

PUBLIC DISCLOSURE

JULY 13, 2011

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**PRIMARY RESIDENTIAL MORTGAGE, INC.
MC3094**

**4750 WEST WILEY POST WAY, SUITE 200
SALT LAKE CITY, UTAH 84116**

**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 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 MLCI performance of **Primary Residential Mortgage, Inc. ("Primary Residential")** prepared by the Division, the mortgage lender's supervisory agency, as of July 13, 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 related to MLCI.

The MLCI examination included a comprehensive review and analysis, as applicable, of Primary Residential'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 Primary Residential's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Primary Residential's lending and community development activities for the period of January 2009 through December 2010. 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 2009 and 2010 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 2009 is provided because it is the most recent year for which aggregate 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 originating loans in the Commonwealth of Massachusetts reporting information pursuant to the Home Mortgage Disclosure Act ("HMDA").

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 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 MLCI RATING:

This mortgage lender is rated "Satisfactory."

- The distribution of borrowers by income level reflects, given the demographics of Massachusetts, a good record of serving the credit needs among individuals of different income levels, including low- and moderate-income.
- The geographic distribution of the lender's loans reflects a good dispersion in low- and moderate-income Census tracts as it is reflective of the distribution of owner-occupied housing in those Census tracts and is consistent with or exceeds the performance of the aggregate.
- Primary Residential offers a minimal 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.
- The mortgage lender provides a minimal number of Community Development Services.

PERFORMANCE CONTEXT

Description of Mortgage Lender

The lender was organized under the laws of Nevada under the name of Vandeford Center, Inc. on December 31, 1996. On August 10, 2000, the name was changed to Primary Residential Mortgage, Inc., organized for the purpose of making, acquiring, managing and selling real estate loans. Loans are sold with servicing rights released. Primary Residential Mortgage, Inc is a subsidiary of Primary Residential Capital, Inc. ("PRCI"), a wholly-owned subsidiary of the Vandeford Company, Inc.

The lender's main office is located in Utah, and it is also licensed in 49 states and has over 1700 employees and 230 branches. Currently, there are no branch offices in Massachusetts. Since the previous examination, Primary Residential closed all its branch offices in Massachusetts including locations in South Easton, Needham, and Chelmsford. Primary Residential has several out-of-state offices that are licensed to conduct business in the Commonwealth. The locations are in Vienna, Virginia; Manchester, Connecticut; and Bedford and Dover, New Hampshire. All underwriting and major functions of the loan process are centralized at Primary Residential's main office in Utah. Primary Residential offers a variety of financing options through FHA, VA and state housing agencies. Loans are funded through a warehouse line of credit and are sold to over 100 local and national investors with which Primary Residential conducts business. Primary Residential's business relies upon repeat customers, referrals and limited print advertising.

For the examination period of 2009 and 2010, Primary Residential originated a total of 630 loans with a dollar volume representing \$168,062,000.

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	
2009 HUD Adjusted Median Family Income		\$82,684	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 numbers 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. Recent figures from the Warren Group, publishers of the Banker and Tradesman, show the median price for a single-family homes increased 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 on the types of financial products adequate for homeowner and property buyers.

The unemployment rate for the state of Massachusetts was at 7.6% as of July 2011, which was the Commonwealth’s lowest point since February 2009 and continues to be below the national rate. The national rate rose to 9.2% in June 2011. 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

Primary Residential's Lending Test performance was rated an overall "High Satisfactory." Primary Residential'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 Primary Residential.

I. 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.

Primary Residential achieved a good record of serving the mortgage credit needs among borrowers of different income levels based on the areas' demographics and a comparison to aggregate lending data in Massachusetts.

The following table shows 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.

