

PUBLIC DISCLOSURE

July 29, 2016

**CRA FOR MORTGAGE LENDERS
PERFORMANCE EVALUATION**

**MORTGAGE RESEARCH CENTER, LLC
d/b/a VETERANS' UNITED HOME LOANS
MC1907**

**1400 VETERANS UNITED DRIVE
COLUMBIA, MO 65203**

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

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

GENERAL INFORMATION

Massachusetts General Laws chapter 255E, section 8 and the Division of Banks' (Division) regulation 209 CMR 54.00 et seq., Mortgage Lender Community Investment (CRA), require the Division to use its authority when examining mortgage lenders subject to its supervision who have made 50 or more home mortgage loans in the last calendar year, to assess the mortgage lender's record of helping to meet the mortgage credit needs of the Commonwealth, including low- and moderate-income neighborhoods and individuals, consistent with the safe and sound operation of the mortgage lender. Upon conclusion of such examination, the Division must prepare a written evaluation of the mortgage lender's record of meeting the credit needs of the Commonwealth.

This document is an evaluation of the CRA performance of **Mortgage Research Center, LLC d/b/a Veterans' United Home Loans (Mortgage Research Center)** prepared by the Division, the mortgage lender's supervisory agency, as of July 29, 2016.

SCOPE OF EXAMINATION

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

The CRA examination included a comprehensive review and analysis, as applicable, of Mortgage Research Center'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.

CRA examination procedures were used to evaluate Mortgage Research Center's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Mortgage Research Center' lending and community development activities for the period of January 1, 2014 through December 31, 2015. The data and applicable timeframes for the Lending Test and the Service Test are discussed below.

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

In addition to gathering and evaluating statistical information relative to a mortgage lender's loan volume, the CRA examination also reflects an in depth review of the entity's mortgage lending using qualitative analysis, which includes, but is not limited to: an assessment of the suitability and sustainability of the mortgage lender's loan products by reviewing the mortgage lender's internally maintained records of delinquencies and defaults as well as information publicly available through the Federal Reserve Banks, 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:

Mortgage Research Center is rated "Satisfactory"

- The distribution of borrowers, given the demographics of Massachusetts, reflects a good record of serving the credit need among individuals of different income levels, including those of low- and moderate-income.
- The geographic distribution of the mortgage 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.
- Mortgage Research Center offers flexible lending products, which are provided in a safe and sound manner to address the credit needs of low- and moderate-income individuals.
- Fair lending policies and practices are considered adequate.
- Mortgage Research Center provides an effective delivery of mortgage lending and a reasonable level of Community Development Services within the Commonwealth.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Mortgage Research Center was established in Missouri in November, 2002. The mortgage lender was initially granted a license by the Division as a mortgage company on March 8, 2005. A second mortgage company license was granted on October 26, 2007. Mortgage Research Center operates as a nationwide residential mortgage lender and is licensed in 50 states and the District of Columbia. Its corporate headquarters is located in Columbia, Missouri. In Massachusetts, the mortgage lender conducts business under the names Veterans United Home Loans, Veteran Loan Center, VAMortgageCenter.com and VALoans.com. Mortgage Research Center primary focus is the originating of residential mortgages using the US Department of Veterans Affairs (VA) mortgage programs.

During the examination period of 2014 and 2015, Mortgage Research Center originated 734 loans totaling approximately \$196 million in Massachusetts.

Demographic Information

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

2010 CENSUS DEMOGRAPHIC INFORMATION						
Demographic Characteristics	Amount	Low %	Moderate %	Middle %	Upper %	N/A %
Geographies (Census Tracts)	1,474	11.1	19.0	40.6	27.9	1.4
Population by Geography	6,547,629	9.2	18.0	42.4	30.2	0.2
Owner-Occupied Housing by Geography	1,608,474	3.1	13.0	48.3	35.6	0.0
Family Distribution by Income Level	1,600,588	22.2	16.5	20.6	40.7	0.0
Distribution of Low and Moderate Income Families	619,565	15.7	25.9	40.9	17.5	0.0
Median Family Income	\$86,272	Median Housing Value				373,206
Households Below Poverty Level	11.1%	Unemployment Rate*				4.9%
2014 HUD Adjusted Median Family Income	\$83,700	2015 HUD Adjusted Median Family Income				\$87,300

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

Based on the 2010 Census, the Commonwealth's population grew to just over 6.5 million people with a total of 2.7 million housing units. Of the total housing units, 1.6 million or 57.7 percent are owner-occupied, 904,078 or 32.5 percent are rental-occupied, and 9.8 percent are vacant units.

