicant's ability and willingness to repay their debt is evaluated in accordance with internal policy and investor requirements.

#### **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.

Franklin American's Fair Lending policy is to offer and extend all of its products and services, including credit products, to any qualified applicant without regard to race, sex, religion, color, national origin, age, marital status, familial status, disability, veteran status, sexual orientation, gender identity, or any basis prohibited by applicable law. Complying with this policy is the responsibility of every employee, line of business, and corporate function.

Franklin American is committed to having a comprehensive fair lending program, which starts with a commitment to fair lending by the executive management and extends to all staff.

The Compliance Department is responsible for developing the lender's Fair and Responsible Lending policy, applicable risk assessments, training and oversight of the overall program. The lender's commitment to fair lending further extends to Franklin American's monitoring of the lending process. Franklin American ensures that customers are treated fairly by conducting ongoing monitoring, which includes: assessing credit policies for fairness; monitoring to ensure that customers are treated consistently and fairly; and carefully reviewing marketing and advertising practices for compliance with the letter and spirit of the fair lending laws.

With the majority of Franklin American's Massachusetts business being generated through broker relationships, Franklin American diligently oversees the performance of its third party relationships. Franklin American assures that policies and procedures established by the head office are strictly adhered to and uniform standards are carried through the loan process.

Upon conclusion of the Fair Lending review, the Division's examination found no evidence of disparate treatment.

#### **MINORITY APPLICATION FLOW**

For 2008 and 2009, Franklin American received 6,669 HMDA-reportable loan applications from within the Commonwealth of Massachusetts. Of these applications, 629 or 9.4 percent were received from minority applicants, of which 347 or 55.2 percent resulted in originations. Franklin American received 355 or 5.4 percent of HMDA reportable applications from ethnic groups of Hispanic origin within its assessment area of which 199 or 56.1 percent were originated.

Demographic information for Massachusetts reveals that the total ethnic and racial minority population stood at 18.12 percent of the total population in 2008. This segment of the population is comprised of 6.75 percent Hispanic or Latino; 5.01 percent Black; 3.73 percent Asian; .18 percent American Indian; .03 percent Native Hawaiian/Other Pacific Islander; and 2.42 percent identified as Other Race.

Refer to the following 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.

MINORITY APPLICATION FLOW								
RACE	Franklin American 2008		Aggregate Data 2008		Franklin American 2009		Franklin American Total	
	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	1	0.1	689	0.2	6	0.1	7	0.1
<i>Asian</i>	177	6.1	11,628	3.5	100	2.6	277	4.1
<i>Black/ African American</i>	122	4.2	11,633	3.5	155	4.1	277	4.1
<i>Hawaiian/Pac Isl.</i>	1	0.0	640	0.2	2	0.1	3	0.1
<i>2 or more Minority</i>	0	0.0	280	0.1	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	29	1.0	3,172	1.0	36	1.0	65	1.0
<b>Total Minority</b>	<b>330</b>	<b>11.4</b>	<b>28,042</b>	<b>8.5</b>	<b>299</b>	<b>7.9</b>	<b>629</b>	<b>9.4</b>
<i>White</i>	2,055	71.0	232,348	69.7	2,744	72.7	4,799	72.0
<i>Race Not Available</i>	510	17.6	73,398	21.8	731	19.4	1,241	18.6
<b>Total</b>	<b>2,895</b>	<b>100.0</b>	<b>333,788</b>	<b>100.0</b>	<b>3,774</b>	<b>100.0</b>	<b>6,669</b>	<b>100.0</b>
ETHNICITY								
<i>Hispanic or Latino</i>	135	4.6	13,118	3.9	169	4.5	304	4.6
<i>Not Hispanic or Latino</i>	2,209	76.3	244,359	73.3	2,806	74.3	5,015	75.2
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	28	1.0	2,616	0.8	23	0.6	51	0.8
<i>Ethnicity Not Available</i>	523	18.1	73,695	22.0	776	20.6	1,299	19.4
<b>Total</b>	<b>2,895</b>	<b>100.0</b>	<b>333,788</b>	<b>100.0</b>	<b>3,774</b>	<b>100.0</b>	<b>6,669</b>	<b>100.0</b>

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

Franklin American's performance exceeded the 2008 aggregate's performance for racial and ethnic minority applicants. The number of racial minority applicants decreased from 2008 to 2009 from 11.4 percent to 7.9 percent and the number of applications from ethnic minorities decreased from 5.6 percent in 2008 to 5.1 percent in 2009. No comparisons can be made as 2009 HMDA data is not yet available. Overall, the performance of Franklin American is considered good.

