

**PUBLIC DISCLOSURE**

**JANUARY 30, 2017**

**CRA FOR MORTGAGE LENDERS  
PERFORMANCE EVALUATION**

**IFREEDOM DIRECT CORPORATION  
ML3122**

**124 CHARLES LINDBERGH DRIVE  
SALT LAKE CITY, UT 84116**

**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 Law chapter 255E, section 8 and the Division of Banks' (Division) regulation 209 CMR 54.00 et seq., Mortgage Lender Community Investment Act (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 **iFreedom Direct Corporation ("iFreedom" or "Lender")** prepared by the Division, the Lender's supervisory agency, as of January 30, 2017.

## 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 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 iFreedom'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 iFreedom's community investment performance. These procedures utilized one performance test: the Lending Test. This evaluation considered iFreedom's lending for the period of January 1, 2015, through September 30, 2016 (YTD 2016). The data and applicable timeframes for the Lending Test are discussed below.

The Lending Test evaluates the Lender's community investment performance pursuant to the following six criteria: lending to borrowers of different incomes, geographic distribution of loans, innovative and flexible lending practices, loss mitigation efforts, fair lending, and loss of affordable housing.

Home mortgage lending for 2015 and YTD 2016 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 as 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 lenders which originated loans in the Commonwealth of Massachusetts. Home mortgage lending data for the first nine months of 2016 is referenced in the narrative to illustrate trends in iFreedom's lending data.

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

## **MORTGAGE LENDER'S CRA RATING**

**This Lender is rated “Satisfactory”**

### **Lending Test: “Satisfactory”**

- The distribution of borrowers, given the demographics of Massachusetts, reflects a reasonable record of servicing the credit needs among individuals of different levels, including those of low- and moderate-income.
- The geographic distribution of the Lender's loan reflects a reasonable dispersion in low- and moderate-income census tracts as it is reflective of distribution of owner occupied housing in those census tracts.
- iFreedom 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 are considered adequate.

## **PERFORMANCE CONTEXT**

### **Description of Mortgage Lender**

iFreedom was established in Utah on December 28, 1985. The Lender has been licensed with the Division since February 29, 2000. The name was changed from New Freedom Mortgage Corporation to iFreedom Direct Corporation on September 26, 2006. iFreedom is a nationwide lender doing business in 46 states, including the District of Columbia with loan centers located in Arizona, California, Missouri, Nevada, and Utah. The corporate office is located at 124 Charles Lindbergh Drive in Salt Lake City, Utah. There is no branch presence in Massachusetts. During the examination period of 2015 and YTD 2016, iFreedom originated 109 loans totaling approximately \$29.2 million in Massachusetts.

iFreedom's primary business is originating and selling mortgage loans. The Lender originates residential home mortgage loans and sells residential mortgage loans to the secondary market. If servicing is retained, the loans are serviced by the company's sub-servicer. Approved loans are funded through an established warehouse line of credit and mortgage servicing is outsourced. The Lender originates loans under its trade name of Veterans First Mortgage. As a licensed Lender, iFreedom offers mortgage programs for purchase and refinance residential first mortgages. The Lender is a US Department of Housing and Urban Development (HUD) approved lender, specializing in Federal Housing Administration (FHA) and Veterans Administration (VA) loans, including the government sponsored FHA/VA "streamline" refinance program. iFreedom has been an approved direct-endorsed FHA and VA lender since December 8, 1998 and March 11, 1999, respectively.

The loan center receives Massachusetts loan applications over the telephone, mail, or via the internet. Processing and underwriting is performed at the loan centers in Salt Lake City, Utah and San Diego, California.

### **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.

<b>2010 CENSUS DEMOGRAPHIC INFORMATION</b>						
<b>Demographic Characteristics</b>	<b>Amount</b>	<b>Low %</b>	<b>Moderate %</b>	<b>Middle %</b>	<b>Upper %</b>	<b>N/A %</b>
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				2.9*
2014 HUD Adjusted Median Family Income	\$83,700	2015 HUD Adjusted Median Family Income				\$87,300

Source: 2010 US Census; \*as of 11/30/2016

Based on the 2010 Census, the Commonwealth's population was above 6.5 million people with a total of 2.8 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 of 69,101. Over 39 percent of households are now classified as low- and moderate-income. Over 11 percent of the total number households are living below the poverty level. Individuals in these categories may find it difficult 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 reported by the 2010 Census was \$86,272. The Housing and Urban Development (HUD) adjusted median family income was \$83,700 in 2014. 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 N/A 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 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 November 30, 2016, stood at 2.9 percent, which was a decrease from December 31, 2015, at which time it stood at 4.7 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 TEST**

### **LENDING TEST**

iFreedom's lending efforts are rated under six performance criteria: Borrower Characteristics, Geographic Distribution, Innovative or Flexible Lending Practices, Loss Mitigation Efforts, Fair Lending Policies and Procedures, and Loss of Affordable Housing. The following details the data compiled, reviewed and conclusions on iFreedom's lending.

iFreedom's Lending Test performance was determined to be **"Satisfactory"** at this time.

