

**PUBLIC DISCLOSURE**

**January 13, 2014**

**CRA FOR MORTGAGE LENDERS  
PERFORMANCE EVALUATION**

**TOTAL MORTGAGE SERVICES, LLC  
MC2764**

**185 PLAINS ROAD, FL 3  
MILFORD, CT 06461**

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

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

## GENERAL INFORMATION

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

This document is an evaluation of the CRA performance of **Total Mortgage Services, LLC (Total Mortgage)** prepared by the Division, the mortgage lender's supervisory agency, as of **January 13, 2014**.

## 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 Total 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 Total Mortgage's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Total Mortgage's lending and community development activities for the period of January 1, 2012 through December 31, 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 2013 is presented in the geographic distribution, lending to borrowers of different incomes and the Minority Application Flow tables. Comparative analysis is provided for the mortgage lender's 2012 lending performance as this is the most recent year for which aggregate HMDA lending data is available. The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes lending information from all lenders required to report loan application information pursuant to the Home Mortgage Disclosure Act (HMDA) 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 of borrowers reflects, given the demographics of Massachusetts, a reasonable record of serving the credit need among individuals of different income levels, including those of low- and moderate-income.
- The geographic distribution of the mortgage lender's loans reflects an adequate dispersion in low- and moderate-income census tracts as it is reflective of the distribution of owner occupied housing in those census tracts.
- Total Mortgage offers a limited 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.
- Total Mortgage had no Community Development Services in the Commonwealth.

## **PERFORMANCE CONTEXT**

### **Description of Mortgage Lender**

The Division initially licensed Total Mortgage as a mortgage broker on May 19, 2000. Total Mortgage was granted a mortgage lender and broker license (MC2764) by the Division on December 24, 2004. The mortgage lender's corporate office is located at 185 Plains Road in Milford, Connecticut. The mortgage lender also maintains branch locations which service Massachusetts consumers in Ridgefield and Fairfield, Connecticut.

A majority of the mortgage lender's business focuses on the wholesale and retail originations and the selling of conventional mortgage products. Total Mortgage has been a direct endorsed FHA lender since December 2009. Total Mortgage has been an approved seller/servicer with FNMA and FHLMC since 2000 and 1999, respectively. Generally, closed loans are sold to secondary market investors within 30 days on a servicing rights retained and released basis. Loans retained for servicing are subserviced by Dovenmuehle Mortgage, Inc. The mortgage lender operates primarily as a retail lender within Massachusetts and also has correspondent relationships with mortgage brokers. All loans are processed at the main office located in Milford, Connecticut. Total Mortgage offers a variety of mortgage loan products to meet the needs of the Commonwealth's borrowers. In addition to Massachusetts, Total Mortgage is also licensed in thirty states and the District of Columbia.

### **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	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%	Unemployment Rate				7.0%*
2012 HUD Adjusted Median Family Income	\$87,891	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 which time it stood 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**

Total Mortgage's Lending Test performance was rated an overall "Satisfactory." Lending performance is rated under the 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 Total Mortgage.

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

The distribution of loans by borrower income levels was reviewed to determine the extent to which the mortgage lender is addressing the credit needs of the Commonwealth's residents.

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

The following table shows, by number, HMDA reportable loans to low, moderate, middle and upper-income borrowers in comparison to the aggregate and the percentage of total families within the Commonwealth in each respective income group.

<b><i>Distribution of HMDA Loans by Borrower Income</i></b>						
<b><i>Median Family Income Level</i></b>	<b><i>% of Families</i></b>	<b>2012 Total Mortgage</b>		<b>2012 Aggregate Lending Data (% of #)</b>	<b>2013 Total Mortgage</b>	
		<b>#</b>	<b>%</b>		<b>#</b>	<b>%</b>
<b><i>Low</i></b>	19.3	9	2.6	5.2	6	3.0
<b><i>Moderate</i></b>	17.8	55	16.1	15.6	32	16.0
<b><i>Middle</i></b>	24.4	79	23.0	23.2	50	25.0
<b><i>Upper</i></b>	38.5	196	57.1	42.7	112	56.0
<b><i>NA*</i></b>	0.0	4	1.2	13.3	0	0.0
<b><i>Total</i></b>	100.0	<b>343</b>	<b>100.0</b>	<b>100.0</b>	<b>200</b>	<b>100.0</b>

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

As shown in the above table, Total Mortgage's 2012 lending to low-income borrowers at 2.6 percent was below the aggregate's lending 5.2 percent, while lending to moderate-income borrowers at 16.0 percent was above the aggregate lending at 15.6 percent.

