

PUBLIC DISCLOSURE

JANUARY 29, 2018

**CRA FOR MORTGAGE LENDERS
PERFORMANCE EVALUATION**

**UNITED SHORE FINANCIAL SERVICES, LLC
d/b/a UNITED WHOLESALE MORTGAGE
ML3038**

**1414 E. MAPLE ROAD
TROY, MICHIGAN 48083**

**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, Mortgage Lender Community Investment (CRA), require the Division to use its authority when examining 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 **United Shore Financial Services, LLC d/b/a United Wholesale Mortgage (United Shore or Lender)** prepared by the Division, the Lender's supervisory agency, as of **January 29, 2018**.

SCOPE OF EXAMINATION

An 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 related to CRA.

The CRA examination included a comprehensive review and analysis, as applicable, of United Shore'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 United Shore's community investment performance. These procedures utilized two performance tests: the Lending Test and Service Test. This evaluation considered United Shore's lending and community development activities for the period of January 1, 2015, through December 31, 2016. The data and applicable timeframes for the Lending Test and Service Test are discussed below.

The Lending Test evaluates the mortgage lender's community investment performance pursuant to the following six criteria: geographic distribution of loans, lending to borrowers of different

incomes, innovative and flexible practices, loss mitigation efforts, 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 2016 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 mortgage lenders which originated loans in the Commonwealth of Massachusetts. Interim home mortgage lending data for the first three quarters of 2017 (YTD 2017) is referenced in the narrative to illustrate trends in United Shore's lending performance.

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 the 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 evaluated the mortgage lender's record of helping to meet the mortgage credit needs by analyzing the extent and innovativeness of its community development services, the availability and effectiveness of a mortgage lender's system for delivering mortgage loan products, and if applicable, efforts to keep delinquent home borrowers in their homes, and the range and to what degree of services provided.

MORTGAGE LENDER'S CRA RATING

This mortgage lender is rated “Satisfactory”

Lending Test: “Satisfactory”

- The geographic distribution of the Lender’s loan reflects an adequate dispersion in low- and moderate-income level census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects an adequate record of servicing the credit needs among individuals of different income levels.
- United Shore 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.
- The lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable.
- Fair lending policies are considered adequate.

Service Test: “Needs to Improve”

- United Shore did not participate in community development activities in the Commonwealth.
- Service delivery systems are reasonably accessible to geographies and individuals of different income levels in the Commonwealth.

PERFORMANCE CONTEXT

Description of Mortgage Lender

United Shore was incorporated in Michigan on July 16, 1986. The Lender's corporate headquarters is located at 1414 E. Maple Road, Troy, Michigan. The Lender was first licensed by the Division as a mortgage lender on November 5, 2002, and currently holds a mortgage lender license and third party servicer registration. The Lender does not have physical presence in Massachusetts.

The Lender is a nationwide wholesale lender and operates nationally as United Wholesale Mortgage (wholesale channel) and Shore Mortgage (retail channel). United Shore offers first residential mortgage loans, and is predominantly engaged in the underwriting, funding and sale of residential first mortgages for transfer to secondary market investors. All underwriting and processing are conducted at the main office in Troy, Michigan. The Lender has three loan officers licensed to originate loans in Massachusetts through its retail channel.

The Lender is a US Department of Housing and Urban Development (HUD) approved lender, originating Federal Housing Administration (FHA) and Veterans Administration (VA) loans. Additional product offerings include United States Department of Agriculture (USDA), Conventional, Jumbo, and FNMA HomeReady loans. The majority of the Lender's business during the examination period was derived from the warehouse channel with very limited retail lending. During the examination period of 2015 and 2016, United Shore originated 3,515 loans totaling \$1.1 billion 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				3.5*
2015 HUD Adjusted Median Family Income	\$87,300	2016 HUD Adjusted Median Family Income				\$86,904

Source: 2010 US Census; *as of 12/31/2017

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 household income 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 \$87,300 in 2015 and decreased to \$86,904 in 2016. 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 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, 2017, stood at 3.5 percent, which was an increase from December 31, 2016, at which time it stood at 3.1 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. United Shore’s lending efforts are rated under 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 details the data compiled, reviewed and conclusions on United Shore’s lending.

