

PUBLIC DISCLOSURE

April 15, 2009

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**UNION CAPITAL MORTGAGE BUSINESS TRUST
MC2202**

**1137 NORTH MAIN STREET
RANDOLPH, MA 02368**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>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.</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 ("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 **Union Capital Mortgage Business Trust ("Union Capital")** prepared by the Division, the mortgage lender's supervisory agency, as of **April 15, 2009**. The Division rates the MLCI performance of a mortgage lender consistent with the provisions set forth in 209 CMR 54.00.

SCOPE OF EXAMINATION

An onsite 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 Union Capital's MLCI performance.

The MLCI examination included a comprehensive review and analysis, as applicable, of Union Capital'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 Union Capital's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Union Capital's lending and community development activities for the period of January 2007 through December 2008. 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 2007 and 2008. The residential loan data was obtained from the Loan Application Registers ("LAR") maintained by Union Capital pursuant to HMDA. The LAR contains data about home purchase and home improvement loans, including refinancing, on one- to four-family and multifamily (five or more units) properties.

Home mortgage lending for 2007 and 2008 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 2007 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. Home mortgage lending data for 2008 is referenced in the narrative to illustrate trends in Union Capital's lending data.

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 "Substantial Noncompliance"

This "Substantial Noncompliance" rating is based upon the Commissioner's authority pursuant to the Division's regulation 209 CMR 54.25(3) which provides:

Evidence of discriminatory or other illegal credit practices adversely affects the Commissioner's evaluation of mortgage lender's performance. In determining the effect on the mortgage lender's assigned rating, the Commissioner considers the nature and extent of the evidence, the policies and procedures that the mortgage lender has in place to prevent discriminatory or other illegal credit practices, any corrective action that the mortgage lender has taken or has committed to take, particularly voluntary corrective action resulting from self-assessment, the mortgage lender's compliance with written policies and directives with regard to fair lending, and other relevant information.

In connection with any type of lending activity described in 209 CMR 54.22, evidence of discriminatory or other credit practices that violate an applicable law, rule, or regulation includes but is not limited to: (i) Discrimination against applicants on a prohibited basis in violation, for example of the Equal Credit Opportunity Act or Fair Housing Act or M.G.L. chapter 151B; (ii) Violations of M.G.L. Chapter 183C, Predatory Home Loan Practices; (iii) Violations of section 5 of the Federal Trade Commission Act or M.G.L. c. 93A, including regulations of the Office of the Attorney General; (iv) Violations of section 8 of the Real Estate Settlement Procedures Act; and (v) Violations of the provisions of M.G.L. Chapter 140D regarding a consumer's right of rescission or other violations of M.G.L. Chapter 140D and its implementing regulations 209 CMR 32.00.

Drawing from the guidelines established by the aforementioned section of the regulation, the Division's extensive review of Union Capital's loan records and publicly available information revealed the following:

- substantive violations of anti-discrimination laws and regulations which were identified during a concurrent compliance examination of Union Capital;
- a significant level of delinquencies and defaults indicating the mortgage loans originated were unsuitable and unsustainable;
- evidence indicating that Union Capital was involved in questionable documentation practices and lax underwriting standards including missing or incomplete loan files, misrepresentation of the occupancy status of the properties securing the mortgage loans, and the overstatement of the borrowers' income; and
- that these questionable practices led to delinquencies, defaults and foreclosures.

The examination revealed multiple instances in which Union Capital misrepresented information in connection with applications prepared on behalf of consumers. The examiners determined that the loan documentation submitted by Union Capital was prepared in an attempt to avoid detection of certain factors that would have disqualified the applicant from loan qualification or would have resulted in less favorable rates or loan terms, and/or to otherwise avoid certain restrictions established by applicable federal and state consumer protection statutes and regulations. There was no information, documentation, or correspondence reviewed during the examination which would illustrate that Union Capital had internal controls in place to identify these violations or that this lender took any steps to address these violations or alert impacted lenders and/or investors.

Additionally, the examiners determined that the loan documentation submitted by Union Capital to investors for loan purchase and qualification was prepared in an apparent attempt to obtain loans on behalf of consumers through the use of inaccurate financial information. The examination file sample review also revealed several instances in which Union Capital had submitted, to end investors, documents indicating that the mortgaged property would be the borrower's primary residence when it was not.

