

PUBLIC DISCLOSURE

12/02/2019

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**CONWAY FINANCIAL SERVICES, LLC.
MC1503014**

**137 Washington Street, Suite 100
Norwell, Massachusetts**

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

<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

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **Conway Financial Services, LLC. (Conway Financial or the Lender)** pursuant to the 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 **December 2, 2019**.

SCOPE OF EXAMINATION

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

The CRA examination included a comprehensive review and analysis, as applicable, of Conway Financial'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 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 Conway Financial's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Conway Financial's lending for the period of January 1, 2017 through December 31, 2018 and community development activities for the period of January 1, 2017 through September 30, 2019. 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 2017 and 2018 is presented in the geographic distribution, lending to borrowers of different incomes and minority application flow tables. Comparative analysis of the

Lender's lending performance for 2017 is also 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 which originated loans in Massachusetts.

In addition to gathering and evaluating statistical information relative to a mortgage lender's loan volume, the CRA examination also reflects an in depth review of the entity's mortgage lending using qualitative analysis, which includes, but is not limited to: an assessment of the suitability and sustainability of the mortgage lender's loan products by reviewing the mortgage lender's internally maintained records of delinquencies and defaults as well as information publicly available through the Federal Reserve Banks, 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 an adequate dispersion in LMI census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects an adequate record of servicing the credit needs among individuals of different income levels.
- Conway Financial offers flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI individuals.
- The lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable.
- Fair lending policies are considered adequate.

Service Test: “Satisfactory”

- Conway Financial provided community development activities within the Commonwealth.
- Service delivery systems are reasonably accessible to geographies and individuals of different income levels in the Commonwealth.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Conway Financial was incorporated in Delaware as a limited liability company on April 8, 2016 and engages in the origination and sales of real estate mortgage loans exclusively in Massachusetts. The Division granted the Lender a mortgage lender and mortgage broker license on December 1, 2016. The Lender is headquartered at 137 Washington Street, Suite 100, in Norwell, Massachusetts with a branch location in Mattapoisett, Massachusetts. Conway Financial is a direct lender offering residential first mortgage loans to credit worthy borrowers in Massachusetts. The Licensee’s current loan products include conventional mortgages with fixed and variable rates; it also offers MassHousing, Federal Housing Administration (FHA), Veteran Administration (VA), and US Department of Agriculture (USDA) financing. Loans are primarily sold with servicing rights released. Originated loans are generated through advertising and referrals from its real estate partners. During 2017 and 2018, Conway Financial originated 282 loans totaling approximately \$84.8 million in Massachusetts.

Demographic Information

The Division’s regulation 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.

DEMOGRAPHIC INFORMATION OF THE COMMONWEALTH						
Demographic Characteristics	Amount	Low %	Moderate %	Middle %	Upper %	N/A %
Geographies (Census Tracts)	1,478	12.2	19.1	37.5	29.2	2.0
Population by Geography	6,705,586	10.1	18.6	38.9	31.9	0.5
Owner-Occupied Housing by Geography	1,583,667	3.4	13.8	44.4	38.3	0.1
Family Distribution by Income Level	1,620,917	23.3	16.4	19.4	40.9	0.0
Distribution of Low and Moderate Income Families	643,491	17.8	25.8	37.6	18.7	0.1
Median Family Income	\$93,145	Median Housing Value				\$358,764
Households Below Poverty Level	12.0%	Unemployment Rate				3.1%*
2017 HUD Adjusted Median Family Income	\$91,119	2018 HUD Adjusted Median Family Income				\$95,779
<i>Source: 2015 ACS US Census; * Bureau of Labor Statistics as of 12/31/2018</i>						

Based on the 2015 American Community Survey (ACS), the Commonwealth’s population was above 6.7 million people with a total of 2.8 million housing units. Of the total housing units, 1.58 million or 56.4 percent are owner occupied, 966,054 or 34.5 percent are rental units, and 9.8 percent are vacant units.

According to the ACS data, there are 2.5 million households in the Commonwealth with a median of household income of \$74,527. Over 41 percent of households are now classified as LMI. Twelve percent of the total number households are living below the poverty level. Individuals in these categories may find it difficult to qualify for traditional mortgage loan products.

Households classified as “families” totaled slightly over 1.62 million. Of all family households, 23.3 percent were low-income, 16.4 percent were moderate-income, 19.4 percent were middle-income, and 40.9 percent were upper-income. The median family income reported by the ACS data was \$93,145. The Housing and Urban Development (HUD) adjusted median family income was \$91,119 in 2017 and increased to \$95,779 in 2018. The HUD adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth contained 1,478 Census tracts. Of these, 181 or 12.2 percent are low-income; 282 or 19.1 percent are moderate-income; 555 or 37.5 percent are middle-income; 431 or 29.2 percent are upper-income; and 29 or 2.0 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 that is more than 120 percent of the area median income.