While Total Mortgage's lending to moderate-income borrowers was comparable to the percentage of moderate-income families in the Commonwealth, both the mortgage lender and the aggregate's lending to low-income borrowers was below the percentage of low-income families in the Commonwealth. This appears to indicate the difficulty low-income families may have in qualifying for a home mortgage, particularly considering 11.1 percent of these families earn income below the poverty level.

Total Mortgage's lending volume decreased significantly from 2012 to 2013 due to market conditions. However, the mortgage lender's proportional lending performance to low-income borrowers increased slightly in 2013 and was comparable to moderate-income borrowers during that time. Because of the relatively low level of originations, an additional one or two originations in any category results in a relatively significant increase in percentages.

Total Mortgage's performance shows a reasonable record of serving the mortgage credit needs of borrowers of different income levels.

## **II Geographic Distribution**

The geographic distribution of loans was reviewed to assess how well Total 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 adequate.

Total Mortgage's distribution of lending in the Commonwealth when compared to the demographics and aggregate lending data was reasonable. The table below shows the distribution of HMDA-reportable loans by census tract income.

<b>Distribution of HMDA Loans by Income Category of the Census Tract</b>						
<b>Census Tract Income Level</b>	<b>% Total Owner-Occupied Housing Units</b>	<b>2012 Total Mortgage</b>		<b>2012 Aggregate Lending Data (% of #)</b>	<b>2013 Total Mortgage</b>	
		<b>#</b>	<b>%</b>		<b>#</b>	<b>%</b>
<b>Low</b>	2.9	3	0.9	2.2	2	1.0
<b>Moderate</b>	13.7	37	10.8	10.2	26	13.0
<b>Middle</b>	48.9	137	39.9	45.1	71	35.5
<b>Upper</b>	34.5	166	48.4	42.5	101	50.5
<b>Total</b>	<b>100.0</b>	<b>343</b>	<b>100.0</b>	<b>100.0</b>	<b>200</b>	<b>100.0</b>

Source 2012 & 2013 HMDA Data and 2010 U.S. Census

The mortgage lender's geographic distribution of loans was below the distribution of owner-occupied housing units and the aggregate lending data during 2012 in low-income census tracts. The table above shows that while Total Mortgage's overall lending volume decreased from 2012 to 2013, the percentage of lending in both low- and moderate-income tracts stayed consistent.

Mitigating factors are applicable to Total Mortgage's geographical distribution of loans. Although approximately 2.9 percent and 13.7 percent of owner-occupied housing reside in low- and moderate-income geographies, these tracts contain a significant percentage of rental occupancy at 47.4 percent of all of the rentals units in the Commonwealth.

Considering these factors, and Total Mortgage's relatively low volume and positive trend, the mortgage lender's geographic distribution of residential real estate loans reflects an adequate distribution throughout its assessment area.

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

Total 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 mortgage lender is directly endorsed by HUD to underwrite Federal Housing Administration (FHA) insured mortgages. The FHA products offered by Total 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 2013, the mortgage lender closed 23 FHA loans totaling \$6.4 million. Of the 23 FHA loans closed during the examination period, eight were originated to low- or moderate-income borrowers and six benefited moderate-income geographies in the Commonwealth.

Through the Home Affordable Refinance Program (HARP), Total Mortgage also offers Fannie Mae's DU Refinance Plus and Freddie Mac's Relief Refinance loan products. The primary expectation for the HARP is to refinance responsible borrowers, who owe more than their homes' value, into a better position by reducing their monthly principal and interest payments, reducing their interest rate, or moving them from a more risky loan structure, such as an interest-only mortgage to a more stable product, such as a fixed-rate mortgage. During the examination period, Total Mortgage originated 41 HARP loans totaling \$9.5 million; these loans assisted homeowners refinance their mortgages even if they owed more than the homes' current value.

#### **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.

Total 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 in fair lending issues appropriate to their job description and responsibilities. All loans are monitored for compliance, by monthly quality control audits which review samples of loan files pre- and post-closing. All denied loans also receive a secondary review before a final decision is made.

