

**PUBLIC DISCLOSURE**

**April 2, 2018**

**CRA FOR MORTGAGE LENDERS  
PERFORMANCE EVALUATION**

**DITECH FINANCIAL, LLC.  
ML1057; DC0656**

**1100 VIRGINIA DRIVE, SUITE 100A  
FORT WASHINGTON, PENNSYLVANIA 19034**

**DIVISION OF BANKS  
1000 WASHINGTON STREET  
BOSTON, MASSACHUSETTS 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>
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## GENERAL INFORMATION

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **Ditech Financial, LLC (the Lender or Ditech)** 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 **April 2, 2018**.

## SCOPE OF EXAMINATION

An evaluation was conducted using examination procedures, as defined by CRA. 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 Ditech'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, 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.

CRA examination procedures were used to evaluate Ditech's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Ditech's lending and community development activities for the period of January 1, 2016 through December 31, 2017. 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 2016 and 2017 is presented in the geographic distribution, lending to borrowers of different incomes. Comparative analysis of the mortgage lender's lending performance for 2016 and 2017 is provided as those are the most recent years 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 mortgage lenders which originated loans in the Commonwealth of 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: "High Satisfactory"**

- The geographic distribution of the Lender's loan reflects a good dispersion in LMI census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects, a good record of servicing the credit needs among individuals of different income levels.
- Ditech offers and purchases 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. The Lender demonstrates the ability to work with delinquent borrowers to facilitate a resolution of delinquency.
- Fair lending policies are considered adequate.

**Service Test: "Satisfactory"**

- Ditech 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**

Ditech Financial, LLC (formally GreenTree Servicing) was granted a mortgage lender license by the Division in 1996 and currently holds mortgage lender, debt collector, and small loan company licenses in Massachusetts. The Licensee is based in Fort Washington, Pennsylvania and is a nationwide lender with branches in Arizona, Florida, Minnesota, Missouri, and South Dakota. There are no branches located in Massachusetts. The Licensee services purchased and originated loans.

During the examination period of 2016 and 2017, Ditech originated 2,466 and purchased 4,051 loans totaling approximately \$1.7 billion in Massachusetts.

### **Demographic Information**

The CRA 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.

<b>2010 CENSUS DEMOGRAPHIC INFORMATION</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)	1,474	11.1	19.0	40.6	27.9	1.4
Population by Geography	6,547,629	9.2	18.0	42.4	30.2	0.2
Owner-Occupied Housing by Geography	1,608,474	3.1	13.0	48.3	35.6	0.0
Family Distribution by Income Level	1,600,588	22.2	16.5	20.6	40.7	0.0
Distribution of Low and Moderate Income Families	619,565	15.7	25.9	40.9	17.5	0.0
Median Family Income		\$86,272	Median Housing Value			\$373,206
Households Below Poverty Level		11.1%	Unemployment Rate			3.5*
2016 HUD Adjusted Median Family Income		\$86,904	2017 HUD Adjusted Median Family Income			\$91,119

Source: 2010 US Census; \*as of 12/31/2017

Based on the 2010 Census, the Commonwealth's population was above 6.5 million people with a total of 2.8 million housing units. Of the total housing units, 1.6 million or 57.7 percent are owner occupied, 904,078 or 32.5 percent are rental-occupied, and 9.8 percent are vacant units.

According to the 2010 Census there are 2.5 million households in the Commonwealth with a median of household income of \$69,101. Over 39 percent of households are now classified as LMI. Over 11 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 1.6 million. Of all family households, 22.2 percent were low-income, 16.5 percent were moderate-income, 20.6 percent were middle-income, and 40.7 percent were upper-income. The median family income reported by the 2010 Census was \$86,272. The Housing and Urban Development (HUD) adjusted median family income was \$86,904 in 2016 and increased to \$91,119 in 2017. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth of Massachusetts contained 1,474 Census tracts. Of these, 164 or 11.1 percent are low-income; 281 or 19.0 percent are moderate-income; 598 or 40.6 percent are middle-income; 411 or 27.9 percent are upper-income; and 20 or 1.4 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 that is more than 120 percent of the area median income.