<i>Distribution of HMDA Loans by Borrower Income</i>								
<i>Median Family Income Level</i>	<i>% Families</i>	<i>Primary Residential Mortgage 2009</i>		<i>Aggregate Lending Data (% of #) 2009</i>	<i>Primary Residential Mortgage 2010</i>		<i>Primary Residential Mortgage Total</i>	
<i>Low</i>	20.5	18	5.0	5.1	2	4.2	20	5.0
<i>Moderate</i>	17.7	77	21.3	16.6	9	18.7	86	21.0
<i>Middle</i>	22.3	76	21.0	23.7	12	25.0	88	21.4
<i>Upper</i>	39.5	87	24.0	39.7	12	25.0	99	24.1
<i>NA*</i>	0.0	104	28.7	14.9	13	27.1	117	28.5
<i>Total</i>	100.0	362	100.0	100.0	48	100.0	410	100.0

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

Primary Residential's lending performance to moderate-income borrowers exceeded the aggregate performance in 2009 and was comparable to the aggregate performance in lending to low income borrowers. A decrease in the percentage of lending to low- and moderate income borrowers occurred in 2010 when the overall volume of lending dropped nearly 85%. The trend in Massachusetts mortgage applications declined since 2007 and Primary Residential's lending experienced a decrease in originations, prompting branch closings. In 2009, Primary Residential closed three of its branches. Additionally, it is noted that there was a relatively high percentage of loans for which income was not recorded. This could be attributable, in part, to certain FHA streamlined refinance products that do not require income verification, further benefitting low- and moderate-income borrowers.

Overall, the percentage of lending to low- and moderate-income borrowers is good given the area's demographics and the performance of the aggregate.

II. Geographic Distribution

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

The mortgage lender's geographic distribution of loans reflects a good distribution of loans in the Commonwealth.

The following table presents Primary Residential's HMDA-reportable loans as well as the 2009 aggregate data (exclusive of Primary Residential). In addition, the table reflects the percentage of owner-occupied housing units in each of the Census tract income categories.

Distribution of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	% Total Owner-Occupied Housing Units	Primary Residential 2009		Aggregate Lending Data (% of #) 2009	Primary Residential 2010		Primary Residential Total	
Low	1.6	7	1.9	1.5	1	2.1	8	1.9
Moderate	12.8	67	18.5	10.6	6	12.5	73	17.8
Middle	54.0	206	56.9	50.8	30	62.5	236	57.6
Upper	31.6	82	22.7	37.1	11	22.9	93	22.7
Total	100.0	362	100.0	100.0	48	100.0	410	100.0

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

The lender exceeded the performance of the 2009 aggregate in lending in low- and moderate-income Census tracts and the percentage of owner occupied housing units within those tracts. While no aggregate data exists for 2010 and the overall volume of loans fell significantly, Primary Residential maintained its good distribution of lending by remaining consistent with the distribution of owner-occupied housing units within the low- and moderate-income Census tracts.

Overall, the distribution of loans reflects good performance and Primary Residential's willingness to lend in all geographic areas in the Commonwealth.

III. Innovative or Flexible Lending Practices

Primary Residential 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 or geographies. FHA and VA products offered by Primary Residential make up the majority of business for the mortgage lender. These products provide competitive interest rates and smaller downpayments for low- and moderate-income homebuyers and existing homeowners.

During the examination period, Primary Residential originated 230 FHA and VA loans representing a dollar amount of \$60,307,095 in the Commonwealth.

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.

Primary Residential's compliance with the laws relating to discrimination and other illegal credit practices was reviewed. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council ("FFIEC") Interagency Fair Lending Examination Procedures. No evidence of discriminatory or other illegal credit practices was identified.

Primary Residential has developed a written Quality Control Plan. The Plan is designed to establish, monitor and re-evaluate various internal components of the organization to ensure the highest level of business practices. The Plan also is designed for compliance with Fair Lending, Equal Credit Opportunity Act, Real Estate Settlement Procedures Act, compliance with state laws and federal laws, agency investors and servicers. In addition, the Plan designates quality control auditors to perform pre- and post-funding reviews and outlines the second review process for denied applications.

Quality control audits are completed on 10% of all loans closed by Primary Residential. Branch managers will receive a written report of loans that are originated and closed in their branch that have been audited. A response to the findings is required by the Branch Manager. This method ensures that all parties involved in the transaction are educated on any errors or problems within the loan files.