## V. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Franklin American 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.

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

### **Mortgage Lending Services**

Franklin American utilizes a variety of delivery systems within its production operations. The lender effectively provides mortgage lending services for home purchases and refinance transactions in Massachusetts primarily through broker and retail channels. Third party originations through brokers, via the mortgage lender's wholesale channels, make up 90 percent of the lender's originations. Account Executives solicit business from brokers throughout Massachusetts and applications are received from a pool of over 300 approved brokers which are processed at the Danvers, Massachusetts wholesale office. Retail lending makes up the remaining portion of the lender's business. Franklin American receives applications from its team of licensed loan officers at the two retail branches in Braintree and West Wareham. Applications are solicited primarily through referrals and the lender does minimal advertising. Through these channels, Franklin American offers a variety of FHA and flexible lending products.

At this time, the majority of loans are sold servicing-released to investors such as Wells Fargo and Bank of America. As part of the interim servicing, Franklin American generally services the first payment from the consumer but rarely handles subsequent payments. A toll free number direct to its interim servicing group is listed on the first payment coupon letter, on its website and in the servicing transfer "good-bye" letter, which is provided to the borrower when the loan is sold.

As Franklin American does not routinely service mortgage loans past the first payment, it would not work directly with delinquent borrowers. Therefore, this review would not include an evaluation of loan mitigation and modification efforts as the mortgage lender would not be accountable for such action. However, as described above, lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable.

### **Community Development Services**

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance. Franklin American has an adequate of qualified community development services demonstrating a satisfactory responsiveness to the area's community development needs.

A Braintree branch loan officer serves on the Education Committee of the Plymouth and South Shore Realtors Association which published a booklet "A Guide to Affordable Housing Opportunities in the South Shore Area."

## **Educational Seminars**

The West Wareham, Massachusetts retail branch location sponsors the following free workshops which are conducted by the managers of the branch.

- Community Educational Workshops
- Related Business Workshops

During the on-going free community events, workshops, business workshops and RE office workshops, Franklin American educates the community and attendees on the many programs and resources that are available to assist all potential borrowers as well as inform the community of resources available free of charge that can protect their interests.

The Braintree, Massachusetts retail branch conducted various homebuyer seminars during the examination period. The seminars focused on describing the procedures to qualify for a mortgage and discussed required documentation regarding credit, income and liquid assets. Information on many programs for low- and moderate-income buyers including FHA, VA, FHA 203k, Rural Development and MassHousing was provided. The seminars were offered in the Boston and South Shore area and covered the Boston, Brockton and Rockland areas, which encompass many low- and moderate-income areas.

The Braintree branch manager spoke at 6 first-time homebuyer classes at Rockland, Weymouth and Scituate High Schools conducted through each town's community education departments. The manager also held 3 first-time homebuyer seminars at the Braintree branch location. Flyers were sent to local companies in the Braintree and Quincy area.

The Braintree branch is also involved with local unions to help educate the membership on affordable programs through its Union Member Mortgage Plan, which offers loans with lower downpayments and liberal qualifying ratios to union members.

Loan officers from the Braintree branch spoke at 4 first-time homebuyer seminars in Quincy and Bridgewater, Massachusetts.

In addition, a loan officer took part in 7 mortgage workshops in conjunction with Benefit Fairs held by the Caritas Christi Hospital System in Dorchester, Norwood, Brighton, Methuen, Brockton, Fall River and the Faulkner Hospital in West Roxbury.

## **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.

## **Contributions**

Franklin American made 6 qualified donations during the examination period totaling \$10,265 which went to organizations that promote education, youth programs, health and human services for individuals in need, and economic development throughout the Commonwealth of Massachusetts.

Junior Achievement – A non profit organization made up of a partnership between the business community, educators and volunteers, all working together to inspire young people to dream big and reach their potential. Junior Achievement is the world's largest organization dedicated to educating students about workforce readiness, entrepreneurship and financial literacy through experiential, hands-on programs. The programs help prepare young people for the real world by showing them how to generate wealth and effectively manage it, how to create jobs which make their communities more robust, and how to apply entrepreneurial thinking to the workplace. Students put these lessons into action and learn the value of contributing to their communities.

Compass for Homeless Families - A non profit organization that provides homeless parents with the education, workforce training, essential skills development and support activities that lead to self-sufficiency and help them overcome homelessness.

Lynne's Homeless Shelter for Women – An Emergency Shelter in Lynn, Massachusetts that provides a place where homeless women find warm, safe refuge from the streets. In a harm reduction approach to intervention, the organization encourages participation in their on-site services such as case management, mental health services, women's group and their health clinic.



## 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.