Engaging in these practices presents a pattern of conduct which indicates that Union Capital was not operating honestly, fairly, soundly, and efficiently in the public interest in violation of standards governing the licensing and regulation of mortgage brokers in the Commonwealth, and specifically in violation of General Laws chapter 93A, section 2(a).

The MLCI requires that certain categories of serious violations of consumer protection laws and regulations be considered in determining a final MLCI rating; thus, an overall MLCI rating of Substantial Noncompliance was assigned.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Union Capital was originally incorporated under the name of J. Kenneth, Inc. as a subchapter “S” corporation under the laws of the Commonwealth of Massachusetts on March 7, 2002. The mortgage lender is currently owned and managed by UCM, LLC; a Massachusetts limited liability company (the “Trustee”). The mortgage lender’s original name was changed from J. Kenneth, Inc. to Union Capital Mortgage Corporation on April 11, 2002. Union Capital Mortgage Corporation was later reorganized to Union Capital Mortgage Business Trust on December 29, 2003. Union Capital was granted a mortgage lender and broker license by the Division on August 9, 2002, while it was operating under the former name. Union Capital originates and sells residential first and second mortgage loans, construction and commercial loans including home equity lines in five New England states including Massachusetts. The mortgage lender has been an approved FHA and VA lender since November 5, 2002 and November 24, 2003, respectively, with Direct Endorsement Program. All loans are funded under the mortgage lender’s \$13 million warehouse line-of-credit off balance sheet arrangement and are generally sold on a servicing-released basis to predetermined secondary market investors. Union Capital has a backup \$10 million warehouse line of credit facility to fund buyback loans under its own name. Approved loans are funded through the available warehouse line of credit of \$13 million. The warehouse line of credit agreement is an off balance sheet purchase arrangement between Union Capital (the “seller”) and a bank (the “buyer”) where closed loans are directly sold to the buyer.

Union Capital moved its main office in November 2008 from the Braintree location to its new location in Randolph. In March 2008, Union Capital closed the Marlboro and Burlington branch locations. For the examination period, 2007 and 2008, Union Capital originated and closed 640 loans totaling \$166.4 million in Massachusetts. Union Capital originates business mostly through customer referrals and its website. Union Capital is owned by two individuals who are responsible for the day to day operations of the mortgage lender and also oversee quality control of the company. Union Capital also employs office managers, loan originators and processors, and support staff.

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 the 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	
2007 HUD Adjusted Median Family Income		\$76,075	Unemployment Rate		7.7%**	
Households Below Poverty Level		9.8%				

*Source: PCI Corporation Inc., CRA Wiz, Data Source: 2000 US Census

**as of 2/09

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.

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 these 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, 23.3 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 \$76,075. The adjusted median family income is updated yearly and takes into account inflation and other economic events.

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 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 (University of Massachusetts 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 provides 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 dropped 11.6 percent from \$345,000 in 2007 to \$305,000 in 2008. Fluctuating housing values have a direct effect on mortgage affordability and the types of financial products adequate for homeowners and property buyers.

The unemployment rate for the Massachusetts as of February 2009 was 7.7 percent. This represents an increase from the end of 2008 when the unemployment rate stood at 6.4 percent, up from 4.5 percent at the end of 2007. Employment rates would tend to affect a borrower's ability to remain current on mortgage loan obligations and correlates to delinquency and default rates.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The statistical information presented below represents the distribution of loans originated in Massachusetts by Union Capital. The charts compare the distribution of loans to the aggregate lenders who also made loans in Massachusetts during the time period presented. This data is presented for informational purposes.

An in depth review of Union Capital's mortgage lending practices revealed evidence of questionable documentation practices and lax underwriting standards and a significant level of delinquencies, defaults and foreclosures, demonstrating that the loans originated were not sustainable. Additionally, the concurrent compliance review noted substantive violations of anti-discrimination laws and regulations. Union Capital's Lending Test was rated an overall "Substantial Noncompliance."

LENDING TEST

The mortgage lender's lending efforts are evaluated under five performance criteria: Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the mortgage lending of Union Capital.

