

**PUBLIC DISCLOSURE**

**AUGUST 21, 2023**

**MORTGAGE LENDER COMMUNITY INVESTMENT  
PERFORMANCE EVALUATION**

**CALIBER HOME LOANS, INC.  
MC15622**

**1525 SOUTH BELT LINE ROAD  
COPPELL, TEXAS 75019**

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

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

## GENERAL INFORMATION

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **Caliber Home Loans, Inc. (Lender or Caliber)** pursuant to Massachusetts General Laws chapter 255E, section 8 and the Division of Banks' (Division) regulation 209 CMR 54.00, prepared by the Division, the Lender's supervisory agency, as of **August 21, 2023**.

## SCOPE OF EXAMINATION

An evaluation was conducted using examination procedures, as defined by CRA guidelines. A review of the Division's records, as well as the Lender's public CRA file, did not reveal any complaints.

The CRA examination included a comprehensive review and analysis, as applicable, of Caliber's:

- (a) origination of loans and other efforts to assist low- and moderate-income (LMI) residents, without distinction, to be able to acquire or to remain in affordable housing at rates and terms that are reasonable considering the mortgage 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 of Banks (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 of Massachusetts (Commonwealth or Massachusetts).

CRA examination procedures were used to evaluate Caliber's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Caliber's lending and community development activities for the period of January 1, 2021, through December 31, 2022. 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 six criteria: geographic distribution of loans, lending to borrowers of different incomes, innovative and flexible lending practices, loss mitigation efforts, fair lending, and loss of affordable housing.

Home mortgage lending for 2021 and 2022 is presented in the geographic distribution, lending to borrowers of different incomes and the minority application flow tables. Comparative analysis of the Lender's lending performance for both years is provided. 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 Home Mortgage Disclosure Act (HMDA) reporting mortgage lenders who originated loans in the Commonwealth.

In addition to gathering and evaluating statistical information relative to a mortgage lender's loan volume, the CRA examination also reflects an in-depth review of the entity's mortgage lending using qualitative analysis. This analysis includes, but is not limited to, an assessment of the suitability and sustainability of the mortgage lender's loan products by reviewing the lender's internally maintained records of delinquencies and defaults as well as information publicly available through the Federal Reserve Banks and through local Registries of Deeds and through other sources available to the examination team. The examination included inspection of individual loan files for review of compliance with consumer protection provisions and scrutiny of these files for the occurrence of disparate treatment based on a prohibited basis.

The Service Test evaluates the mortgage lender's record of helping to meet the mortgage credit needs by analyzing the availability and effectiveness of a mortgage lender's systems for delivering mortgage loan products, the extent and innovativeness of its community development services, and, if applicable, loss mitigation services to modify loans and/or efforts to keep delinquent home borrowers in their homes.

## **MORTGAGE LENDER'S CRA RATING:**

**This mortgage lender is rated “Satisfactory”**

### **Lending Test: “Satisfactory”**

- The geographic distribution of the Lender’s loans reflects adequate dispersion in LMI census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects an adequate record of serving the credit needs among individuals of different income levels.
- Caliber makes use of flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI individuals.
- Lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable, nor do these practices or products show an undue concentration of early payment defaults, resulting in consequent loss of affordable housing units.
- Fair lending policies and practices are considered adequate.

### **Service Test: “Needs to Improve”**

- The Lender provided no community development services within the Commonwealth during the evaluation period.
- Service delivery systems are accessible to geographies and individuals of different income levels in the Commonwealth.

## **PERFORMANCE CONTEXT**

### **Description of Mortgage Lender**

Caliber has been licensed in Massachusetts as a mortgage lender since 2015 and mortgage broker since 2017. It obtained its debt collector license from the Division in 1997.. At the time of the examination, its main office was located in Coppell, Texas. The Lender operates in numerous states and offers conventional, Federal Housing Administration (FHA), Department of Veterans Affairs (VA), United States Department of Agriculture (USDA) and Massachusetts Housing Finance Agency (MHFA) loans. Applications are taken via the Lender’s website or via telephone. Massachusetts loans were sold with servicing rights retained during the examination review period.