#### ***I. Borrower Characteristics***

The distribution of loans by borrower income levels was reviewed to determine the extent to which the Lender is addressing the credit needs of the commonwealth's residents. The following table shows the distribution of HMDA-reportable loans to low-, moderate-, middle- and upper-income borrowers in comparison to the aggregate data (including iFreedom) and the percentage of total families within the Commonwealth of Massachusetts within each respective group.

<i>Distribution of HMDA Loans by Borrower Income</i>						
Median Family Income Level	% of Families	2015 iFreedom		2015 Aggregate Lending Data (% of #)	YTD 2016 iFreedom	
		#	%		#	%
<b>Low</b>	22.2	2	3.2	4.8	4	8.7
<b>Moderate</b>	16.5	22	34.9	15.9	11	23.9
<b>Middle</b>	20.6	19	30.2	21.3	13	28.3
<b>Upper</b>	40.7	9	14.3	39.1	7	15.2
<b>NA</b>	0.0	11	17.4	18.9	11	23.9
<b>Total</b>	<b>100.0</b>	<b>63</b>	<b>100.0</b>	<b>100.0</b>	<b>46</b>	<b>100.0</b>

*Source: 2015 & 2016 HMDA Data and 2010 U.S. Census*

iFreedom originated 63 loans in 2015 within the Commonwealth of Massachusetts. The Lender's originations to low-income borrowers was lower than the aggregate lending, however originations to moderate-income borrower surpassed aggregate lending. The Lender's originations decreased in YTD 2016. A review of originations during this time revealed an upward trend in lending to low-income borrowers.

iFreedom achieved an reasonable record of serving the mortgage credit needs among borrowers of different income levels on the area's demographics and in comparison to aggregate lending data in Massachusetts.

## ***II. Geographic Distribution***

The geographic distribution of loans was reviewed to assess how well iFreedom is addressing the credit needs throughout the Commonwealth of Massachusetts' low-, moderate-, middle-, and upper-income census tracts. The following table shows the distribution of HMDA-reported loans by census tract income level in comparison to the aggregate data (including iFreedom) and the percentage of owner-occupied housing units within the Commonwealth of Massachusetts within each respective group.

<i>Distribution of HMDA Loans by Income Category of the Census Tract</i>						
<b>Census Tract Income Level</b>	<b>% Total Owner-Occ. Housing Units</b>	<b>2015 iFreedom</b>		<b>2015 Aggregate Lending Data (% of #)</b>	<b>YTD 2016 iFreedom</b>	
		<b>#</b>	<b>%</b>		<b>#</b>	<b>%</b>
<b>Low</b>	3.1	2	3.2	3.6	1	2.2
<b>Moderate</b>	13.0	16	25.4	12.9	10	21.7
<b>Middle</b>	48.3	34	54.0	46.5	22	47.8
<b>Upper</b>	35.6	11	17.4	37.0	13	28.3
<b>NA</b>	0.00	0	0.0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>63</b>	<b>100.0</b>	<b>100.0</b>	<b>46</b>	<b>100.0</b>

*Source 2015 & 2016 HMDA Data and 2010 U.S. Census*

The percentage of lending in low-income geographies in 2015 was slightly below the aggregate and was consistent to the area's owner-occupied housing units in those geographies. The percentage of lending to moderate-income level geographies in 2015 was well above the aggregate and the area's owner occupied housing units.

iFreedom's YTD 2016 originations are in line for both low- and moderate-income level geographies. The Lender's originations in YT 2016 revealed a stable trend for lending in low- and moderate-income level geographies.

The geographic distribution of residential mortgage loans reflects a reasonable dispersion throughout low- and moderate-income level census tracts within the Commonwealth.

