

**PUBLIC DISCLOSURE**

**June 30, 2011**

**MORTGAGE LENDER COMMUNITY INVESTMENT  
PERFORMANCE EVALUATION**

**REGENCY MORTGAGE CORP.  
MC 1938**

**175 CANAL STREET  
MANCHESTER, NEW HAMPSHIRE 03101**

**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 ("MLCI"), 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 a 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 MLCI performance of **Regency Mortgage Corp. (or "Regency")** prepared by the Division, the mortgage lender's supervisory agency, as of **June 30, 2011**.

### SCOPE OF EXAMINATION

An evaluation was conducted using examination procedures as defined by MLCI. A review of the Division's records, as well as the mortgage lender's public MLCI file, did not reveal any complaints relating to Regency's MLCI performance.

The MLCI examination included a comprehensive review and analysis, as applicable, of Regency'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.

MLCI examination procedures were used to evaluate Regency's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Regency's lending and community development activities for the period of January 2009 through December 2010, unless otherwise noted. 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. The MLCI evaluation includes an analysis of the mortgage loans reportable under the Home Mortgage Disclosure Act ("HMDA") for 2009 and 2010. The residential loan data was obtained from the Loan Application Registers ("LAR") maintained by Regency pursuant to HMDA.

Home mortgage lending for 2009 and 2010 is presented in the following tables: geographic distribution, lending to borrowers of different incomes and the minority application flow. Comparative analysis is provided for the mortgage lender's 2009 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 HMDA reporting lenders which originated loans in Massachusetts.

In addition to gathering and evaluating statistical information relative to a mortgage lender's loan volume, the MLCI 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 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 MLCI RATING: This mortgage lender is rated "Satisfactory."**

This "Satisfactory" rating is based upon:

- The geographic distribution of the lender's loans reflects a reasonable dispersion in low- and moderate-income census tracts.
- The distribution of borrowers reflects, given the volume of originations and the lender's product lines, a reasonable record of serving the credit needs among individuals of different income levels, include low- and moderate-income.
- The mortgage lender offers a reasonable number of flexible lending products to the customers it serves.
- There were no Community Development services offered by Regency during the examination period.
- Fair lending policies and practices are considered reasonable. No complaints were received during the evaluation period.

## PERFORMANCE CONTEXT

### Description of Mortgage Lender

Regency Mortgage Corp was incorporated in New Hampshire on April 1, 1996. The Division first licensed Regency on August 15, 2002. The lender is engaged in the origination and sale of residential mortgage loans, secured primarily by one-to-four family residential properties. Loan originations are processed and documented at the lender's main office in Manchester, New Hampshire. Funding is provided by a line of credit with GMAC Bank. Closed loans are sold in the secondary market without recourse and with servicing rights released. New loan originations are received via referrals and the Internet. The licensee employs five loan officers, four underwriters, who also function as processors, and one loan closer. Regency is an approved lender for both Federal Housing Administration (FHA) and the Veteran's Administration (VA). Approvals were granted on April 1, 1996 from both agencies. Regency is also licensed in Florida and Maine.

For the examination period, 2009 and 2010, Regency originated 115 loans totaling approximately \$30.6 million in Massachusetts.

### Demographic Information

The MLCI 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.

| DEMOGRAPHIC INFORMATION*   |           |            |                      |               |              |     |
|--|-----------|------------|----------------------|---------------|--------------|-----|
| Demographic Characteristics  | #         | Low % of # | Moderate % of #      | Middle % of # | Upper % of # | N/A |
| Geographies (Census Tracts)  | 1,361     | 8.4        | 21.7                 | 46.1          | 23.4         | 0.4 |
| Population by Geography  | 6,349,097 | 5.8        | 20.5                 | 47.6          | 26.0         | 0.1 |
| Owner-Occupied Housing by Geography  | 1,508,248 | 1.6        | 12.8                 | 54.0          | 31.6         | 0.0 |
| Family Distribution by Income Level  | 1,587,537 | 20.5       | 17.7                 | 22.3          | 39.5         | 0.0 |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 606,419   | 10.0       | 29.4                 | 46.2          | 14.4         | 0.0 |
| Median Family Income   |           | \$65,318   | Median Housing Value |               | \$209,519    |     |
| 2010 HUD Adjusted Median Family Income                                     |           | \$83,413   | Unemployment Rate    |               | 8.3%**       |     |
| Households Below Poverty Level   |           | 9.8%       |                      |               |              |     |

\*Source: 2000 US Census

\*\*as of 12/10

Based on 2000 Census data, the Commonwealth of Massachusetts has a total population of just over 6.3 million people and a total of 2.6 million housing units. Of the total housing units, 1.5 million or 57.5 percent are owner-occupied, 935,332 or 35.7 percent are rental-occupied, and 6.8 percent are vacant units.

