

**PUBLIC DISCLOSURE**

**DECEMBER 13, 2016**

**MORTGAGE LENDER COMMUNITY INVESTMENT  
PERFORMANCE EVALUATION**

**TOP FLITE FINANCIAL INC.**

**ML4181**

**123 EAST GRAND RIVER AVENUE  
WILLIAMSTON MI. 48895**

**DIVISION OF BANKS**

**1000 WASHINGTON STREET**

**BOSTON MA. 02118**

<p><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.</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 **Top Flite Financial Inc. (the Lender or Top Flite)** prepared by the Division, the Lender's supervisory agency, as of **December 13, 2016**.

## SCOPE OF EXAMINATION

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

The CRA examination included a comprehensive review and analysis, as applicable, of Top Flite Financial Inc:

- (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 mortgage 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 Top Flite's community investment performance. In accordance with 209 CMR 54.23(1), a mortgage lender that has made fewer than 100 home mortgage loans in the Commonwealth in the last calendar year shall not be subjected to the Service Test outlined in the regulation. Therefore due to the Lender's limited lending volume, the CRA performance was evaluated utilizing the Lending Test only. This evaluation considered Top Flite's lending activities for the period of January 2015 through December 2016. The data and applicable timeframes for the Lending 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 2015 and 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 because 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 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 lender's internally maintained records of delinquencies and defaults as well as information publicly available through the Federal Reserve Bank 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.

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

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

- The geographic distribution of the Lender's loans reflects an adequate dispersion in low and moderate-income level census tracts, as it is reflective of the distribution of owner occupied housing in those census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects an adequate record of serving the credit needs among individuals of different income levels.
- Top Flite offers flexible lending products, which are provided in a safe and sound manner to address the credit needs of low and moderate-income level individuals.
- Fair lending policies and practices are considered reasonable.

Due to the low volume of mortgage loans originated in the Commonwealth of Massachusetts, Top Flite is not subject to the Service Test review during this examination period.

## **PERFORMANCE CONTEXT**

### **Description of Mortgage Lender**

Top Flite was established in the State of Michigan in December 2002, and was first granted a license by the Division in 2007. Top Flite's main office is located in Williamston, Michigan and the Lender maintains a branch office at One Southend Bridge Drive in Agawam, Massachusetts. The company is licensed to do business throughout the United States.

The Lender offers a variety of mortgage loan products to meet the needs of the Commonwealth's borrowers. Top Flite is an approved lender for the Federal Housing Administration (FHA) and Veterans Administration (VA). All underwriting and major functions in the loan process are conducted at Top Flite's main office. Approved loans are funded through established warehouse lines of credit. Top Flite's business development relies primarily on advertising, referrals and repeat customers. Originated loans are closed in Lender's name and sold immediately to secondary market investors, with servicing rights released.

### **Demographic Information**

The 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>
<b>Geographies (Census Tracts)</b>	1,474	10.8	20.0	40.7	27.1	1.4
<b>Population by Geography</b>	6,547,629	8.9	18.9	42.8	29.2	0.2
<b>Owner-Occupied Housing by Geography</b>	1,608,474	2.9	13.7	48.9	34.5	0.0
<b>Family Distribution by Income Level</b>	1,600,588	19.2	17.8	24.4	38.6	0.0
<b>Distribution of Low and Moderate Income Families Throughout AA Geographies</b>	592,420	7.7	18.4	43.6	30.3	0.0
<b>Median Family Income</b>		\$86,272	<b>Median Housing Value</b>		373,206	
<b>Households Below Poverty Level</b>		11.1%	<b>Unemployment Rate</b>		3.6*	
<b>2014 HUD Adjusted Median Family Income</b>		\$83,700	<b>2015 HUD Adjusted Median Family Income</b>		\$87,300	

Source: 2010 US Census; \*as of 09/30/2016

Based on the 2010 Census, the Commonwealth's population stood at 6.55 million people with a total of 2.79 million housing units. Of the total housing units, 1.61 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 2.51 million households in the Commonwealth with a median household income of \$69,101. Nearly 40 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 1.60 million. Of all family households, 19.2 percent were low-income, 17.8 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 \$87,300 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, 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 stood at 3.6 percent as of September 2016, which was a decrease from June 2016 when the unemployment rate was at 4.2 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**

The lending test evaluates a mortgage lender's record of helping to meet the mortgage credit needs of the Commonwealth through its lending activities. Top Flite's lending efforts are rated under the six performance criteria: Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending Practices, Loss Mitigation Efforts, 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 Top Flite.

Top Flite's Lending Test performance was determined to be "Satisfactory" at this time.

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

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

The following table presents, by number, Top Flite's 2015 and 2016 HMDA reportable loans in low, moderate, middle, and upper-income geographies, in comparison to the percentage of owner-occupied housing units in each of the Census tract income categories, and the 2015 aggregate lending data (inclusive of Top Flite).