The median housing value for Massachusetts was \$358,764 according to the 2015 ACS data. The unemployment rate for Massachusetts as of December 31, 2018, stood at 3.1 percent, which was a decrease from December 31, 2017, at which time it stood at 3.5 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 correlates to delinquency and default rates.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Lending performance is rated under six performance criteria: Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending Practices, Loss Mitigation Efforts, 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 Conway Financial. Conway Financial’s Lending Test performance was determined to be “Satisfactory” at this time.

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well Conway Financial is addressing the credit needs throughout the Commonwealth of Massachusetts’ low-, moderate-, middle-, and upper-income census tracts. The table below shows the distribution of HMDA-reportable loans by census tract income level. The lending activity is compared with the percent of owner-occupied housing units based on ACS. Census demographics, and Conway Financial’s 2017 and 2018 home mortgage lending performance comprised of loans originated and purchased by Conway Financial. This lending performance is compared to aggregate lending performance in 2017.

Geographic Distribution of HMDA Loans by Census Tract						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	3.4	4.8	2	1.6	308	0.8
2018	3.4	--	1	0.6	510	1.1
Moderate						
2017	13.8	15.9	11	8.6	2,986	7.4
2018	13.8	--	21	13.6	4,859	10.9
Middle						
2017	44.4	43.5	67	52.3	19,375	48.2
2018	44.4	--	96	62.3	28,612	64.1
Upper						
2017	38.3	35.7	48	37.5	17,530	43.6
2018	38.3	--	36	23.4	10,627	23.8
Not Available						
2017	0.1	0.1	0	0.0	0	0.0
2018	0.1	--	0	0.0	0	0.0
Totals						
2017	100.0	100.0	128	100.0	40,199	100.0
2018	100.0	--	154	100.0	44,608	100.0
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Lender HMDA Data, 2017 HMDA Aggregate Data</i>						

As shown in the above table, Conway Financial’s lending to low and moderate-income geographies during 2017 was below demographics, as well as below the performance of the aggregate data. Data for 2018 showed an increase in lending in moderate income census tracts. While lending to low and moderate income geographies was below aggregate performance and area demographics, due to the amount of overall production a small amount of loans would have caused the Lender to be on par with the aggregate. The Lender’s 2017 lending performance is considered adequate at this time.

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. The table below illustrates HMDA-reportable loan originations and purchases, categorized by borrower income level, that were reported by Conway Financial during 2017 and 2018, and compares this activity to the 2017 aggregate lending data and the percentage of families by income level within the assessment area using ACS Census demographics.

Distribution of HMDA Loans by Borrower Income						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	23.3	5.2	6	4.7	988	2.5
2018	23.3	--	7	4.5	1,248	2.8
Moderate						
2017	16.4	17.6	26	20.3	6,050	15.1
2018	16.4	--	57	37.0	12,473	28.0
Middle						
2017	19.4	23.3	47	36.7	13,941	34.7
2018	19.4	--	52	33.8	15,453	34.6
Upper						
2017	40.9	40.8	49	38.3	19,220	47.8
2018	40.9	--	38	24.7	15,435	34.6
Not Available						
2017	0.0	13.0	0	0.0	0	0.0
2018	0.0	--	0	0.0	0	0.0
Totals						
2017	100.0	100.0	128	100.0	40,199	100.0
2018	100.0	--	154	100.0	44,608	100.0
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Lender HMDA Data, 2017 HMDA Aggregate Data.</i>						

As shown in the above table, Conway Financial’s lending to low income borrowers during 2017 was below the aggregate data while lending to moderate income borrowers was above the aggregate and demographics.

Lending to moderate income borrowers contained the highest percentage of lending in 2018. The Lender's overall lending performance to LMI borrowers is considered adequate at this time.

III. Innovative or Flexible Lending Practices

Conway Financial originated flexible lending products, which were provided in a safe and sound manner to address the credit needs of LMI individuals and geographies. During the examination period Conway Financial offered products insured by the Dept. of Housing and Urban Development through their FHA programs. Examples of products which may have helped low and moderate income families included high-LTV offerings, including 97% LTV FHA options, 3.5% down FHA purchase, and Streamline refinance transactions. During 2017 and 2018 Conway Financial originated 41 FHA loans, 22 or 54% were to low or moderate income borrowers and 8 or 20% were made in low or moderate income areas. Conway Financial also originates MassHousing loans. MassHousing is an independent, quasi-public agency charged with providing financing for affordable housing in Massachusetts and provides flexible options targeted to LMI areas and borrowers. During the exam period Conway Financial closed 38 MassHousing loans totaling approximately \$8.5 million dollars.