The median housing value for Massachusetts was \$373,206 according to the 2010 Census. The unemployment rate for the Commonwealth of Massachusetts as of December 31, 2017, stood at 3.5 percent, which was an increase from December 31, 2016, at which time it stood at 3.1 percent. 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 five 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 Ditech.

Ditech's Lending Test performance was determined to be **"High Satisfactory"** at this time.

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

The geographic distribution of loans was reviewed to assess how well Ditech 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 U.S. Census demographics, and Ditech' 2016 and 2017 home mortgage lending performance comprised of loans originated and purchased by Ditech. This lending performance is compared to aggregate lending performance in 2016 and 2017.

<b>Geographic Distribution of HMDA Loans by Census Tract</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2016	3.1	3.5	219	5.7	55,115	5.4
2017	3.4	4.8	193	7.3	46,397	6.8
Moderate						
2016	13.0	12.9	668	17.3	163,205	15.9
2017	13.8	15.9	580	21.9	139,400	20.5
Middle						
2016	48.3	47.0	1,971	51.0	506,231	49.4
2017	44.4	43.5	1,185	44.7	292,508	43.1
Upper						
2016	35.6	36.6	994	25.7	296,960	29.0
2017	38.3	35.7	691	26.0	199,041	29.3
Not Available						
2016	0.0	0.0	12	0.3	2,706	0.3
2017	0.1	0.1	4	0.2	1,242	0.2
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>3,864</b>	<b>100.0</b>	<b>1,024,217</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>2,653</b>	<b>100.0</b>	<b>678,588</b>	<b>100.0</b>

Source: 2016 & 2017 HMDA Data and 2010 U.S.

Ditech' geographic distribution of loans in LMI tracts exceeded aggregate lending and the demographics in 2016 and 2017. Ditech increased its lending performance in 2017 in LMI tracts. Ditech's distribution of lending is considered good when compared to the demographics and aggregate lending data for the time period of January 1, 2016 through December 31, 2017.

## 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 Ditech during 2016 and 2017, and compares this activity to the 2016 and 2017 aggregate lending data and the percentage of families by income level within the assessment area using U.S. Census demographics.

<b>Distribution of HMDA Loans by Borrower Income</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2016	22.2	4.2	410	10.6	70,885	6.9
2017	23.3	5.2	320	12.1	52,090	7.7
Moderate						
2016	16.5	14.9	941	24.4	210,537	20.6
2017	16.4	17.6	761	28.7	170,589	25.1
Middle						
2016	20.6	22.5	1,093	28.3	299,092	29.2
2017	19.4	23.3	836	31.5	228,421	33.7
Upper						
2016	40.7	44.4	1,304	33.7	410,810	40.1
2017	40.9	40.8	720	27.1	223,352	32.9
Not Available						
2016	0.0	14.0	116	3.0	32,893	3.2
2017	0.0	13.0	16	0.6	4,136	0.6
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>3,864</b>	<b>100.0</b>	<b>1,024,217</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>2,653</b>	<b>100.0</b>	<b>678,588</b>	<b>100.0</b>

Source: 2016 & 2017 HMDA Data and 2010 U.S. Census

Ditech achieved a good record of serving the mortgage credit needs among borrowers of different income levels based on the area's demographics and a comparison to aggregate lending data in Massachusetts. As shown in the above table, the percentage of lending to LMI borrowers exceeded the aggregate in both 2016 and 2017.

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

Ditech originates, underwrites, and purchases innovative or flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI individuals and geographies. Ditech offers Fannie Mae and Freddie Mac affordable mortgage options such as the HomeReady and HomePossible mortgage products. These products have income limitations and have Homebuyer Education/ Housing Counseling requirements on purchase transactions.

During the review period, Ditech originated 1,240 loans totaling \$243,208,842 in Home Affordable Refinance Program (HARP) and HomeReady loans, 1,238 of which were HARP loans. HARP was created by the Federal Housing Finance Agency specifically to help homeowners who are current on their mortgage payments, but have little to no equity in their homes, refinance their mortgage.