According to the 2010 Census, there are 2.5 million households in the Commonwealth with a median household income of \$69,101. Thirty-nine percent of the households are now classified as low- and moderate-income. In addition, over 11 percent of the total

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

Households classified as “families” totaled slightly over 1.6 million. Of all family households, 22.2 percent were low-income, 16.5 percent were moderate-income, 20.6 percent were middle-income, and 40.7 percent were upper-income. The median family income according to the 2010 census was \$86,272. The Housing and Urban Development (HUD) adjusted median family income was \$83,700 in 2014 and increased to \$87,300 in 2015. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth of Massachusetts contained 1,474 Census tracts. Of these, 164 or 11.1 percent are low-income; 281 or 19.0 percent are moderate-income; 598 or 40.6 percent are middle-income; 411 or 27.9 percent are upper-income; and 20 or 1.4 percent are NA or have no income designation. The tracts with no income designation are located in areas that contain no housing units and will not be included in this evaluation since they provide no lending opportunities. These areas are made up of correctional facilities, universities, military installations, and uninhabited locations such as the Boston Harbor Islands.

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

The median housing value for Massachusetts was \$373,206 according to the 2010 Census. The unemployment rate for the Commonwealth of Massachusetts as of December 31, 2015, was 4.9 percent which was a decrease from December 31, 2014, at which time it was 5.3 percent. Employment rates would tend to affect a borrower’s ability to remain current on mortgage loan obligations and also correlates to delinquency and default rates.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Lending performance is rated under the five performance criteria: Borrower Characteristics, Geographic Distribution, Innovative or Flexible Lending Practices, Fair Lending Policies and Procedures, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the mortgage lending of Mortgage Research Center.

Mortgage Research Center Lending Test performance was determined to be “Satisfactory” at this time.

I. Borrower Characteristics

The distribution of loans by borrower income levels was reviewed to determine the extent to which the mortgage lender is addressing the credit needs of the Commonwealth’s residents. The table below shows illustrates HMDA loan originations, categorized by borrower income level, that were reported by Mortgage Research Center during 2014 and 2015, and compares this activity to the 2014 and 2015 aggregate lending data and the percentage of families by income level within the assessment area using Census demographics.

<i>Distribution of HMDA Loans by Borrower Income</i>						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	22.2	5.0	17	5.2	2,507	3.0
2015	22.2	4.8	24	5.9	4,328	3.9
Moderate						
2014	16.5	15.9	102	31.4	23,059	27.5
2015	16.5	15.9	143	35.0	34,306	30.6
Middle						
2014	20.6	21.7	117	36.0	30,469	36.4
2015	20.6	21.4	130	31.8	36,236	32.4
Upper						
2014	40.7	40.9	79	24.3	25,056	29.9
2015	40.7	39.2	70	17.1	25,345	22.6
Not Available						
2014	0.0	16.5	10	3.1	2,684	3.2
2015	0.0	18.8	42	10.3	11,749	10.5
Totals						
2014	100.0	100.0	325	100.0	83,775	100.0
2015	100.0	100.0	409	100.0	111,964	100.0

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

Mortgage Research Center achieved a good record of serving the mortgage credit needs among borrowers of different income levels based on the area's demographics and a comparison to aggregate lending data in Massachusetts. As shown in the above table, the percentage of lending to low- and moderate-income borrowers was above the aggregate in both 2014 and 2015. Lending to moderate-income borrowers was also above aggregate performance in both years.

II. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well Mortgage Research Center is addressing the credit needs throughout the Commonwealth of Massachusetts' low-, moderate-, middle-, and upper-income census tracts. The table below shows the distribution of HMDA-reportable loans by census tract income level. The lending activity is compared with the percent of owner-occupied housing units based on Census demographics and Mortgage Research Center' 2014 and 2015 home mortgage lending performance is compared to aggregate lending performance in each year.

Geographic Distribution of HMDA Loans by Census Tract						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	3.1	3.5	5	1.5	899	1.1
2015	3.1	3.6	10	2.4	2,292	2.0
Moderate						
2014	13.0	13.3	49	15.1	10,876	13.0
2015	13.0	12.9	73	17.8	16,466	14.7
Middle						
2014	48.3	46.7	193	59.4	49,782	59.4
2015	48.3	46.5	221	54.0	62,139	55.5
Upper						
2014	35.6	36.5	78	24.0	22,218	26.5
2015	35.6	37.0	105	25.7	31,067	27.7
Not Available						
2014	0.0	0.0	0	0.0	0	0.0
2015	0.0	0.0	0	0.0	0	0.0
Totals						
2014	100.0	100.0	325	100.0	83,775	100.0
2015	100.0	100.0	409	100.0	111,964	100.0

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

Mortgage Research Center' geographic distribution of loans in low-income tracts was below aggregate lending and the demographics in 2014 and 2015. Lending in moderate-income tracts however, was above both aggregate lending and demographics in both years. Mortgage Research Center increased its lending performance in 2015 in low- and

moderate-income income tracts. Mortgage Research Center' distribution of lending is considered reasonable when compared to the demographics and aggregate lending data for the time period of January 1, 2014 through December 31, 2015.

III. Innovative or Flexible Lending Practices

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

Mortgage Research Center primarily offers loans through the Veteran Affairs (VA) Home Loan Guarantee Program. This program is designed specifically to assist with the unique challenges facing service members and their families by offering loans with low closing costs, no down payment requirement, and no private mortgage insurance requirement. Between 2014 and 2015 Mortgage Research Center originated 720 VA loans totaling \$192.5 million. Of these VA loans, 280 or 39 percent were to low- and moderate-income borrowers, and 135 or 19 percent were originated in low-income census tracts.

IV. Fair Lending

The Division examines a mortgage lender's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. The mortgage lender's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. The review included, but was not limited to, review of written policies and procedures, interviews with mortgage lender personnel, and individual file review.

Mortgage Research Center' compliance with the laws relating to discrimination and other illegal credit practices was reviewed. Mortgage Research Center has established an adequate record relative to fair lending policies and practices. No evidence of discriminatory or other illegal credit practices were identified.

Minority Application Flow

Mortgage Research Center's Loan Application Registers for 2014 and 2015 were reviewed to determine if the application flow from the different racial and ethnic groups within the Commonwealth was reflective of the area's demographics.

Demographic information for Massachusetts showed the total ethnic and racial minority population stood at 23.8 percent of the total population as of the 2010 Census. This segment of the population is comprised of 9.6 percent Hispanic or Latino. Racial minorities consisted of 6.0 percent Black, 5.3 percent Asian/Pacific Islander, 0.2 percent American Indian/Alaskan Native, and 2.8 percent identified as Other Race.

For 2014 and 2015, Mortgage Research Center received 1,389 HMDA reportable loan applications from the Commonwealth of Massachusetts of which 734 or 53 percent

resulted in origination. Of these applications, 132 or 9.5 percent were received from racial minority applicants, of which 82 or 62 percent resulted in origination. Mortgage Research Center received 96 or 6.9 percent of HMDA reportable applications from ethnic groups of Hispanic origin, of which 56 or 58 percent resulted in origination. This is comparable to a 61 percent ratio of loans from Hispanic applicants originated by the aggregate.

