

PUBLIC DISCLOSURE

September 10, 2013

**CRA FOR MORTGAGE LENDERS
PERFORMANCE EVALUATION**

**WESTSTAR MORTGAGE, INC.
ML2925**

**3350 COMMISION COURT
WOODBIDGE, VA 22192**

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

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this mortgage lender. The rating assigned to this mortgage lender does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this mortgage lender.</p>
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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 ("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 **Weststar Mortgage, Inc. (Weststar Mortgage)** prepared by the Division, the mortgage lender's supervisory agency, as of **September 10, 2013**.

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 Weststar Mortgage'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 Weststar Mortgage's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Weststar Mortgage's lending and community development activities for the period of January 1, 2012 through June 30, 2013. 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 2012 and January 1, 2013 through June 30, 2013 (YTD 2013) is presented in the analysis of lending to borrowers of different incomes, geographic distribution and the Minority Application Flow tables. 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 CRA examination also reflects an in depth review of the entity's mortgage lending using qualitative analysis, which includes, but is not limited to: an assessment of the suitability and sustainability of the mortgage lender's loan products by reviewing the lender's internally maintained records of delinquencies and defaults as well as information publicly available through the Federal Reserve Banks and through local Registries of Deeds and through other sources available to the examination team. The examination included inspection of individual loan files for review of compliance with consumer protection provisions and scrutiny of these files for the occurrence of disparate treatment based on a prohibited basis.

The Service Test evaluates the mortgage lender's record of helping to meet the mortgage credit needs by analyzing the availability and effectiveness of a mortgage lender's systems for delivering mortgage loan products, the extent and innovativeness of its community development services, and, if applicable, loss mitigation services to modify loans and/or efforts to keep delinquent home borrowers in their homes.

MORTGAGE LENDER'S CRA RATING:

This mortgage lender is rated "Satisfactory."

- The distribution lending by borrower income 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.
- The geographic distribution of the Lender's loans reflects a reasonable dispersion in low- and moderate-income census tracts.
- Weststar Mortgage 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.
- Fair lending policies and practices are considered reasonable.
- The Lender had a limited amount of Community Development Services in the Commonwealth.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Weststar Mortgage, Inc. was established in the Commonwealth of Virginia in June of 2000 and was first licensed by the Division as a mortgage lender in December of 2004. The Lender is engaged primarily in the residential mortgage banking business. Within Massachusetts, the Lender operates in a retail capacity. Weststar Mortgage operates one retail branch in Massachusetts located at 1573 Fall River Avenue, Seekonk, MA. The Lender's corporate headquarters is located at 3350 Commission Court Woodbridge, Virginia. Weststar Mortgage is also licensed in 38 other states and the District of Columbia. Weststar Mortgage engages in the underwriting, funding and sale of residential first mortgages for transfer to secondary market investors and retains the servicing rights of a number of loans it sells to investors. These loans are sub-serviced by a third party servicer on Weststar Mortgage's behalf. In addition to conventional loan products, the Lender also provides FHA, VA, and USDA loans. During the period of 2012 and YTD 2013, Weststar Mortgage originated 290 loans totaling \$81.3 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	10.8	20.0	40.7	27.1	1.4
Population by Geography	6,547,629	8.9	18.9	42.8	29.2	0.2
Owner-Occupied Housing by Geography	1,608,474	2.9	13.7	48.9	34.5	0.0
Family Distribution by Income Level	1,600,588	19.3	17.7	24.4	38.6	0.0
Distribution of Low and Moderate Income Families	592,420	7.7	18.4	43.6	30.3	0.0
Median Family Income	\$86,272	Median Housing Value				373,206
Households Below Poverty Level	11.14%					
2012 HUD Adjusted Median Family Income	\$87,891	Unemployment Rate				7.0%*
2013 HUD Adjusted Median Family Income	\$84,208					

Source: 2010 US Census

**as of 12/31/2013*

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. Over 39 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, 19.3 percent were low-income, 17.7 percent were moderate-income, 24.4 percent were middle-income, and 38.6 percent were upper-income. The median family income according to the

2010 census was \$86,272. The Housing and Urban Development (HUD) adjusted median family income is \$87,891 in 2012 and \$84,208 in 2013. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth of Massachusetts contained 1,474 Census tracts. Of these, 160 or 10.8 percent are low-income; 295 or 20.0 percent are moderate-income; 600 or 40.7 percent are middle-income; 399 or 27.1 percent are upper-income; and 20 or 1.4 percent are NA or have no income designation. The tracts with no income designation are located in areas that contain no housing units and will not be included in this evaluation since they provide no lending opportunities. These areas are made up of correctional facilities, universities, military installations, and uninhabited locations such as the Boston Harbor Islands.