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.

There are 2.4 million households in the Commonwealth with a median household income of \$53,686 according to the 2000 Census. Over 40 percent of the households are classified as low- and moderate-income. In addition, 9.8 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” total slightly over 1.5 million. Of all family households, 20.5 percent are low income, 17.7 percent are moderate income, 22.3 percent are middle income, and 39.5 percent are upper income. The median family income according to the 2000 Census was \$65,318. The Housing and Urban Development (“HUD”) adjusted median family income is \$82,684. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth of Massachusetts contains 1,361 Census tracts. Of these, 114 or 8.4 percent are low-income; 295 or 21.7 percent are moderate-income; 628 or 46.1 percent are middle-income; 319 or 23.4 percent are upper-income; and 5 or 0.4 percent are NA or have no income designation. The five Census tracts with no income designation are located in Bridgewater (a correctional facility), Boston (islands in Boston Harbor), Amherst (U MASS campus), Harvard (Fort Devens), and Grafton (Tufts Veterinary School). These Census tracts contain no housing units and will not be included in this evaluation since they provide no lending opportunities.

The median housing value for Massachusetts was \$209,519 according to the 2000 Census. However, recent figures from the Warren Group, publishers of the Banker’s and Tradesman, show the median price for a single-family home increased by 3.2 percent to \$289,000 in October 2010, up from \$280,000 a year earlier in 2009. Fluctuating housing values have a direct effect in mortgage affordability and the types of financial products adequate for homeowners and property buyers.

The unemployment rate for the state of Massachusetts dropped from 8.4 percent in September 2010 to 8.3 percent in December 2010, the lowest unemployment rate since April 2009. 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**

Regency's Lending Test performance was rated an overall "Satisfactory." Regency's lending efforts are 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 Regency.

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

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

Regency's distribution of lending in the Commonwealth when compared to the demographics and aggregate lending data was reasonable. The dispersion of lending in the Commonwealth includes low- and moderate-income geographies. The table below shows the distribution of HMDA-reportable loans by Census tract income.

| <b><i>Distribution of HMDA Loans by Income 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>Regency 2009</i></b> |                 | <b><i>Aggregate Lending Data (% of #) 2009</i></b> | <b><i>Regency 2010</i></b> |                 | <b><i>Regency Total</i></b> |                 |
|   |  | <b><i>#</i></b>            | <b><i>%</i></b> |  | <b><i>#</i></b>            | <b><i>%</i></b> | <b><i>#</i></b>             | <b><i>%</i></b> |
| <b><i>Low</i></b>   | 1.6  | 2                          | 3.5             | 1.5  | 1                          | 1.7             | 3                           | 2.6             |
| <b><i>Moderate</i></b>  | 12.8   | 12                         | 21.1            | 10.6   | 5                          | 8.6             | 17                          | 14.8            |
| <b><i>Middle</i></b>  | 54.0   | 28                         | 49.1            | 50.8   | 38                         | 65.5            | 66                          | 57.4            |
| <b><i>Upper</i></b>   | 31.6   | 15                         | 26.3            | 37.1   | 14                         | 24.2            | 29                          | 25.2            |
| <b><i>Total</i></b>   | <b>100.0</b>                                       | <b>57</b>                  | <b>100.0</b>    | <b>100.0</b>                                       | <b>58</b>                  | <b>100.0</b>    | <b>115</b>                  | <b>100.0</b>    |

Source: 2009 and 2010 HMDA Data and 2000 U.S. Census

The mortgage lender's geographic distribution of loans was above the distribution of owner-occupied housing units in the low- and moderate-income Census tracts for 2009 and was also above the aggregate's lending in those tracts in 2009. The 2010 relative performance reflected a decrease in lending to low- and moderate-income Census tracts. Regency's lending from the first quarter of 2011 was also reviewed and revealed an increase in the percentage of lending to low-income tracts to 10 percent, year-to-date. Lending to moderate-income tracts remained on par with the aggregate.

Overall, given the overall low level of lending, Regency's distribution of loans reflects a reasonable performance in the Commonwealth and a willingness to lend in all Census tracts.