<b><i>Distribution of HMDA Loans by Income Level 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>2015 Top Flite</i></b>		<b><i>2015 Aggregate Lending Data</i></b>	<b><i>2016 Top Flite</i></b>	
		<b><i>#</i></b>	<b><i>%</i></b>	<b><i>% of #</i></b>	<b><i>#</i></b>	<b><i>%</i></b>
<b><i>Low</i></b>	3.1	0	0.0	3.6	2	3.6
<b><i>Moderate</i></b>	13.0	15	25.0	12.9	16	28.6
<b><i>Middle</i></b>	48.3	28	46.7	46.5	31	55.3
<b><i>Upper</i></b>	35.6	17	28.3	37.0	7	12.5
<b><i>Total</i></b>	<b><i>100.0</i></b>	<b><i>60</i></b>	<b><i>100.0</i></b>	<b><i>100.0</i></b>	<b><i>56</i></b>	<b><i>100.0</i></b>

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

As reflected in the above table, of the 60 loans originated in 2015, none were originated in the low-income census tracts and 25.0 percent were in moderate-income tracts.

In 2016, the percentage of lending in low-income census tracts improved, while the percentage for moderate-income level census tracts remained at levels comparable to 2015.

The highest concentration of residential loans was originated in the middle income census tracts for both 2015 and 2016. Given that over 80.0 percent of the area's owner-occupied housing units are in middle and upper-income level census tracts, it is reasonable to find the majority of loans originated within these designated census tracts.

Overall, the geographic distribution of residential mortgage loans reflects an adequate dispersion throughout low and moderate-income census tracts within 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.

The following table shows Top Flite's 2015 and 2016 HMDA-reportable loans to low, moderate, middle, and upper-income borrowers in comparison to the percentage of total families within the Commonwealth in each respective income group, and the 2015 aggregate peer lending data (inclusive of Top Flite).

<b>Distribution of HMDA Loans by Borrower Income Level</b>						
<b>Median Family Income Level</b>	<b>% of Families</b>	<b>2015 Top Flite</b>		<b>2015 Aggregate Lending Data</b>	<b>2016 Top Flite</b>	
	<b>%</b>	<b>#</b>	<b>%</b>	<b>% of #</b>	<b>#</b>	<b>%</b>
<b>Low</b>	22.2	6	10.0	4.8	9	16.1
<b>Moderate</b>	16.5	10	16.7	15.8	18	32.1
<b>Middle</b>	20.6	17	28.3	21.4	14	25.0
<b>Upper</b>	40.7	17	28.3	39.1	10	17.9
<b>N/A</b>	0.0	10	16.7	18.9	5	8.9
<b>Total</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>	<b>100.0</b>	<b>56</b>	<b>100.0</b>

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

As shown in the above table, at 10.0 percent and 16.1 percent respectively, lending to low-income borrowers during 2015 and 2016 was below the percentage of low-income families, but above the performance of the aggregate data. Top Flite's lending to moderate-income borrowers during that same period exceeded the percentage of moderate-income families, as well as the performance of the aggregate.

The high housing costs throughout Massachusetts can restrict the ability of low-income mortgage loan applicants to qualify for residential loans, which may constraint the opportunities to lend to these consumers.

Lending to low and moderate-income borrowers increased from 2015 to 2016. The Lender's overall lending performance in low and moderate-income borrowers is reasonable.

## III. Innovative or Flexible Lending Practices

Top Flite 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.

Top Flite became a Housing and Urban Development approved Non-Supervised FHA Loan Correspondent (Direct Endorsement Lender) in 2009. FHA products provide competitive interest rates, smaller down payments for low and moderate income first time homebuyers and existing homeowners. During the review period, Top Flite originated 63 FHA loans totaling over \$10 million. Of these, 30 loans benefited low- to moderate-income borrowers, while 24 loans were originated in low- or moderate-income census tracts.



The Lender became a VA Automatic Approval Agent in 2011. The VA Home Loan Guarantee Program is designed specifically for the unique challenges facing service members and their families. Through VA-approved lenders like Top Flite, the program offers low closing cost, no down payment requirement, and no private mortgage insurance requirement. During the review period, Top Flite originated six VA loans totaling \$1.45 million. Of these, two loans benefited low- to moderate-income borrowers, while one loan was originated in a moderate-income census tract.

Since 2009, Top Flite offers loan products guaranteed by the USDA. Rural Housing Program is an innovative loan program that provides 100% financing for eligible homebuyers in rural-designated areas. This program is for home purchase transactions which offers fixed rates, and does not require a down payment. During the review period, Top Flite originated four loans totaling \$879,000. None benefited low- to moderate-income borrowers or geographies.

Top Flite also offers loans under various other agency programs promoting home-ownership, including Home Affordable Refinance Program, FHLMC Open Access, FHLMC Home Possible, or FNMA Home Ready. In Massachusetts, the Lender originated two Home Ready loans during the review period totaling \$356,000.