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

The median housing value for Massachusetts was \$373,206 according to the 2010 Census. The unemployment rate for the Commonwealth of Massachusetts as of December 31, 2013, stood at 7.0 percent which was an increase from December 31, 2012 at 6.7 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 TESTS

LENDING TEST

Weststar Mortgage's Lending Test performance was rated an overall "Satisfactory." Weststar Mortgage's lending efforts are rated under 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 Weststar Mortgage.

Weststar Mortgage'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.

Weststar Mortgage achieved an adequate record of serving the mortgage credit needs of borrowers of different income levels based on the area's demographics and a comparison to aggregate lending data in Massachusetts.

Table 1 illustrates HMDA loan originations, categorized by borrower income level, reported by Weststar Mortgage during 2012 and YTD 2013, and compares this activity to the 2012 aggregate lending data (excluding Weststar Mortgage) and the percentage of families by income level within the assessment area using the 2010 Census demographics. Loans for which income is not known, 94 in 2012 and 30 in YTD 2013, were omitted in the analysis. In 2012, 48.2 percent of borrowers and in YTD 2013 31.6 percent of borrowers were listed as income NA. These percentages are attributed to the high number VA and FHA loans the Lender originated, specifically a significant number of VA and FHA Streamline refinance loans which do not require income to qualify. Of the 290 loans originated during the examination period, 193 were non-conventional Government Loans.

Median Family Income Level	% of Families	2012 Weststar Mortgage		2012 Aggregate Lending Data (% of #)	YTD 2013 Weststar Mortgage	
		#	%		#	%
Low	19.3	4	4.0	6.3	2	3.1
Moderate	17.8	10	10.0	18.1	10	15.4
Middle	24.4	32	31.6	26.5	14	21.5
Upper	38.5	55	54.4	49.1	39	60.0
Total	100.0	101	100.0	100.0	65	100.0

Source: 2012 HMDA Data, YTD 2013 HMDA Data and 2010 U.S. Census *excludes originations for which income of the borrower is not known.

Weststar Mortgage's lending in 2012 to low and moderate income borrowers at 4.0 and 10.0 percent was below the aggregate's percentage of lending at 6.3 and 18.1 percent, respectively.

This analysis shows performance, as reflected in distribution of loans to low- and moderate-income borrowers, is below the aggregate but experienced a positive trend in YTD 2013, even though volume decreased significantly.

II Geographic Distribution

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

The mortgage lender's distribution of lending in the Commonwealth when compared to the demographic and aggregate lending data was reasonable.

Table 2 summarizes the 2012 and YTD 2013 home mortgage lending categorized by census tract income level. The lending activity is compared with the percent of owner-occupied housing units based on the 2010 Census and Weststar Mortgage's 2012 home mortgage lending performance is compared to aggregate lending performance.

Table 2						
Distribution of HMDA Loans by Income Category of the Census Tract						
Census Tract Income Level	% Total Owner-Occupied Housing Units	2012 Weststar Mortgage		2012 Aggregate Lending Data (% of #)	YTD 2013 Weststar Mortgage	
		#	%		#	%
Low	2.9	4	2.1	2.2	1	1.1
Moderate	13.7	19	9.7	10.2	13	13.7
Middle	48.9	100	51.3	45.1	44	46.3
Upper	34.5	72	36.9	42.5	37	38.9
Total	100.0	195	100.0	100.0	95	100.0

Source 2012 HMDA, YTD 2013 HMDA Data and 2010 U.S. Census

The mortgage lender's geographic distribution of loans was slightly below the distribution of owner occupied housing units and consistent with the aggregate lending data in 2012 in low- and moderate-income census tracts. Weststar Mortgage's overall lending during YTD 2013 decreased, as did lending in low and moderate income tracts; however, the overall percentage in moderate-income tracts increased.

The Lender's geographic distribution of residential real estate loans reflects a reasonable distribution throughout its assessment area.

III. Innovative or Flexible Lending Practices

Weststar Mortgage 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.