During 2021 and 2022, Caliber originated 3,472 loans totaling approximately \$1.3 billion in Massachusetts.

### **Demographic Information**

The Division’s regulation 209 CMR 54.00 requires mortgage lenders to be evaluated on their performance within the Commonwealth. Demographic data is provided below to offer contextual overviews of the economic climate along with housing and population characteristics for Massachusetts.

<b>DEMOGRAPHIC INFORMATION OF THE COMMONWEALTH</b>						
<b>Demographic Characteristics</b>	<b>Amount</b>	<b>% Low</b>	<b>% Moderate</b>	<b>% Middle</b>	<b>% Upper</b>	<b>% N/A</b>
Geographies (Census Tracts)	1,620	10.5	19.1	37.0	30.0	3.4
Population by Geography	7,029,917	9.4	19.0	37.8	32.6	1.2
Owner-Occupied Housing by Geography	1,654,892	3.1	14.6	43.1	38.9	0.3
Family Distribution by Income Level	1,673,992	22.8	16.4	19.8	41.0	0.0
Distribution of Low- and Moderate-Income Families	655,582	15.8	27.3	37.1	19.2	0.7
Median Family Income	\$114,076	Median Housing Value			\$449,342	
Households Below Poverty Level	10.6%	2022 Unemployment Rate			3.8%*	
2021 HUD Adjusted Median Family Income	\$106,200	2022 HUD Adjusted Median Family Income			\$120,400	

Source: 2020 US Census; \*Bureau of Labor Statistics annual average

Based on the 2020 United States (US) Census, the Commonwealth’s population was above 7 million people with a total of 2.9 million housing units. Of the total housing units, almost 1.6 million or 56.8 percent are owner-occupied, 992,088 or 34.1 percent are rental-occupied, and 9.1 percent are vacant units.

According to the 2020 US Census, there are 2.6 million households in the Commonwealth with a median household income of \$91,426. Nearly 40 percent of households are classified as LMI. Over ten percent of the total number of households are living below the poverty level. Individuals in these categories may find it challenging to qualify for traditional mortgage loan products.

Households classified as “families” totaled slightly over 1.67 million. Of all family households, 22.8 percent were low-income, 16.4 percent were moderate-income, 19.8 percent were middle-income, and 41.0 percent were upper-income. The median family income according to the 2020 US Census data stood at \$114,076. The Department of Housing and Urban Development (HUD) adjusted median family income was \$106,200 in 2021 and increased to \$120,400 in 2022. The HUD adjusted median family income is updated yearly and takes into account inflation and other economic factors.

Massachusetts contains 1,620 census tracts. Of these, 170 or 10.5 percent are low-income; 309 or 19.1 percent are moderate-income; 599 or 37.0 percent are middle-income; 486 or 30.0 percent are upper-income; and 56 or 3.4 percent are NA or have no income designation. The tracts with no income designation are located in areas that contain no housing units and will not be included in this evaluation since they provide no lending opportunities. These areas are made up of correctional facilities, universities, military installations, and uninhabited locations such as the Boston Harbor Islands.

Low-income is defined as individual income that is less than 50 percent of the area median income. Moderate-income is defined as individual income that is at least 50 percent and less than 80 percent of the area median income. Middle-income is defined as individual income that is at least 80 percent and less than 120 percent of the area median income. Upper-income is defined as individual income that is more than 120 percent of the area median income.

The median housing value for Massachusetts was \$449,342 according to the 2020 US Census data. The unemployment rate for Massachusetts stood at an annual average of 3.8 percent for 2022, a decrease from the 2021 annual average rate of 5.5 percent, according to the Bureau of Labor Statistics. Employment rates would tend to affect a borrower’s ability to remain current on mortgage loan obligations and also correlate with delinquency and default rates.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### **LENDING TEST**

The Lending Test evaluates a mortgage lender’s record of helping to meet the mortgage credit needs of the Commonwealth through its lending activities. Caliber’s lending efforts are rated under the six performance criteria: geographic distribution, borrower characteristics, innovative or flexible lending practices, loss mitigation efforts, 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 Caliber.

