

**PUBLIC DISCLOSURE**

**APRIL 30, 2014**

**MORTGAGE LENDER COMMUNITY INVESTMENT  
PERFORMANCE EVALUATION**

**AMERICAN INTERBANC MORTGAGE LLC**

**ML2043**

**ONE PARK PLAZA, SUITE 100  
IRVINE CA. 92614**

**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 for Mortgage Lenders performance of **American Interbank Mortgage Company, LLC (American Interbank or the Lender)** prepared by the Division, the mortgage lender's supervisory agency, as of **April 30, 2014**.

## 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.

The CRA examination included a comprehensive review and analysis, as applicable, of American Interbank'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 American Interbank's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered American Interbank's lending and community development activities for the period of January 2012 through December 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 of the mortgage lender's lending performance for the year of 2013 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 lenders which originated loans in the Commonwealth of Massachusetts. Home mortgage lending data for 2013 is referenced in the narrative to illustrate trends in American Interbanc's lending data.

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 FOR MORTGAGE LENDERS RATING:**

**This mortgage lender is rated "Needs to Improve."**

- The geographic distribution of the Lender's loans indicates poor dispersion in low- and moderate-income census tracts as it is reflective of the distribution of owner occupied housing in those census tracts.
- The distribution of borrower reflects, given the demographics of Massachusetts, a poor record of serving the credit need among individuals of low- and moderate-income levels.
- American Interbanc does not offer any flexible lending products to address the credit needs of low- and moderate-income individuals.
- Fair lending policies and practices are considered reasonable.
- The Lender does not participate in any community development services, nor does provide any qualified community development investments.

## **PERFORMANCE CONTEXT**

### **Description of Mortgage Lender**

American Interbanc was established in the State of California on July 1, 1998 and was granted a license by the Division in November 1999. American Interbanc's main office is located at One Park Plaza in Irvine, California. The Lender does not maintain any branch offices Massachusetts. The company is licensed to conduct business in ten states throughout the United States.

American Interbanc offers exclusively FNMA and FHLMC eligible conforming residential mortgage loans. The only occasional exceptions are made for Jumbo-loan requests from customers. The Lender is an approved correspondent for the Federal Housing Administration, but does not currently utilize its loan products.

Without exception, mortgage loan applications are accepted only through an on-line submission. Underwriting and major functions in the loan process are performed at American Interbanc's main office. Approved loans are funded through established warehouse lines of credit, closed in the Lender's name and sold immediately to secondary market investors, with servicing rights released. In addition, American Interbanc has recently retained servicing for some of its loans that are sub-serviced by Provident Funding Associates LP.

### **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 Throughout AA Geographies	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		6.50*	
<b>2012 HUD Adjusted Median Family Income</b>	\$87,891		<b>2013 HUD Adjusted Median Family Income</b>		\$84,208	

*Source: 2010 US Census; \*as of 02/28/2014*

Based on the 2010 Census, the Commonwealth's population stood at 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**

American Interbanc'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 American Interbanc.

American Interbanc's Lending Test performance was determined to be "Needs to Improve."

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

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

The following table presents American Interbanc's 2012 and 2013 HMDA reportable loans as well as the 2013 aggregate lending data (exclusive of American Interbanc). In addition, the table also reflects the percentage of owner-occupied housing units in each of the Census tract income categories.

<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 Aggregate Lending Data</b>	<b>2012 American Interbanc</b>		<b>2013 Aggregate Lending Data</b>	<b>2013 American Interbanc</b>	
			<b>#</b>	<b>%</b>		<b>#</b>	<b>%</b>
	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	2.9	2.1	1	0.6	2.8	0	0.0
<b>Moderate</b>	13.7	10.2	10	5.6	12.3	3	3.1
<b>Middle</b>	48.9	45.1	77	42.7	46.1	38	38.8
<b>Upper</b>	34.5	42.5	90	50.0	38.8	57	58.6
<b>N/A</b>	0.0	0.1	2	1.1	0.0	0	0.0
<b>Total</b>	<b>100.00</b>	<b>100.0</b>	<b>180</b>	<b>100.00</b>	<b>100.0</b>	<b>98</b>	<b>100.0</b>

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

As reflected in the above table, the highest concentration of residential loans was originated in the middle and upper-income census tracts for both 2012 and 2013. Given that 83.4 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.

The Lender's geographic distribution of loans in low- and moderate-income census tracts was substantially below the distribution of owner occupied housing units and the aggregate lending data in both 2012 and 2013. Furthermore, the Lender's performance in these geographies appears to be in decline, as the total percentage of loans in low- and moderate-income census tracts decreased from 2012 to 2013.

## 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 American Interbanc's 2012 and 2013 HMDA-reportable loans to low, moderate, middle, and upper-income borrowers in comparison to the 2013 aggregate data (exclusive of American Interbanc) and the percentage of total families within the Commonwealth in each respective income group.