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, and the extent to which such modifications are effective in preventing subsequent defaults or foreclosures.

Conway Financial does not service a portfolio of loans in Massachusetts. During the examination period originations were sold on the secondary market with servicing rights released. As such, this review was not applicable.

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, written policies and procedures and interviews with mortgage lender personnel.

Conway Financial's compliance with the laws relating to discrimination and other illegal credit practices was reviewed. Conway Financial has established an adequate record relative to fair lending policies and practices. No evidence of discriminatory or other illegal credit practices was identified.

Minority Application Flow

Examiners reviewed Conway Financial's HMDA data to determine whether the mortgage application flow from various racial and ethnic groups was consistent with the area demographics. During 2017, Conway Financial received 156 HMDA-reportable mortgage loan applications from within the Commonwealth. Of these applications, 5 or 3.2 percent were received from racial minority applicants, and 5 or 100 percent resulted in originations. For the same period, Conway Financial received 6 or 3.8 percent of HMDA-

reportable applications from ethnic groups of Hispanic or Latino origin, and 5 or 83 percent were originated. This compares to the 82 percent overall ratio of mortgage loans originated by the Lender in Massachusetts, and the 72.2 percent approved by the aggregate group.

During 2018, Conway Financial received 182 HMDA-reportable mortgage loan applications from within the Commonwealth. Of these applications, 9 or 4.9 percent were received from racial minority applicants, and 6 or 66 percent resulted in originations. For the same period, Conway Financial received 2 or 1.1 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, and 2 or 100 percent were originated. This compares to the 84.6 percent overall ratio of mortgage loans originated by the Lender in Massachusetts.

Demographic information for Massachusetts reveals the total racial and ethnic minority population stood at 25.7 percent of total population as of ACS data. Racial minorities consisted of 6.5 percent Black; 6.0 percent Asian/Pacific Islander; 0.1 percent American Indian/Alaskan Native; and 2.6 percent identified as Other Race. Ethnic minorities consisted of 10.5 percent Hispanic or Latino.

Refer to the following table for information on the Lender’s minority application flow as well as a comparison to aggregate lenders 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	2017 Lender		2017 Aggregate Data	2018 Lender	
	#	%	% of #	#	%
American Indian/ Alaska Native	0	0.0	0.3	0	0.0
Asian	1	0.6	5.5	0	0.0
Black/ African American	3	1.9	4.1	7	3.8
Hawaiian/Pac Isl.	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.1	1	0.5
Joint Race (White/Minority)	1	0.7	1.4	1	0.6
Total Minority	5	3.2	11.5	9	4.9
White	151	96.8	67.0	168	91.8
Race Not Available	0	0.0	21.5	6	3.3
Total	156	100.0	100.0	183	100.0
ETHNICITY					
Hispanic or Latino	3	1.9	5.3	2	1.1
Not Hispanic or Latino	149	95.5	72.4	175	95.6
Joint (Hisp/Lat /Not Hisp/Lat)	3	1.9	1.1	0	0.0
Ethnicity Not Available	1	0.7	21.2	6	3.3
Total	156	100.0	100.0	183	100.0

Source: 1/1/2017 - 12/31/2018 Lender HMDA Data, 2017 HMDA Aggregate Data

In 2017, Conway Financial's performance was below the aggregate's performance for racial and ethnic minority applicants and continued to be below in 2018.

VI. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Conway Financial by taking into account 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.

Conway Financial's Service Test performance was determined to be **"Satisfactory"** during the evaluation period.

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.

Conway Financial provided qualified community development services to homeowners in Massachusetts during the review period. Conway Financial's loan originators provided quarterly first time homebuyer seminars in Massachusetts in partnership with an area non-profit.

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.

Conway Financial provides an adequate level of mortgage lending services to LMI geographies and individuals through home purchase and refinance transactions in Massachusetts. During the examination period, Conway Financial provided mortgage lending services by internet and telephone as well as in person through its two Massachusetts locations.

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. 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 209 CMR 54.00, the Mortgage Lender Community Investment (CRA) regulation, requires all mortgage lenders to take the following actions within 30 business days of receipt of the CRA evaluation of their mortgage lender:

- 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. 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.