#### ***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. Regency has a reasonable record of serving the mortgage credit needs of borrowers of different income levels based on the area's demographics and a comparison to aggregate lending data in Massachusetts.

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>Distribution of HMDA Loans by Borrower Income</b> |                      |                     |              |   |                     |              |                      |              |
|--|----------------------|---------------------|--------------|---|---------------------|--------------|----------------------|--------------|
| <b>Median Family Income Level</b>                    | <b>% of Families</b> | <b>Regency 2009</b> |              | <b>Aggregate Lending Data (% of #) 2009</b> | <b>Regency 2010</b> |              | <b>Regency Total</b> |              |
|  |                      | <b>#</b>            | <b>%</b>     |   | <b>#</b>            | <b>%</b>     | <b>#</b>             | <b>%</b>     |
| <b>Low</b>   | 20.5                 | 1                   | 1.8          | 5.1   | 5                   | 8.6          | 6                    | 5.2          |
| <b>Moderate</b>                                      | 17.7                 | 17                  | 29.8         | 16.6  | 12                  | 20.7         | 29                   | 25.2         |
| <b>Middle</b>  | 22.3                 | 19                  | 33.3         | 23.7  | 19                  | 32.8         | 38                   | 33.1         |
| <b>Upper</b>   | 39.5                 | 14                  | 24.6         | 39.7  | 21                  | 36.2         | 35                   | 30.4         |
| <b>NA*</b>   | 0                    | 6                   | 10.5         | 14.9  | 1                   | 1.7          | 7                    | 6.1          |
| <b>Total</b>   | <b>100.0</b>         | <b>57</b>           | <b>100.0</b> | <b>100.0</b>                                | <b>58</b>           | <b>100.0</b> | <b>115</b>           | <b>100.0</b> |

Source: 2009 & 2010 HMDA Data and 2000 U.S. Census \*Income Not Available

Regency's performance significantly exceeded the aggregate for moderate-income borrowers but was below the aggregate for low-income borrowers. However, the 2010 performance reflected an improvement in volume and percentage of total lending for low-income borrowers in comparison to 2009. The percentage of lending to moderate-income borrowers remained for both years reviewed and exceeded both the aggregate and percentage of families in that category. Lending to low-income borrowers in the first quarter of 2011 stood at 25 percent and lending to moderate-income borrowers stood at 15 percent of total lending year-to-date.

Overall, given the low volume of lending, Regency's distribution of loans reflects a reasonable performance in the Commonwealth and a willingness to lend to borrowers of all income levels.

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

Regency offers a reasonable number of innovative or 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 FHA products offered by Regency provide competitive interest rates and require smaller downpayments for low- and moderate-income first time homebuyers and existing homeowners. The lender is also licensed in Massachusetts as a mortgage broker and has the ability to broker loans.

During the examination period, Regency originated 47 FHA loans totaling \$4,542,674.

### **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.



Regency's compliance with the laws relating to discrimination and other illegal credit practices was reviewed. No evidence of discriminatory or other illegal credit practices were identified.

The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Regency does not have formal written fair lending policies or procedures in place; however, staff members are regularly notified of regulatory changes and updates.

Regency has a reasonable record relative to fair lending policies and practices.

## MINORITY APPLICATION FLOW

Demographic information for Massachusetts reveals that the total ethnic and racial minority population stood at 18.12 percent of the total population. This segment of the population is comprised of 6.75 percent Hispanic or Latino and 11.38 racial minority: 5.01 percent Black; 3.73 percent Asian; .18 percent American Indian; .03 percent Native Hawaiian/Other Pacific Islander; and 2.42 percent identified as Other Race.

For 2009 and 2010, Regency received 179 HMDA-reportable loan applications from within the Commonwealth of Massachusetts of which 64.3 percent were originated. Of these applications, 20 or 11.2 percent were received from minority applicants, of which 14 or 70.0 percent resulted in originations. Regency received 1 or 0.6 percent of HMDA-reportable application from an Hispanic applicant and it was originated.