Distribution of HMDA Loans by Borrower Income							
Census Tract Income Level	Total Families	2012 Aggregate Lending Data	2012 American Interbanc		2013 Aggregate Lending Data	2013 American Interbanc	
			#	%		#	%
	%	%	#	%	%	#	%
<b>Low</b>	19.3	5.2	2	1.1	5.4	0	0.0
<b>Moderate</b>	17.7	15.7	27	15.0	15.9	10	10.2
<b>Middle</b>	24.4	23.3	54	30.0	22.9	20	20.4
<b>Upper</b>	38.6	42.7	95	52.8	43.7	68	69.4
<b>N/A</b>	0.0	13.2	2	1.1	12.1	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>180</b>	<b>100.0</b>	<b>100.0</b>	<b>98</b>	<b>100.0</b>

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

Considering the high housing costs throughout Massachusetts, the number of middle and upper-income residential areas creates somewhat fewer opportunities to lend to low- and moderate-income borrowers. In addition, the high housing costs limit the number of low-income borrowers from qualifying for residential loans.

As shown in the above table, middle- and upper-income borrowers accounted for the highest proportion of total loans by American Interbanc.

Although below the comparable demographic indicators, lending to moderate-income borrowers in both 2012 was comparable to the percentage performance of the aggregate data. However, American Interbanc's lending to low-income borrowers during that same period was considerably below the aggregate. In addition, the overall percentage of loans to low- and moderate-income borrowers has declined from 2012 to 2013.

## III. Innovative or Flexible Lending Practices

American Interbanc became a Housing and Urban Development approved correspondent in February 2004 for FHA loans. FHA products provide competitive interest rates, smaller down payments for low- and moderate-income first time homebuyers and existing homeowners. However, the Lender has not originated any FHA loans during 2012 and 2013.

## IV. Fair Lending

The Division examines a mortgage lender's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-103 and Regulatory Bulletin 5.3-101. 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.



American Interbanc has established an adequate record relative to fair lending policies and practices.

Fair lending is incorporated in American Interbanc's company-wide policy and procedures. American Interbanc's lending policies and procedures apply to all employees.

Mortgage loan originators are required to complete the continuing education program, in line with the regulatory requirements. All staff also participate in periodic on-line courses offered by Pro-Schools.com and Allregs.com, as well as any required agency specific or investor specific training.

In addition, American Interbanc conducts staff meetings that include a review of the existing HMDA and fair lending guidelines and address any changes to ensure compliance.

## MINORITY APPLICATION FLOW

For 2012 and 2013 American Interbanc received 354 HMDA-reportable loan applications from within the Commonwealth of Massachusetts. Of these applications, 39 or 11.0 percent were received from minority applicants, of which 30 or 76.9 percent resulted in originations. American Interbanc received 11 or 3.1 percent of HMDA reportable applications from ethnic groups of Hispanic origin within its assessment area, of which 8 or 72.7 percent were originated.

[[CS1]]

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. 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 lender's 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.

MINORITY APPLICATION FLOW					
RACE	2012 American Interbanc		2013 Aggregate Data	2013 American Interbanc	
	#	%	% of #	#	%
American Indian/ Alaska Native	2	0.9	0.2	0	0.0
Asian	18	7.9	4.8	7	5.5
Black/ African American	2	0.9	2.4	0	0.0
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	9	4.0	1.2	1	0.8
<b>Total Minority</b>	<b>31</b>	<b>13.7</b>	<b>8.7</b>	<b>8</b>	<b>6.3</b>
White	195	86.3	69.6	120	93.7
Race Not Available	0	0.0	21.7	0	0.0
<b>Total</b>	<b>226</b>	<b>100.0</b>	<b>100.0</b>	<b>128</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	6	2.6	2.8	3	2.3
Not Hispanic or Latino	218	96.5	74.7	125	97.7
Joint (Hisp-Lat /Not Hisp-Lat)	2	0.9	0.9	0	0.0
Ethnicity Not Available	0	0.0	21.6	0	0.0
<b>Total</b>	<b>226</b>	<b>100.0</b>	<b>100.0</b>	<b>128</b>	<b>100.0</b>

In 2012 American Interbanc's performance was above the 2012 aggregate data for racial minority applicants which was at 8.7 percent. For 2013 the percentage of applications from racial minorities decreased notably 6.3. The ethnic minority applications during both years were slightly below, but generally in line with the aggregate. Overall, the minority application is considered to be reasonable.

#### **V. *Loss of Affordable Housing***

This review concentrated on the suitability and sustainability of mortgage loans originated by American Interbanc 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 zero percent, delinquency rates are exceedingly favorable in comparison to 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.

American Interbanc's Service Test performance was determined to be "Needs to Improve."

### **Mortgage Lending Services**

American Interbanc's policy to only accept on-line application submission may provide some obstacles to an effective access and delivery of mortgage lending services for low- and moderate-income geographies and individuals in the Commonwealth.

Business development relies primarily on the on-line advertising on web-sites such as BankRate.com, and also on referrals and repeat customers.

American Interbanc's loan servicing portfolio amounts to approximately \$110 million and is sub-serviced by Provident Funding Associates LP. At present, the portfolio does not contain any loans requiring mitigation or modification efforts and no accounts are delinquent.

## **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 present, American Interbank is not involved in any community development services within the Commonwealth of Massachusetts.

## **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.

American Interbank does not currently engage in any qualified community development investments.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 255E, Section 8, and 209 CMR 54.00, the CRA for Mortgage Lenders regulation, requires all mortgage lenders to take the following actions within 30 business days of receipt of the CRA for Mortgage Lenders evaluation of their mortgage lender:

- 1) Make its most current CRA for Mortgage Lenders 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 for Mortgage Lenders 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.