I. Geographic Distribution

The geographic distribution of loans was reviewed and the following information shows the location of Union Capital's loans throughout the Commonwealth of Massachusetts' low-, moderate-, middle-, and upper-income Census tracts.

The following table presents Union Capital's HMDA reportable loans as well as the 2007 aggregate data (excluding Union Capital). The data also reflects the percentage of owner-occupied housing units in each of the Census tract income categories; the dispersion of lending in the Commonwealth to low- and moderate-income geographies; and the distribution of HMDA-reportable loans by Census tract income.

<i>Distribution of HMDA Loans by Income Category of the Census Tract</i>								
Census Tract Income Level	% Total Owner-Occupied Housing Units	Union Capital 2007		Aggregate Lending Data (% of #) 2007	Union Capital 2008		Union Capital Total	
		#	%		#	%	#	%
Low	1.6	26	6.8	2.7	10	3.9	36	5.6
Moderate	12.8	113	29.4	16.0	36	14.1	149	23.3
Middle	54.0	175	45.4	53.2	123	48.3	298	46.6
Upper	31.6	71	18.4	28.1	86	33.7	157	24.5
Total	100.0	385	100.0	100.0	255	100.0	640	100.0

Source: 2007 and 2008 HMDA Data and 2000 U.S. Census

As reflected in the table above, the highest concentration of the residential loans was originated in the middle-income census tracts. The next largest share of loans originated was in moderate-income tracts; of the 385 loans originated in 2007, 29.4 percent of the total loans were in the moderate-income geographies. This percentage far exceeds both the percentage of housing units in those areas as well as the aggregate lenders which originated 16.7 percent of its loans in those areas. Union Capital's lending in low-income

tracts, 6.8 percent, was more than double the percentage of housing units and the aggregate's lending in those tracts. The remaining home loans were originated in the upper-income census tracts.

While no aggregate data is yet available for 2008, the lender has seen a sharp decline in the amount of originations from 385 in 2007 to 255 in 2008. There was also a decline in their lending in low- and moderate-income tracts. In 2008, Union Capital's lending in these areas was comparable to that of the aggregate.

While lending in both low- and moderate-income tracts was considered higher than the aggregate, in many cases, these loans were not sustainable. Numerous loans made in low- and moderate-income tracts were poorly underwritten and resulted in early payment defaults and/or foreclosure. Accordingly, the mortgage lender failed to help meet the credit needs of these neighborhoods in a manner consistent with its safe and sound operation.

II. Borrower Characteristics

The distribution of loans by borrower income levels for Union Capital is presented in this section.

The following table reveals 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:

Distribution of HMDA Loans by Borrower Income								
Median Family Income Level	% Families	Union Capital 2007		Aggregate Lending Data (% of #) 2007	Union Capital 2008		Union Capital Total	
		#	%		#	%	#	%
Low	20.5	16	4.2	4.1	18	7.1	34	5.3
Moderate	17.7	59	15.3	15.8	37	14.5	96	15.0
Middle	22.3	128	33.2	25.0	84	32.9	212	33.1
Upper	39.5	174	45.2	39.6	116	45.5	290	45.3
NA*	0.0	8	2.1	15.5	0	0.0	8	1.3
Total	100.0	385	100.0	100.0	255	100.0	640	100.0

Source: 2007 and 2008 HMDA Data and 2000 U.S. Census, * Income Not Available

As shown in the table above, upper-income borrowers accounted for the highest proportion of total loans, with 45.2 percent originated in 2007 by Union Capital. The proportion of total loans to upper and middle-income borrowers exceeded the percentage of families in those income tracts. The percentage of lending to the middle- and upper-income borrowers is consistent with the area's demographics and was lower than the aggregate's lending in those areas. Much of the remaining loan volume was to moderate-income borrowers, 15.3 percent, which is comparable to the 17.7 percent of moderate-income families in the assessment area. The lending to low-income borrowers was fairly modest compared with the percentage of low-income families in the area.

Loan data for 2008 was also presented to show the distribution by borrower income of Union Capital's mortgage loans. This additional analysis illustrates that in 2008 this lender's total loan volume decreased and the percentage of lending to low-income borrowers increased, while lending to moderate-income borrowers decreased. The aggregate lending information is not yet available.