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

The Division reviews mortgage lender's efforts to work with delinquent home mortgage loan borrowers to facilitate a resolution of the delinquency, including the number of loan modifications, the timeliness of such modifications, and the extent to which such modifications are effective in preventing subsequent defaults or foreclosures.

As Top Flite does not routinely service mortgage loans, it would not work directly with delinquent borrowers. Therefore, this review does not include an evaluation of loan mitigation and modification efforts as the Lender would not be accountable for such action.

#### ***V. 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 Top Flite's personnel, and individual file review. No evidence of disparate treatment was identified.

Top Flite has established an adequate record relative to fair lending policies and practices.

Fair lending is incorporated in Top Flite's company-wide policies and procedures that apply to all employees. Employees are instructed not to engage in any inappropriate conduct, take any action based upon prohibited basis, or steer consumers to loan products unsuitable for their needs. Fair lending training is provided to all personnel upon hire, however increased efforts should be made to ensure staff is adequately trained in CRA and Fair Lending principles.

Fair lending policies and procedures are generally adequate for the Lender's size and complexity. Recommendations were made by the Division for the Lender to add CRA and Fair Lending federal and state laws and regulations into the internal and external audit reviews for improved monitoring.

and oversight of policies, procedures and overall compliance, and to mitigate potential consumer risk related to fair lending treatment.

### Minority Application Flow

The examination reviewed Lender's HMDA data to determine whether the mortgage application flow from various racial and ethnic groups was consistent with the area demographics.

During 2015 and 2016 Top Flite had received 293 HMDA-reportable mortgage loan applications from within the Commonwealth. The racial and ethnic identity was not specified in approximately 12 percent of cases. Of the remaining applications, 20 or 6.8 percent were received from racial minority applicants, and nine or 45.0 percent resulted in originations. For the period, Top Flite received 61 or 20.8 percent of HMDA reportable applications from ethnic groups of Hispanic or Latino origin, and 24 or 39.3 percent were originated. This compares to the 39.6 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 ethnic and racial minority population stood at 23.9 percent of the total population as of the 2010 Census. This segment of the population is comprised of 9.6 percent Hispanic or Latino ethnicities. At 14.3 percent, 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 self-identified as Other Race.

Refer to the following table for information on the mortgage lenders' minority loan application flow as well as a comparison to aggregate lending data 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.

<b>Minority Application Flow</b>					
<b>RACE</b>	<b>2015 Top Flite</b>		<b>2015 Aggregate Data</b>	<b>2016 Top Flite</b>	
	<b>#</b>	<b>%</b>	<b>% of #</b>	<b>#</b>	<b>%</b>
<i>American Indian/ Alaska Native</i>	0	0.0	0.2	0	0.0
<i>Asian</i>	2	1.3	4.8	1	0.7
<i>Black/ African American</i>	3	2.0	3.3	11	7.8
<i>Hawaiian/Pacific Islander</i>	0	0.0	0.1	0	0.0
<i>2 or more Minority</i>	0	0.0	0.1	0	0.0
<i>Joint Race (White/Minority)</i>	3	2.0	1.3	0	0.0
<b>Total Minority</b>	<b>8</b>	<b>5.3</b>	<b>9.8</b>	<b>12</b>	<b>8.5</b>
<i>White</i>	130	85.5	67.6	108	76.6
<i>Race Not Available</i>	14	9.2	22.6	21	14.9
<b>Total</b>	<b>152</b>	<b>100.0</b>	<b>100.0</b>	<b>141</b>	<b>100.0</b>
<b>ETHNICITY</b>					
<i>Hispanic or Latino</i>	35	23.0	4.1	23	16.3
<i>Joint (Hisp-Lat /Not Hisp-Lat)</i>	3	2.0	1.0	0	0.0
<b>Total Hispanic or Latino</b>	<b>38</b>	<b>25.0</b>	<b>5.1</b>	<b>23</b>	<b>16.3</b>
<i>Not Hispanic or Latino</i>	103	67.8	72.6	96	68.1
<i>Ethnicity Not Available</i>	11	7.2	22.3	22	15.6
<b>Total</b>	<b>152</b>	<b>100.0</b>	<b>100.0</b>	<b>141</b>	<b>100.0</b>

Source: PCI Corporation CRA Wiz, Data Source: 2010 U.S. Census Data, 2015 & 2016 HMDA Data

In both 2015 and 2016, Top Flite's overall racial minority application flow was lower than the demographics derived from the census data. Nonetheless, the Lender's performance was generally comparable to the aggregate. The ethnic minority flow was above the demographic data, as well as the performance of the aggregate.

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

This review concentrated on the suitability and sustainability of mortgage loans originated by Top Flite 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 could be 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. Furthermore, at less than percent, overall 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 CRA regulation, requires all mortgage lenders to take the following actions within 30 business days of receipt of the CRA evaluation:

- 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. 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 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.