The Lender is directly endorsed by Housing and Urban Development to underwrite Federal Housing Administration insured mortgages, as well as VA and USDA guaranteed loans. The FHA, VA and USDA products offered by Weststar Mortgage provide competitive interest rates and smaller down payments for low- and moderate-income first-time homebuyers and existing homeowners. During the review period of 2012 to YTD 2013 the Lender closed 290 loans, of which 193 totaling approximately \$54 million were government insured or guaranteed products. Of the 193 FHA, VA and USDA loans closed during the examination period, 15 or 7.8 percent were to low or moderate-income borrowers and 27 or 14.0 percent which benefited low and moderate income geographies in the Commonwealth.

In addition, Weststar Mortgage offers the Home Affordable Refinance Program (HARP) which allows borrowers to refinance to fixed rate loans, offers reduced rates and requires little to no equity to assist low- and moderate-income homeowners. Weststar Mortgage closed 5 HARP loans in 2012.

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. No evidence of disparate treatment was identified.

Weststar Mortgage has established an adequate record relative to fair lending policies and practices. The Fair Lending policies and procedures apply to all residential mortgage transactions, products types, and geographies.

Fair Lending is further enforced through online training courses which all employees including management are required to take. All employees are provided with training appropriate to their job description and their responsibilities in fair lending issues. This includes information regarding both technical requirements that come into play, as well as the more substantive and subtle issues related to unintentional discrimination and quality of assistance. All loans are monitored for compliance, by an external quality control audit which reviews samples of loan files before and after closing.

MINORITY APPLICATION FLOW

For 2012 and YTD 2013, Weststar Mortgage received 495 HMDA-reportable loan applications from within the Commonwealth of Massachusetts. Of these applications, 45 or 9.1 percent were received from minority applicants, of which 2 or 4.4 percent were denied. Weststar Mortgage received 15 or 3.0 percent of HMDA reportable applications from ethnic groups of Hispanic origin within its assessment area of which none were denied.

Demographic information for Massachusetts reveals 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 9.59 percent Hispanic or Latino. Racial minorities consisted of 5.98 percent Black; 5.33 percent Asian/Pacific Islander; 0.16 percent American Indian/Alaskan Native; and 2.81 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.

Table 3 MINORITY APPLICATION FLOW					
RACE	2012 Weststar Mortgage		2012 Aggregate Data	YTD 2013 Weststar Mortgage	
	#	%	% of #	#	%
American Indian/ Alaska Native	0	0.0	0.1	0	0.0
Asian	11	3.3	4.8	9	5.6
Black/ African American	14	4.2	1.7	3	1.9
Hawaiian/Pac Isl.	0	0.0	0.1	2	1.3
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	4	1.2	1.2	2	1.2
Total Minority	29	8.7	8.0	16	10.0
White	243	72.5	69.6	121	75.6
Race Not Available	63	18.8	22.4	23	14.4
Total	335	100.0	100.0	160	100.0
ETHNICITY					
Hispanic or Latino	4	1.2	2.1	5	3.1
Not Hispanic or Latino	260	77.6	74.7	130	81.3
Joint (Hisp/Lat /Not Hisp/Lat)	5	1.5	0.8	1	0.6
Ethnicity Not Available	66	19.7	22.4	24	15.0
Total	335	100.0	100.0	160	100.0

Source: 2010 U.S. Census Data, 2012 & YTD 2013 HMDA Data

In 2012, Weststar Mortgage's performance was slightly above the aggregate's performance for racial minority applicants at 8.7 percent. Weststar Mortgage's lending to ethnic minorities was slightly below the aggregate at 2.7. As of YTD 2013, there has been an increase in the percentage of racial and ethnic minority applicants. Overall, the minority application flow is considered reasonable.

V. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Weststar Mortgage 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.

Weststar Mortgage's Service Test performance was determined to be "Needs to Improve" at this time.

Mortgage Lending Services

Weststar Mortgage provides an adequate level of mortgage lending services to low and moderate income geographies and borrowers through home purchase and refinance transactions in Massachusetts. The Lender offers a variety of mortgage products including conventional, FHA, VA, USDA and HARP loans. Weststar Mortgage generates the majority of its applications through loan officers at their Seekonk, Massachusetts branch. Also, customers can apply to Weststar Mortgage for a mortgage over the telephone or via the company's website.

As Weststar Mortgage does not routinely service mortgage loans, 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. Overall, the lender provides an effective 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...

There were a limited number of community development services identified during the examination period. Strong focus and pro-active commitment on the part of management should be employed in community development activities that meet the definition of community development under the CRA regulation.

Qualified Investments

A Qualified Investment for the purposes of this CRA 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.

Weststar Mortgage does not currently engage in any qualified community development investments that benefit the Commonwealth of Massachusetts.

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.