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

iFreedom offers 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 in the Commonwealth.

iFreedom is a Veterans Administration (VA) lender. The VA Home Loan Guarantee Program is designed specifically for service members, veterans, or their qualified surviving spouse. The program offers low closing costs, no down payment, and no private mortgage insurance. During the review period, the Lender originated 100 VA loans totaling \$27.1 million. Of these, 35 loans benefited low- and moderate-income individuals and 27 loans benefited low- and moderate-income geographies.



The Lender is also a Housing and Urban Development direct endorsement mortgage lender or the Federal Housing Administration (FHA) insured mortgage. FHA products provide competitive interest rates and smaller down payment requirements for low- and moderate-income first time homebuyers and existing homeowners. During the review period, iFreedom originated 9 FHA loans totaling \$2.1 million. Of these, 4 loans benefited low- and moderate-income individuals and 2 loans benefited low- and moderate-income geographies.

#### ***IV. Loss Mitigation Efforts***

As iFreedom does not routinely service mortgage loans for Massachusetts consumers, it would not work directly with delinquent borrowers. Therefore, this review did not include an evaluation of loan mitigation and modification efforts as iFreedom would not be accountable for such action. Lending practices and products did not show an undue concentration or systematic pattern of lending resulting in mortgage loans that were not sustainable.

#### ***V. Fair Lending***

The Division examines a mortgage lender's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

Examiners did not identify any evidence of discriminatory or other illegal practices; therefore, this consideration did not affect the institution's overall CRA rating.

#### **Minority Application Flow**

iFreedom's Loan Application Registers for 2015 and YTD 2016 were reviewed to determine if the application flow from the different racial and ethnic groups within the Commonwealth of Massachusetts was reflective of the area's demographics.

During the review period iFreedom received 165 HMDA-reportable applications from within the Commonwealth of Massachusetts. Of these applications 18 or 10.9 percent were received from racial minority applicants, of which 11 or 61.1 percent resulted in originations and 4 or 22.0 percent were denied. iFreedom received 14 or 8.5 percent HMDA-reportable applications from ethnic groups of Hispanic origin, of which 11 or 78.5 percent resulted in originations and 3 or 21.4 percent were denied. This compares to 66.0 percent overall ratio of mortgage loans originated by the Lender in Massachusetts, and the 72.7 percent approval ratio for the aggregate.

Demographic information for Massachusetts reveals the total racial and ethnic minority population stood at 23.9 percent of total population as of 2010 Census. This portion of the population is comprised 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. Ethnic minorities consisted of 9.6 percent Hispanic or Latino.

Refer to the following table for information on the 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 Lender received from minority applicants.

MINORITY APPLICATION FLOW					
RACE	2015 iFreedom		2015 Aggregate Data	YTD 2016 iFreedom	
	#	%	% of #	#	%
American Indian/ Alaska Native	1	1.1	0.2	0	0.0
Asian	2	2.1	4.8	1	1.4
Black/ African American	6	6.3	3.3	4	5.7
Hawaiian/Pac Isl.	0	0.0	0.1	1	1.4
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	2	2.1	1.3	1	1.4
<b>Total Minority</b>	<b>11</b>	<b>11.6</b>	<b>9.8</b>	<b>7</b>	<b>9.9</b>
White	59	62.1	67.6	45	64.3
Race Not Available	25	26.3	22.6	18	25.8
<b>Total</b>	<b>95</b>	<b>100.0</b>	<b>100.0</b>	<b>70</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	6	6.3	4.1	4	5.7
Not Hispanic or Latino	55	57.9	72.6	45	64.3
Joint (Hisp/Lat /Not Hisp/Lat)	2	2.1	1.0	2	2.9
Ethnicity Not Available	32	33.7	22.3	19	27.1
<b>Total</b>	<b>95</b>	<b>100.0</b>	<b>100.0</b>	<b>70</b>	<b>100.0</b>

*Source: 2010 U.S. Census Data, 2015 & 2016 HMDA Data*

iFreedom's performance was above the aggregate for both ethnic minority and racial minority applications. The Lender's minority application flow percentage in YTD 2016 decreased slightly. Overall, the Lender's performance in this area is considered reasonable.

## **VI. Loss of Affordable Housing**

The review concentrated on the suitability and sustainability of mortgage loans originated by iFreedom by taking into account delinquency and default rates of the 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 of a systematic pattern of lending, including a pattern of early payment defaults resulting in the loss of affordable housing units. Furthermore, delinquency rates were found to be consistent with industry averages.

## **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.