#### **MINORITY APPLICATION FLOW**

For 2012 and 2013 Total Mortgage received 652 HMDA-reportable loan applications from within the Commonwealth of Massachusetts. Of these applications, 73 or 11.2 percent were received from minority applicants, of which 59 or 80.8 percent resulted in originations. Total Mortgage received 10 or 1.5 percent of HMDA reportable applications from ethnic groups of Hispanic origin within its assessment area of which 7 or 70.0 percent were originated.

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.

<b>MINORITY APPLICATION FLOW</b>					
<b>RACE</b>	<b>2012 Total Mortgage</b>		<b>2012 Aggregate Data</b>	<b>2013 Total Mortgage</b>	
	#	%	% of #	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	0.1	0	0.0
<i>Asian</i>	31	7.8	4.8	16	6.3
<i>Black/ African American</i>	9	2.2	1.7	3	1.2
<i>Hawaiian/Pac Isl.</i>	0	0.0	0.1	1	0.4
<i>2 or more Minority</i>	0	0.0	0.1	0	0.0
<i>Joint Race (White/Minority)</i>	8	2.0	1.2	5	2.0
<b>Total Minority</b>	<b>48</b>	<b>10.0</b>	<b>8.0</b>	<b>25</b>	<b>9.9</b>
<i>White</i>	314	78.7	69.6	204	80.6
<i>Race Not Available</i>	37	9.3	22.4	24	9.5
<b>Total</b>	<b>399</b>	<b>100.0</b>	<b>100.0</b>	<b>253</b>	<b>100.0</b>
<b>ETHNICITY</b>					
<i>Hispanic or Latino</i>	1	0.2	2.1	2	0.8
<i>Not Hispanic or Latino</i>	351	88.0	74.7	223	88.1
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	6	1.5	0.8	1	0.4
<i>Ethnicity Not Available</i>	41	10.3	22.4	27	10.7
<b>Total</b>	<b>399</b>	<b>100.0</b>	<b>100.0</b>	<b>253</b>	<b>100.0</b>

Source: 2000 U.S. Census Data, 2012 & 2013 HMDA Data

In 2012, Total Mortgage's performance was above the aggregate's performance for racial minorities and below to ethnic minority applicants at 10.0 and 1.7 percent respectively. The number of minority applicants decreased along with the decrease in overall lending from 2012 to 2013, however the percentage of minority applicants staying consistent during that time period. 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 Total Mortgage by taking into account delinquency and default rates of the mortgage lender and those of the overall marketplace. Information provided by the mortgage lender was reviewed as were statistics available on delinquency and default rates for mortgage loans. Additionally, individual mortgage loans were tracked for their status through local Registries of Deeds and other available sources including public records of foreclosure filings.

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.

Total Mortgage's Service Test performance was determined to be "Needs to Improve" during the evaluation period.

### **Mortgage Lending Services**

Total 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 mortgage lender offers a variety of conventional and government insured mortgage products. Total Mortgage generates applications through their retail and wholesale channels. Customers can apply to Total Mortgage for a mortgage over the telephone or via the company's website. Presently, Total Mortgage does not maintain any active branch offices within Massachusetts; however the Fairfield and Ridgefield, Connecticut branches do service Massachusetts consumers. Business development relies primarily on referrals and repeat customers. Total Mortgage does not advertise in Massachusetts.

Total Mortgage services a limited number of loans through sub-servicer Dovenmuehle Mortgage, Inc. An evaluation of the mortgage lender's policies and sub-servicer oversight as well as loans serviced during the examination period was reviewed. 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 mortgage 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..

At the present, Total Mortgage is not engaged in any such activity.

### **Qualified Investments**

A Qualified Investment for the purposes of this MLCI evaluation is a lawful investment, deposit, membership share, or grant that has as its primary purpose community development. The evaluation considers (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.

Total Mortgage does not currently engage in any qualified community development investment.

Management is encouraged to employ a strong focus and a pro-active commitment in community development activities or investments that meet the definition of community development under the MLCI regulation. Other activities may include, but not necessarily limited to: financial literacy education initiatives targeted to low and moderate-income individuals; and foreclosure prevention counseling and/or providing technical assistance to community organizations in a leadership capacity.

## **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.