In addition, Ditech originated or purchased 1,932 loans in government products such as Federal Housing Administration (FHA), Veteran Affairs (VA) and United States Department of Agriculture (USDA) Development Guaranteed Housing Loan programs. During the exam period, Ditech originated 127 FHA loans of which 31 percent were made to LMI borrowers and 28 percent in LMI tracts. The Lender purchased 1,476 FHA loans of which 44 percent were to LMI borrowers and 37 percent were in LMI tracts. Ditech originated 81 VA loans of which 21 percent were made to LMI borrowers and 19 percent were made in LMI tracts. Ditech purchased 167 VA loans of which 28 percent were to LMI borrowers and 14 percent were made in LMI tracts. Ditech also purchased 81 USDA loans of which 42 percent were made to LMI borrowers and 14 percent were made in LMI tracts.

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

The Division reviews 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.

Ditech services a large portfolio of loans in Massachusetts. The majority of originations are sold on the secondary market with servicing rights retained. Ditech also purchases loans for servicing. Lending and servicing practices did not show an undue concentration or systematic pattern of lending resulting in mortgage loans that were not sustainable. In addition, Ditech's servicing department provides assistance to delinquent borrowers by offering various options to resolve the delinquency.

### **V. Fair Lending**

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

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

Ditech's Loan Application Registers (LAR) for 2016 and 2017 were reviewed to determine if the application flow from the different racial and ethnic groups within the Commonwealth was reflective of the area's demographics.

Demographic information for Massachusetts showed the total ethnic and racial minority population stood at 23.8 percent of the total population as of the 2010 Census. This segment of the population is comprised of 9.6 percent Hispanic or Latino. Racial minorities consisted of 6.0 percent Black, 5.3 percent Asian/Pacific Islander, 0.2 percent American Indian/Alaskan Native, and 2.8 percent identified as Other Race.

For 2016 and 2017, Ditech received 10,236 HMDA-reportable loan applications from within the Commonwealth of Massachusetts. Of these applications, 4,051 were loans purchased and not originated by Ditech. Government monitoring information was not reported on these purchased loans resulting in approximately 50 and 37 percent in 2016 and 2017 respectively, of applications being classified as race and ethnicity not available. Of the 2,466 loans that were originated by Ditech during 2016 and 2017, 318 or 13 percent were to racial minorities and 139 or 5.6 percent were to ethnic minorities.

## **VI. Loss of Affordable Housing**

This review concentrated on the suitability and sustainability of mortgage loans originated by Ditech by taking into account delinquency and default rates of the mortgage lender and those of the overall marketplace. Information provided by the mortgage 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. Furthermore, 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.

Ditech'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.

In November 2017, Ditech began partnering with a national, neutral nonprofit organization that helps families achieve and sustain homeownership by offering credit counseling. The organization provides Ditech customers who elect to enroll with credit education, improvement and counseling tools which enable the customer to periodically obtain and review his/her credit score, run simulations on current debt to learn ways to improve the customer's credit worthiness and provide credit improvement recommendations. If authorized by the customer, credit score updates can be made available to Ditech to assist in the application approval process.

Ditech pays for the cost of a six month credit counseling subscription for referred customers who elect to enroll in the program. Since the inception of the program, a total of 646 Ditech customers were referred to the credit counseling program, 17 of which were Massachusetts residents.

### **Mortgage Lending Services**

Ditech provides an adequate level of mortgage lending services to LMI geographies and individuals through home purchase and refinance transactions and mortgage loan servicing in Massachusetts. Ditech provides lending services through retail, broker, and correspondent channels. Consumers can apply for a loan through Ditech's website or by telephone. Ditech does not have a physical presence in Massachusetts.

Ditech services a large number of loans in Massachusetts. The majority of originations are sold on the secondary market with servicing rights retained. Ditech's servicing department is responsible for managing delinquency and loss mitigation efforts for loans which they service. The Lender works with delinquent homeowners to facilitate a resolution of delinquency and provides available options which may include repayment plans, loan restructuring, forbearance or

modifications. Ditech works with borrowers by offering a variety of available remediation programs, at various stages of delinquency and qualified borrowers are contacted for loan modification after 90 and 180 days past due.

Servicing and Loss Mitigation services are offered through telephone, internet, and direct mail to all borrower income levels and geographies. In October 2015, Ditech began offering customers in delinquency with an additional web-based option to assist in its foreclosure prevention and loss mitigation efforts. Documents submitted through the web portal are submitted for modification review and follow the normal modification review process. Since 2015, 59 Massachusetts consumers utilized web-based portal to submit documentation needed to assist in delinquency remediation.

## **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.