III. Innovative or Flexible Lending Practices

Union Capital offers a variety of non-traditional lending products, which proved, in large part, to be unsuitable and unsustainable due to the mortgage lender's questionable documentation practices and lax underwriting standards.

The mortgage lender offers flexible lending products, through MassHousing, which meet the needs of low and moderate-income individuals and geographies, including loans to assist first-time homebuyers and loans to help revitalize distressed areas, such as Fannie Neighbors areas.

FannieNeighbors is a nationwide, neighborhood based mortgage option designed to increase home ownership and revitalization in census tracts designated as underserved by the U.S. Department of Housing and Urban Development (HUD). The FannieNeighbors option adds underwriting flexibility to Fannie Mae's *My Community Mortgage* by removing the income limit if the property is located in one of these areas.

My Community Mortgage Program – This program offers financing to low and moderate-income homebuyers and refinancing options for existing homeowners by offering little to no down-payments and competitive fixed-rate financing. The program also requires pre and post-purchase homebuyer education.

Community Home Choice Program – This program in addition to the My Community Mortgage requirements also permits additional eligibility for individuals with disabilities.

Mass Advantage Program – This program offers eligible first-time homebuyers 30 to 40 year, below-market, fixed-rate financing. Discounted interest rates and mortgage insurance for low- and moderate-income buyers are available as well as the Mortgage Insurance-Plus Program, which offers payment protection to borrowers.

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.

The lender had written policies and procedures which outline the procedural and operational steps to follow in order to prevent disparate treatment. However, substantive violations and evidence of disparate treatment or effect were noted during the examination of Union Capital's mortgage lending practices, strongly indicating that these policies and procedures were ineffective.

MINORITY APPLICATION FLOW

For 2007 and 2008, Union Capital received 715 HMDA reportable loan applications from within the Commonwealth of Massachusetts. Of these applications, 156 or 21.8 percent were received from minority applicants, of which 129 or 82.7 percent resulted in originations. Union Capital received 62 or 8.6 percent of HMDA reportable applications from ethnic groups of Hispanic origin within its assessment area of which 49 or 79 percent were originated.

The following table presents the mortgage lender's minority application flow as well as a comparison to the aggregate lenders' performance 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	Union Capital 2007		2007 Aggregate Data		Union Capital 2008		Union Capital Total	
	#	%	#	%	#	%	#	%
American Indian/ Alaska Native	0	0.0	1,363	0.3	1	0.3	1	0.1
Asian	10	2.4	13,139	2.6	5	1.7	15	2.1
Black/African American	103	24.5	24,115	4.8	34	11.6	137	19.2
Hawaiian/Pac Isl.	1	0.2	1,283	0.2	0	0.0	1	0.1
2 or more Minority	0	0.0	364	0.1	0	0.0	0	0.0
Joint Race (White/Minority)	0	0.0	4,186	0.8	2	0.7	2	0.3
Total Minority	114	27.1	44,450	8.8	42	14.3	156	21.8
White	279	66.3	333,390	65.8	239	81.3	518	72.5
Race Not Available	28	6.6	128,635	25.4	13	4.4	41	5.7
Total	421	100.0	506,475	100.0	294	100.0	715	100.0
ETHNICITY								
Hispanic or Latino	40	9.5	27,005	5.3	18	6.1	58	8.1
Not Hispanic or Latino	355	84.3	348,027	68.7	254	86.4	609	85.2
Joint (Hisp/Lat /Not Hisp/Lat)	1	0.2	3,796	0.8	3	1.0	4	0.5
Ethnicity Not Available	25	6.0	127,647	25.2	19	6.5	44	6.2
Total	421	100.0	506,475	100.0	294	100.0	715	100.0

Source: PCI Corporation, CRA Wiz, Data Source: 2000 U.S. Census Data

Union Capital's level of lending was compared with the aggregate's lending performance levels for the most recent year for which data is available, 2007. The mortgage lender's performance far exceeded the 2007 aggregate's performance level for both racial and ethnic minority applicants. Union Capital received 27.1 percent of their application from racial minorities while the aggregate received 8.8 percent. The mortgage lender also received 9.7 percent from ethnic minorities while the aggregate received 6.1 percent. Although the number of applications decreased in 2008, Union Capital still received a high number of applications from racial and ethnic minorities

While the volume of applications received from and originated to racial and ethnic minorities exceeds the aggregate, evidence of data misrepresentation and poor underwriting resulting in a high volume of foreclosures strongly mitigates Union Capital's performance in this area. The lender's practices likely contributed to a loss of affordable housing units.