United Shore’s Lending Test performance was determined to be “**Satisfactory**”.

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well United Shore 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-reportable loans by census tract income level. The lending activity is compared to the aggregate data (inclusive of the Lender) and the percentage of owner-occupied housing units within the Commonwealth of Massachusetts within each respective group.

Distribution of HMDA Loans by Income Category of the Census Tract							
Census Tract Income Level	% Total Owner-Occ. Housing Units	2015		2015 Aggregate Lending Data (% of #)	2016		2016 Aggregate Lending Data (% of #)
		United Shore			United Shore		
		#	%		#	%	
Low	3.1	22	2.1	3.6	57	2.3	3.5
Moderate	13.0	135	12.7	12.9	309	12.6	12.9
Middle	48.3	507	47.8	46.5	1,158	47.2	47.0
Upper	35.6	397	37.4	37.0	930	37.9	36.6
NA	0.0	0	0.0	0.0	0	0.0	0.0
Total	100.0	1,061	100.0	100.0	2,454	100.0	100.0

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

As reflected in the above table, the Lender originated 14.8 and 14.9 percent of originations during 2015 and 2016 respectively, in the low- and moderate-income census tracts. The percentages were below the percentage of the of the area’s owner occupied housing units in low- and moderate-income census tracts, but comparable to aggregate lending percentages. A preliminary review of the interim data for YTD 2017 shows a positive trend with 22.2 percent of loans being originated in low- and moderate-income census tracts.

The highest concentration of residential loans was originated in the middle- and upper-income level 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 geographies within the Commonwealth.

II. 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 following table shows United Shore’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 and 2016 aggregate lending data. (inclusive of the Lender)

Distribution of HMDA Loans by Borrower Income							
Median Family Income Level	% of Families	2015 United Shore		2015 Aggregate Lending Data (% of #)	2016 United Shore		2016 Aggregate Lending Data (% of #)
		#	%		#	%	
Low	22.2	48	4.5	4.8	97	3.9	4.2
Moderate	16.5	209	19.7	15.9	475	19.4	14.9
Middle	20.6	328	30.9	21.3	749	30.5	22.5
Upper	40.7	476	44.9	39.1	1,130	46.0	44.4
NA	0	0	0	18.9	3	0.2	14.0
Total	100.0	1,061	100.0	100.0	2,454	100.0	100.0

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

As shown in the above table, lending to low-income borrowers in 2015 and 2016 was slightly below the aggregate data and below the percentage of families. United Shore’s lending to moderate-income borrowers during the same period was above the aggregate data and demographics.

The Lender’s overall lending performance of lending to low- and moderate-income borrowers is adequate. This is further supported by a preliminary review of the interim data for YTD2017 that indicated that 31.5 percent of loans were originated to low- and moderate- income borrowers.

III. Innovative or Flexible Lending Practices

United Shore 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.

United Shore has been an approved Housing and Urban Development and Federal Housing Administration (FHA) direct endorsement mortgage lender since 1994. 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, United Shore originated 202 FHA loans totaling \$55.9 million. Of these, 136 or 67 percent benefited low- and moderate-income or geographies.

The Lender has been a Veterans Administration's (VA) automatic approval agent since 1996. The VA Home Loan Guarantee Program is designed specifically for the unique challenges facing service members, veterans, and their families. The VA program offers low closing costs, no down payment, and no private mortgage insurance requirement. During the review period, the Lender originated 39 VA loans totaling \$12.8 million. Of these, 13 benefited low- and moderate-income individuals or geographies.

United Shore offers loan products guaranteed by the USDA Rural Housing program which is a loan program that provides 100 percent 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 and includes low- and moderate-income requirements. During the review period, United Shore originated 13 USDA loans totaling \$3.2 million, three of which benefited a low- and moderate-income individual or geography.

The Lender also offers the FNMA HomeReady program. This program is designed to provide consumers with flexible credit options to help them meet their home-buying and refinancing needs, and help mortgage lenders to serve a market of creditworthy low- to moderate-income borrowers. In 2017, United Shore originated 13 loans totaling \$2.9 million.