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                                  | Regency 2009 |              | 2009 Aggregate Data |              | Regency 2010 |              | Regency Total |              |
|                                       | #            | %            | #                   | %            | #            | %            | #             | %            |
| <i>American Indian/Alaska Native</i>  | 0            | 0.0          | 733                 | 0.2          | 0            | 0.0          | 0             | 0.0          |
| <i>Asian</i>                          | 4            | 5.4          | 20,082              | 4.1          | 7            | 6.7          | 11            | 6.2          |
| <i>Black/ African American</i>        | 5            | 6.8          | 10,040              | 2.0          | 3            | 2.9          | 8             | 4.4          |
| <i>Hawaiian/Pac Isl.</i>              | 0            | 0.0          | 556                 | 0.1          | 0            | 0.0          | 0             | 0.0          |
| <i>2 or more Minority</i>             | 0            | 0.0          | 230                 | 0.1          | 0            | 0.0          | 0             | 0.0          |
| <i>Joint Race (White/Minority)</i>    | 0            | 0.0          | 5,018               | 1.0          | 1            | 1.0          | 1             | 0.6          |
| <b>Total Minority</b>                 | <b>9</b>     | <b>12.2</b>  | <b>36,669</b>       | <b>7.5</b>   | <b>11</b>    | <b>10.6</b>  | <b>20</b>     | <b>11.2</b>  |
| <i>White</i>                          | 61           | 82.4         | 343,819             | 69.7         | 89           | 84.7         | 150           | 83.8         |
| <i>Race Not Available</i>             | 4            | 5.4          | 112,496             | 22.8         | 5            | 4.7          | 9             | 5.0          |
| <b>Total</b>                          | <b>74</b>    | <b>100.0</b> | <b>492,974</b>      | <b>100.0</b> | <b>105</b>   | <b>100.0</b> | <b>179</b>    | <b>100.0</b> |
| ETHNICITY                             |              |              |                     |              |              |              |               |              |
| <i>Hispanic or Latino</i>             | 0            | 0.0          | 11,457              | 2.3          | 1            | 1.0          | 1             | 0.6          |
| <i>Not Hispanic or Latino</i>         | 71           | 95.9         | 364,179             | 73.9         | 96           | 91.4         | 167           | 93.3         |
| <i>Joint (Hisp/Lat /Not Hisp/Lat)</i> | 0            | 0.0          | 3,684               | 0.7          | 0            | 0.0          | 0             | 0.0          |
| <i>Ethnicity Not Available</i>        | 3            | 4.1          | 113,654             | 23.1         | 8            | 7.6          | 11            | 6.1          |
| <b>Total</b>                          | <b>74</b>    | <b>100.0</b> | <b>492,974</b>      | <b>100.0</b> | <b>105</b>   | <b>100.0</b> | <b>179</b>    | <b>100.0</b> |

Source: 2000 U.S. Census Data

Regency's 2009 and 2010 performance was above the aggregate's performance for racial minority applicants and below for ethnic minority applicants. Regency's minority application flow is reasonable when compared to the aggregate's lending performance levels and the demographics of Massachusetts and considering the overall low volume of applications.

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

This review concentrated on the suitability and sustainability of mortgage loans originated by Regency by taking into account delinquency and default rates of the mortgage lender and those of the overall marketplace. Information provided by the lender was reviewed as were statistics available on delinquency and default rates for mortgage loans. Additionally, individual mortgage loans were tracked for their status through local Registries of Deeds and other available public records of foreclosure filings.

An extensive review of information and documentation, from both internal and external sources as 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.

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

#### **Mortgage Lending Services**

Regency provides mortgage lending services that are accessible to geographies and individuals of different income levels in the Commonwealth by offering government insured loans. Customers can apply to Regency for a mortgage over the telephone or via the company's website.

Business development relies primarily on referrals and repeat customers. Regency is a retail lender in Massachusetts.

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

#### **Community Development Services**

A community development service is a service that:

- (a) has as its primary purpose community development; and
- (b) is related to the provision of financial services, including technical services

The Commissioner evaluates community development services pursuant to the following criteria:

- (a) the extent to which the mortgage lender provides community development services; and
- (b) the innovativeness and responsiveness of community development services.

There were no community development services identified during the examination period. Regency does not participate in any community development services throughout Massachusetts.

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 255E, Section 8, and 209 CMR 54.00, the Mortgage Lender Community Investment (MLCI) regulation, requires all mortgage lenders to take the following actions within 30 business days of receipt of the MLCI evaluation of their mortgage lender:

- 1) Make its most current MLCI 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 its supervisory agency, may not be altered or abridged in any manner. The Mortgage Lender is encouraged to include its response to the evaluation in its MLCI public file.

The Division of Banks will publish the mortgage lender's Public Disclosure on its website no sooner than 30 business days after the issuance of the Public Disclosure.