Caliber’s Lending Test performance was determined to be “**Satisfactory**”.

#### *I. Geographic Distribution*

The geographic distribution of loans was reviewed to assess how well Caliber is addressing credit needs throughout Massachusetts. The following table presents, by number, Caliber’s 2021 and 2022 HMDA reportable loans in low-, moderate-, middle-, and upper-income level geographies, in comparison to the percentage of owner-occupied housing units in each of the census tract income level categories, and the 2021 and 2022 aggregate lending data (inclusive of Caliber).

<b>Geographic Distribution of HMDA Loans by Census Tract</b>					
<b>Tract Income Level</b>	<b>Year</b>	<b>% of MA Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>Caliber #</b>	<b>Caliber %</b>
Low	2021	3.1	4.2	192	7.4
	2022		4.4	76	8.7
Moderate	2021	14.6	14.3	525	20.2
	2022		16.0	200	23.0
Middle	2021	43.1	42.7	1,203	46.3
	2022		42.0	403	46.2
Upper	2021	38.9	38.6	680	26.1
	2022		37.1	185	21.2
Not Available	2021	0.3	0.2	0	0.0
	2022		0.5	8	0.9
<b>Total</b>	<b>2021</b>	100.0	<b>100.0</b>	<b>2600</b>	<b>100.0</b>
	<b>2022</b>		<b>100.0</b>	<b>872</b>	<b>100.0</b>

*Source: 2020 US Census; 1/1/2021 - 12/31/2022 Lender HMDA Data, 2021 and 2022 HMDA Aggregate Data*

The Licensee’s lending performance in low- and moderate-income census tracts was above that of the aggregate in both 2021 and 2022. It was also above the percentage of owner-occupied units. It is also significant to note that while overall production decreased significantly from 2021 to 2022, the licensee’s percentage of lending in low- and moderate-income census tracts increased. Lending performance was found to be adequate.

## II. Borrower Characteristics

The distribution of loans by borrower income was reviewed to determine the extent to which the Lender is addressing the credit needs of the Commonwealth’s residents. The following table shows Caliber’s 2021 and 2022 HMDA-reportable loans to low-, moderate-, middle-, and upper-income borrowers in comparison to the percentage of total families within the Commonwealth in each respective income group, and the 2021 and 2022 aggregate lending data (inclusive of Caliber).

Distribution of HMDA Loans by Borrower Income					
Borrower Income Level	Year	% of MA Families	Aggregate Performance % of #	Caliber #	Caliber %
Low	2021	22.8	5.9	159	6.1
	2022		7.4	92	10.5
Moderate	2021	16.4	17.8	562	21.6
	2022		19.7	291	33.4
Middle	2021	19.8	22.5	561	21.6
	2022		23.0	256	29.4
Upper	2021	41.0	39.9	519	20.0
	2022		37.5	195	22.4
Not Available	2021	0.0	13.9	799	30.7
	2022		12.4	38	4.3
Total	2021	100.0	100.0	2,600	100.0
	2022		100.0	872	100.0

Source: 2020 US Census; 1/1/2021 - 12/31/2022 Lender HMDA Data, 2021 and 2022 HMDA Aggregate Data

The Licensee’s lending performance to low- and moderate-income borrowers was above that of the aggregate in both 2021 and 2022. It was also above the percentage of families considered moderate income. While overall production decreased significantly from 2021 to 2022, the licensee’s percentage of lending to low- and moderate-income borrowers increased, especially in the moderate-income category where the Licensee’s percentage of lending was nearly double that of the aggregate in 2022. Lending performance was found to be adequate.

## III. Innovative or Flexible Lending Practices

Caliber offers flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI individuals or geographies.