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

MINORITY APPLICATION FLOW						
RACE	2014 Mortgage Research Center		2014 Aggregate Data	2015 Aggregate Data	2015 Mortgage Research Center	
	#	%	% of #	% of #	#	%
American Indian/ Alaska Native	4	0.7	0.2	0.2	4	0.5
Asian	5	0.9	4.8	4.8	12	1.5
Black/ African American	27	4.7	3.1	3.3	48	5.9
Hawaiian/Pac. Isl.	1	0.2	0.1	0.1	2	0.3
2 or more Minority	3	0.5	0.1	0.1	1	0.1
Joint Race (White/Minority)	10	1.7	1.2	1.3	15	1.8
Total Minority	50	8.7	9.5	9.8	82	10.1
White	439	75.9	67.7	67.6	623	76.8
Race Not Available	89	15.4	22.8	22.6	106	13.1
Total	578	100.0	100.0	100.00	811	100.0
ETHNICITY						
Hispanic or Latino	38	6.6	3.8	4.1	44	5.4
Not Hispanic or Latino	450	77.8	72.6	72.6	659	81.3
Joint (Hisp/Lat /Not Hisp/Lat)	4	0.7	1.0	1.0	10	1.2
Ethnicity Not Available	86	14.9	22.6	22.3	98	12.1
Total	578	100.0	100.0	100.0	811	100.0

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

Mortgage Research Center's performance was below the aggregate's performance for racial minorities in 2014 but above the aggregate's performance for racial minorities in 2015 and ethnic minorities in both 2014 and 2015.

V. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Mortgage Research Center by taking into account delinquency and default rates of the mortgage lender and those of the overall marketplace. Information provided by the mortgage lender was reviewed as were statistics available on delinquency and default rates

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

A review of information and documentation, from both internal and external sources as partially described above, did not reveal lending practices or products that showed an undue concentration or a systematic pattern of lending, including a pattern of early payment defaults, resulting in the loss of affordable housing units. Further, delinquency rates were found to be consistent with industry averages.

SERVICE TEST

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

Mortgage Research Center's Service Test performance was determined to be "Satisfactory" during the evaluation period.

Mortgage Lending Services

Mortgage Research Center provides an adequate level of mortgage lending services to low- and moderate-income geographies and borrowers through home purchase and refinance transactions in Massachusetts. Mortgage Research Center specializes in offering VA loans to veterans and their families. The mortgage lender generates most of its business in Massachusetts through internet marketing on their website allowing customers to view loan products available and apply online.

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

As described above, lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable. Overall, the lender provides an adequate delivery of mortgage lending services throughout the Commonwealth.

Community Development Services

A community development service is a service that:

- (a) has as its primary purpose community development; and
- (b) is related to the provision of financial services, including technical services

The Commissioner evaluates community development services pursuant to the following criteria:

- (a) the extent to which the mortgage lender provides community development services; and
- (b) the innovativeness and responsiveness of community development services.

Mortgage Research Center provided a reasonable level of Community Development Services in the Commonwealth. The mortgage lender offers a free credit building program to its applicants. This program assists applicants who are facing obstacles like poor credit, financial hardship and debt and who do not qualify for a loan at the time of inquiry. Consultants assist in mapping a plan, providing guidance on how to dispute

charges on credit reports, pay down debt, and establish savings. The majority of Massachusetts applicants who have participated in this program are low- and moderate-income applicants. Mortgage Researches website also offers a variety of financial literacy tools and resources.

In addition, Mortgage Research Center has made donations to Rebuilding Together, a program administered by the Massachusetts Mortgage Bankers Association that helps low-income homeowners by improving the safety and health of their homes and revitalizing communities in Massachusetts and Homes For Our Troops, an organization that builds homes for veterans in need in Massachusetts and around the country.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

- 1) Make its most current CRA performance evaluation available to the public.
- 2) Provide a copy of its current evaluation to the public, upon request. The mortgage lender is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the mortgage lender's evaluation, as prepared by the Division of Banks, may not be altered or abridged in any manner. The mortgage lender is encouraged to include its response to the evaluation in its CRA public file.

The Division of Banks will publish the mortgage lender's Public Disclosure on its website no sooner than 30 days after the issuance of the Public Disclosure.