V. **Loss of Affordable Housing**

This review concentrated on the suitability and sustainability of mortgage loans originated by Union Capital 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 which track public records of foreclosure filings.

An extensive review of information and documentation, as described above, revealed lending practices and/or mortgage loan products which 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. The findings under this criterion further support the overall findings that Union Capital has performed poorly in meeting the credit needs of the Commonwealth and a rating of Substantial Noncompliance is warranted.

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.

Union Capital's Service Test performance is rated "Substantial Noncompliance." The examination revealed the following:

- the mortgage loan products offered by Union Capital were not sustainable;
- the mortgage lender's systems for delivering mortgage loan products was proven not effective as mortgage loans originated were unsuitable; and
- significant violations of consumer protection laws and regulations were noted during the compliance review including evidence of questionable documentation practices and lax underwriting standards and discriminatory lending practices.

Mortgage Lending Services

The Commissioner evaluates the availability and effectiveness of a mortgage lender's systems for delivering mortgage lending services, pursuant to the following criteria:

- (a) the availability and effectiveness of systems for delivering mortgage lending services (e.g., Internet, telephone solicitation, direct mail) in low- and moderate-income geographies and to low- and moderate-income individuals, including, to the extent applicable, the current distribution of the mortgage lender's branches among low-, moderate-, middle-, and upper-income geographies;
- (b) efforts to work with delinquent home mortgage loan borrowers to facilitate a resolution of the delinquency, including the number of loan modifications, the timeliness of such modifications, and the extent to which such modifications are effective in preventing subsequent defaults or foreclosures; and
- (c) the range of services provided in low-, moderate-, middle-, and upper- income geographies and the degree to which the services are tailored to meet the needs of those geographies.

Union Capital receives most of its business from past customers, referrals and the internet. The Mortgage Lender's web site allows customers to view loan products available and apply online. Union Capital addresses the needs of home-bound applicants by picking up disclosures and closing mortgages at the applicant's home. The mortgage lender is able to print loan documents in Spanish and also has loan officers who can speak Spanish, Portuguese and French.

Union Capital currently operates from 1137 North Main Street in Randolph, this office is located in a middle-income tract. The mortgage lender closed the Marlboro and Burlington branches in March 2008, located in middle-income tracts and the Braintree office was closed in November 2008, which was located in an upper-income tract.

This review did not include an evaluation of loan mitigation and modification efforts as the mortgage lender does not routinely service mortgage loans and, therefore, would not work directly with delinquent borrowers. Therefore, Union Capital would not be accountable for loan mitigation or modification.

Community Development Services

Community development means:

- (a) Mortgage products and other efforts to assist low- and moderate-income individuals to acquire or remain in affordable housing;
- (b) community services targeted to low- and moderate-income individuals;
- (c) Activities that revitalize or stabilize -
 - (1) Low- or moderate-income geographies;
 - (2) Designated disaster areas; or
 - (3) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency; or
 - (4) Any other such area as determined by the Commissioner based on -
 - (A) Rates of poverty, unemployment, and population loss; or
 - (B) Population size, density, and dispersion. Activities revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community and economic development needs, including needs of low- and moderate-income individuals.

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.

A Union Capital loan officer partners with the City of Boston's Mayor's office which offers government assistance programs by providing home ownership seminars, as well as grants and credits for first time homebuyers and distressed home rehabilitation. By participating in the program, lenders are required to take part in at least one homebuyer seminar each month. This loan officer is also fluent in Spanish, French and Portuguese.

Despite the reported minimal Community Development activity, Union Capital's lending practices and products showed an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not suitable or sustainable supporting the overall rating of "Substantial Noncompliance."

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 255E, Section 8, and 209 CMR 54.00, Mortgage Lender Community Investment (MLCI), require 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.