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.

United Shore uses a third party to sub-service its retained servicing portfolio. The review of sub-servicer investor score cards revealed an overall default rates to be consistent with industry averages.

As United Shore 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. 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. 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 United Shore's personnel, and individual file review. No evidence of disparate treatment was found.

United Shore has established an adequate record relative to fair lending policies and practices.

Fair lending is incorporated in United Shore's company-wide policies and procedures that apply to all staff. All staff are required to complete annual training for fair lending, including the Fair Housing Act, the Equal Credit Opportunity Act and the Home Mortgage Disclosure Act.

Minority Application Flow

The examination reviewed United Shore'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, United Shore received 4,143 HMDA-reportable mortgage loan applications from within the Commonwealth of Massachusetts. Of these applications, 681 or 16.4 percent were received from racial minority applicants, and 557 or 81.8 percent resulted in originations. For the same period, United Shore received 322 or 7.8 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, and 248 or 77.0 percent were originated. This compares to the 84.8 percent overall ratio of mortgage loans originated by the Lender in Massachusetts, and the 71.7 percent approved by the aggregate group.

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

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

MINORITY APPLICATION FLOW						
RACE	2015 United Shore		2015 Aggregate Data	2016 United Shore		2016 Aggregate Data
	#	%	% of #	#	%	% of #
American Indian/ Alaska Native	1	0.1	0.2	2	0.1	0.2
Asian	201	15.6	4.8	324	11.3	5.4
Black/ African American	20	1.5	3.3	72	2.5	3.6
Hawaiian/Pac Isl.	2	0.2	0.1	6	0.2	0.2
2 or more Minority	1	0.1	0.1	4	0.1	0.1
Joint Race (White/Minority)	16	1.2	1.3	32	1.1	1.3
Total Minority	241	18.7	9.8	440	15.3	10.8
White	1,017	79.0	67.6	2,288	80.1	68.9
Race Not Available	29	2.3	22.6	128	4.6	20.3
Total	1,287	100.0	100.0	2,856	100.0	100.00
ETHNICITY						
Hispanic or Latino	69	5.4	4.0	224	7.8	4.5
Not Hispanic or Latino	1,194	92.80	72.6	2,490	87.2	74.5
Joint (Hisp/Lat /Not Hisp/Lat)	7	0.5	1.0	22	0.8	1.1
Ethnicity Not Available	17	1.3	22.4	120	4.2	19.9
Total	1,287	100.0	100.0	2,856	100.0	100.0

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

In 2015 and 2016, United Shore's overall racial minority and ethnic minority application flow was above the aggregate data. A preliminary review of the interim data for 2017 shows that 13.1 percent of the applications are from racial minorities and 17.1 percent from ethnic minorities.

VI. *Loss of Affordable Housing*

The review concentrated on the suitability and sustainability of mortgage loans originated by United Shore 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.

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 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 below 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.

United Shore's Service Test performance was determined to be **"Needs to Improve"** at this time.

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.

During the prior CRA examination, United Shore was strongly encouraged to increase its community development activity within the Commonwealth. The Lender continues to not engage in any qualified community development services within the Commonwealth.

United Shore's management is directed to develop an active commitment in community development activities or investments that meet the definition of community development under the CRA regulation throughout the Commonwealth.

Mortgage Lending Services

The Division evaluates the availability and effectiveness of a mortgage lender's system for delivering mortgage lending services to low- and moderate-income individuals and geographies.

United Shore provides a reasonable delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in the Commonwealth. United Shore originates mortgages primarily through its wholesale channel. Business development relies primarily relationships with local Mortgage Brokers. Customers can apply for a mortgage with a local Mortgage Broker as the Lender does not maintain a retail branch presence within the Commonwealth of Massachusetts.

The Lender offers a variety of mortgage products including conventional, FHA, VA, USDA, and FNMA HomeReady. These loan products assist all income categories and provide opportunities to low- and moderate-income individuals to acquire or remain in affordable housing.

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.