Caliber maintains HUD-approved Non-Supervised FHA Loan Correspondent status. Although they contain imbedded insurance premiums, FHA products provide generally competitive interest rates and smaller down payments for LMI first-time homebuyers and existing homeowners. During the review period, Caliber originated 733 FHA loans totaling approximately \$300 million. Of these, 270 loans or 37% benefited low- to moderate-income borrowers, while 324 loans or 44% were originated in low- and moderate-income level geographies.



The Lender is also a VA Automatic Approval Agent. The VA Home Loan Guarantee Program is designed specifically for the unique challenges facing service members and their families. Through VA-approved lenders like Caliber, the program offers flexible terms such as low closing costs, no down payments, and no private mortgage insurance requirement. In addition, under certain circumstances the Service Members Civil Relief Act provides military personnel with rights and protections on issues relative to mortgage interest rates and foreclosure proceedings. During the review period, Caliber originated 357 VA loans totaling approximately \$145 million. Of these loans 59 or 16% benefited low- to moderate-income borrowers, while 74 or 21% were originated in low- and moderate-income level geographies.

Caliber also offers loan products guaranteed by the USDA. The USDA Rural Housing Program is an innovative loan program that provides 100% financing for eligible homebuyers in rural-designated areas. This program is for home purchase transactions, offers fixed rates, and does not require a down payment. Income requirements do apply and the property must be located in a rural development designated area. Farm Service Agency loan products, included under the USDA provide flexible temporary financing for customers who are planning to start, purchase, sustain, or expand a family farm. During the review period, Caliber originated 8 USDA loans totaling approximately \$2.5 million. Of these loans, 2 or 25% were originated in low- and moderate-income level geographies, and 2 loans or 25% benefited low- to moderate-income borrowers.

Caliber also offers MHFA, also known as MassHousing, products. MassHousing is a self-supporting non-profit public agency that provides financing for homebuyers and homeowners, as well as for developers and owners of affordable rental housing. The agency sells bonds to fund its credit programs. In 2021 and 2022, Caliber originated 2 MassHousing loans with a total of \$678,849 in dollar volume.

In addition, Caliber offers several additional flexible loan programs, including FNMA HomeReady and FHLMC Home Possible loans. These programs are designed to extend to consumers certain benefits and flexible credit options, to help them meet their home buying, refinance, or renovation needs, and help mortgage lenders to confidently serve a market of creditworthy low- to moderate-income borrowers. During the review period, the Lender's Massachusetts loans closed under these flexible lending programs totaled \$50.1 million in volume.

#### ***IV. Loss Mitigation Efforts***

The Division reviews a mortgage lender's 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.

Caliber serviced a portfolio of loans in Massachusetts during the examination period, therefore this review included an evaluation of loan mitigation and modification efforts. Caliber provided options to delinquent borrowers such as short and long term repayment plans, forbearance, loan modifications, deed in lieu of foreclosure, and short sales. The majority of modified or restructured loans remain current.

## ***V. Fair Lending***

The Division examines a mortgage lender's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. The 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 Caliber's personnel, and individual file review.

Caliber has established an adequate record relative to fair lending policies and procedural practices. No evidence of discriminatory or illegal credit practices was identified.

### **Minority Application Flow**

Examiners reviewed the Lender's HMDA data to determine whether the mortgage application flow from various racial and ethnic groups was consistent with the area demographics.

During 2021 and 2022, Caliber received 5,361 HMDA-reportable mortgage loan applications from within Massachusetts. For these applications, the racial and ethnic identity was not specified in approximately 30 percent of cases. Of the remaining applications, 1,137 or 21 percent were received from racial minority applicants, and 741 or 65 percent resulted in originations. For the review period, Caliber received 651 or 12 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, and 410 or 63 percent were originated.

This compares to the 56 percent overall ratio of mortgage loans originated by the Lender in Massachusetts in 2021 and the 61.7 percent approval ratio by the aggregate group in 2021. In 2022, the Lender originated 57 percent of applications and the aggregate group originated 58.3 percent.