Primary Residential maintains a written HMDA policy. The HMDA policy applies to the mortgage lender and its subsidiaries that originate, process, close and /or purchase mortgage loans. The policy gives an overview of reporting responsibilities and requirements, and provides detailed steps in completing and coding for all fields on the Loan Application Register. HMDA data analysis is also performed by a third party and by an internal auditor at Primary Residential.

Upon conclusion of the Fair Lending review, the Division's examination found no evidence of disparate treatment.

MINORITY APPLICATION FLOW

During 2009 and 2010, Primary Residential received 630 HMDA-reportable loan applications from within the Commonwealth of Massachusetts. Of these applications, 36 or 5.7 percent were received from minority applicants, of which 22 or 61.1 percent resulted in originations. Primary Residential received 63 or 10.0 percent of HMDA-reportable applications from ethnic groups of Hispanic origin within its assessment area of which 32 or 50.7 percent were 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	Primary Residential 2009		Aggregate Data 2009		Primary Residential 2010		Primary Residential Total	
	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	733	0.2	0	0.0	0	0.0
<i>Asian</i>	6	1.1	20,096	4.1	5	6.2	11	1.7
<i>Black/ African American</i>	19	3.4	10,052	2.0	1	1.2	20	3.2
<i>Hawaiian/Pac Isl.</i>	1	0.2	555	0.1	0	0.0	1	0.2
<i>2 or more Minority</i>	0	0.0	230	0.1	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	4	0.7	5022	1.0	0	0.0	4	0.6
Total Minority	30	5.4	36,688	7.4	6	7.4	36	5.7
<i>White</i>	490	89.3	343,709	69.8	74	91.4	564	89.5
<i>Race Not Available</i>	29	5.3	112,605	22.8	1	1.2	30	4.8
Total	549	100.0	493,002	100.0	81	100.0	630	100.0
ETHNICITY								
<i>Hispanic or Latino</i>	54	9.8	11,428	2.3	3	3.7	57	9.0
<i>Not Hispanic or Latino</i>	462	84.2	364,116	73.9	72	88.9	534	84.8
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	3	0.6	3,690	0.7	3	3.7	6	1.0
<i>Ethnicity Not Available</i>	30	5.4	113,768	23.1	3	3.7	33	5.2
Total	549	100.0	493.002	100.0	81	100.0	630	100.0

Source: 2000 U.S. Census Data; 2009, 2010 HMDA LARs

Primary Residential's 2009 performance was well above the aggregate's performance for ethnic minority applicants. Although below the aggregate for racial minority applicants and a significant decline in applications in 2010, there was a positive trend in the percentage of applications from minority applicants. Primary Residential's minority application flow is reasonable when compared to the aggregate's lending performance levels and the demographics of Massachusetts.

V. **Loss of Affordable Housing**

This review concentrated on the suitability and sustainability of mortgage loans originated by Primary Residential 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 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.

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

Mortgage Lending Services

Primary Residential provides mortgage lenders services that are accessible to geographies and individuals of different income levels in the Commonwealth by originating government insured FHA loans. These loans make up the majority of business for Primary Residential's Massachusetts homeowners. Primary Residential's customers can apply over the telephone and on the lender's website.

Primary Residential does not have a branch presence in Massachusetts. Business development relies primarily on lead generations, repeat customers and referrals. Primary Residential has a corporate marketing team that is responsible for producing marketing materials that include mailers, flyers, postcards, and promotional advertisements. However, marketing materials have not been generated in Massachusetts since the branch closings during the evaluation period.

As Primary Residential does not routinely 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. However, as described above, lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable.

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 a minimal number of community development services identified during the examination period. Primary Residential does not participate in any community development services throughout Massachusetts. Since Primary Residential does not have an office location in Massachusetts, all services are offered from the Salt Lake City, Utah office and out-of-state branch locations where Primary Residential is in the business of originating FHA loan products

and other products that meet the need of the Commonwealth's residents. 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 (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. 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 MLCI 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.