Demographic information for Massachusetts reveals the total racial minority population stood at 30.4 percent of the total population as of the 2020 US Census data. Racial minorities consisted of 7.0 percent Black; 7.3 percent Asian/Pacific Islander; 0.3 percent American Indian/Alaskan Native; 8.7 percent two or more minority races; and 7.1 percent identified as Other Race. Ethnic minorities consisted of 12.6 percent Hispanic or Latino.

Refer to the following table for information on the Lender's minority loan application flow as well as a comparison to aggregate lending data throughout the Commonwealth. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Lender received from minority applicants.

Minority Application Flow						
Race	2021 Aggregate Data	2021 Caliber		2022 Aggregate Data	2022 Caliber	
	% of #	#	%	% of #	#	%
American Indian/ Alaska Native	0.3	10	0.3	0.3	3	0.2
Asian	6.6	482	12.4	6.6	183	12.3
Black/ African American	4.6	229	5.9	5.8	155	10.4
Hawaiian/Pacific Islander	0.1	2	0.1	0.2	4	0.3
2 or more Minority	0.1	3	0.1	0.2	2	0.1
Joint Race (White/Minority)	1.6	46	1.2	1.7	18	1.2
<b>Total Minority</b>	<b>13.3</b>	<b>772</b>	<b>20.0</b>	<b>14.8</b>	<b>365</b>	<b>24.5</b>
White	61.2	1,825	47.2	61.0	819	54.8
Race Not Available	25.5	1,270	32.8	24.2	310	20.7
<b>Total</b>	<b>100.0</b>	<b>3,867</b>	<b>100.0</b>	<b>100.0</b>	<b>1,494</b>	<b>100.0</b>
Ethnicity	% of #			% of #		
Hispanic or Latino	6.0	372	9.6	7.4	219	14.7
Joint (Hisp-Lat /Non-Hisp-Lat)	1.2	38	1.0	1.5	22	1.5
<b>Total Hispanic or Latino</b>	<b>7.2</b>	<b>410</b>	<b>10.6</b>	<b>8.9</b>	<b>241</b>	<b>16.2</b>
Not Hispanic or Latino	67.4	2,265	58.6	67.6	1,003	67.1
Ethnicity Not Available	25.4	1,192	30.8	23.5	250	16.7
<b>Total</b>	<b>100.0</b>	<b>3,867</b>	<b>100.0</b>	<b>100.0</b>	<b>1,494</b>	<b>100.0</b>

Source: 1/1/2021 - 12/31/2022 Lender HMDA Data, 2021 & 2022 HMDA Aggregate Data

The rate of application's received by the Licensee from racial and ethnic minorities surpasses that of the aggregate in both 2021 and 2022. The Licensee's performance in 2022 is especially of note since its overall production was less than half of what it was in 2021, yet the rate of minority applications increased.

## VI. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Caliber by considering delinquency and default rates of the 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.

A 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.

## **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.

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

### **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.

The Licensee did not provide qualified community development services during the examination period.

Management is strongly encouraged to expand its commitment to community outreach activities that meet the definition of community development under the aforementioned regulation. Examples may include, but are not necessarily limited to, financial literacy education initiatives, homeownership promotion targeted to LMI individuals, foreclosure prevention counseling throughout the Commonwealth, and/or technical assistance to community organizations in a leadership capacity.

### **Mortgage Lending Services**

The Commissioner evaluates the availability and effectiveness of a mortgage lender's systems for delivering mortgage lending services to LMI geographies and individuals.

Caliber provides an adequate delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in the Commonwealth.

During the examination period, Caliber provided mortgage lending services through its local branches, the internet, and over the telephone. Overall, the Lender provides an adequate delivery of mortgage lending services throughout the Commonwealth.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 255E, Section 8, and the Division's regulation 209 CMR 54.00, require all mortgage lenders to take the following actions within 30 business days of receipt of the CRA evaluation:

- 1) Make its most current CRA performance evaluation available to the public.
- 2) Provide a copy of its current evaluation to the public, upon request. In connection with this, the mortgage lender is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the mortgage lender's evaluation, as prepared by the Division of Banks, may not be altered or abridged in any manner. The mortgage lender is encouraged to include its response to the evaluation in its CRA 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.