

PUBLIC DISCLOSURE

MAY 23, 2022

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**EMM LOANS LLC
d/b/a EMM FINANCIAL, d/b/a EQ LOANS, d/b/a FORTREN FUNDING
MC2926**

**1950 ROUTE 70 EAST, SUITE 300
CHERRY HILL, NJ 08003**

**DIVISION OF BANKS
1000 WASHINGTON STREET
BOSTON, MA 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 **emm loans llc d/b/a EMM Financial, d/b/a EQ Loans, d/b/a Fortren Funding (Lender or EMM)** 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 **May 23, 2022**.

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 EMM'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 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 EMM's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered EMM's lending and community development activities for the period of January 1, 2020, through December 31, 2021. 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 2020 and 2021 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: “High Satisfactory”

- The geographic distribution of the Lender’s loans reflects a satisfactory dispersion in low- and moderate-income level census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects an effective record of serving the credit needs among individuals of different income levels.
- EMM offers a variety of flexible lending products, which are provided in a safe and sound manner to address the credit needs of low- and moderate-income level individuals.
- Lending practices and products do not show a systematic pattern of lending resulting in mortgage loans that are 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 satisfactory.

Service Test: “Needs to Improve”

- At present time, EMM is not involved in any community development services or qualified investments benefiting Massachusetts consumers and geographies. This was also noted during the prior CRA examination review.
- Service delivery systems are accessible to geographies and individuals of different income levels in the Commonwealth.

PERFORMANCE CONTEXT

Description of Mortgage Lender

EMM was organized in the state of New Jersey in 2002 as E Mortgage Management LLC and was granted a mortgage lender license by the Division on November 9, 2004. The Lender is also licensed in Massachusetts as a mortgage broker. Effective October 1, 2020, the Lender changed its name to the current legal name of emm loans llc. EMM is primarily engaged in the retail and wholesale origination of residential mortgage loans to the secondary market. As of the date of the current examination, the Lender was licensed or authorized to conduct business in 36 states and the District of Columbia.

At the time of examination, EMM maintained three Massachusetts branch offices located in Webster, Westborough, and Greenfield. EMM's Massachusetts business development relies primarily on professional referrals, repeat customers, and direct marketing. Approved loans are funded through established warehouse lines of credit, closed in the Lender's name, and sold immediately to secondary market investors, with servicing rights both retained and released. The Lender utilizes a third party sub-servicer for its retained servicing rights portfolio.

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.

MASSACHUSETTS DEMOGRAPHIC INFORMATION						
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		4.6%*	
2020 HUD Adjusted Median Family Income	\$104,900		2021 HUD Adjusted Median Family Income		\$106,200	

Source: 2015 ACS

*as of 12/31/2021

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,

almost 1.6 million or 56.4 percent are owner-occupied, 966,054 or 34.5 percent are rental-occupied, and 9.1 percent are vacant units.

According to the 2015 ACS data, there are 2.5 million households in the Commonwealth with a median household income of \$74,527. Over 41 percent of households are classified as low- and moderate-income. Twelve 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 1.62 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 according to the 2015 ACS data stood at \$93,145. The Department Housing and Urban Development (HUD) adjusted median family income was \$104,900 in 2020 and \$106,200 in 2021. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth contains 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 income 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. The unemployment rate for Massachusetts stood at 4.6 percent as of December 2021, a significant decrease from December 2020 when the rate was 8.4 percent. 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. EMM’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 EMM.

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

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well EMM is addressing credit needs throughout Massachusetts. The following table presents, by number, EMM’s 2020 and 2021 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 2020 and 2021 aggregate lending data (inclusive of EMM).

Distribution of HMDA Loans by Income Level Category of the Census Tract							
Census Tract Income Level	Total Owner-Occupied Housing Units	2020 Aggregate Lending Data	2020 EMM		2021 Aggregate Lending Data	2021 EMM	
			%	% of #		#	%
Low	3.4	3.6	54	4.3	4.2	76	7.8
Moderate	13.8	13.2	199	16.0	14.3	178	18.2
Middle	44.4	42.9	542	43.5	42.7	422	43.0
Upper	38.3	40.2	448	36.0	38.6	304	31.0
N/A	0.1	0.1	3	0.2	0.2	0	0.0
Total	100.0	100.0	1,246	100.0	100.0	980	100.0

Source: 2020 & 2021 HMDA LAR Data and 2015 ACS Data.

As reflected in the above table, of the total Massachusetts loans EMM originated in 2020 and 2021, 20.3 and 26 percent, respectively, were in the low- and moderate-income level census tracts. These percentages were above the percentage of the area’s owner-occupied housing units in low- and moderate-income level census tracts, as well as the aggregate percentages.

Considering that over 80 percent of the area’s owner-occupied housing units are in middle- and upper-income level census tracts, EMM’s overall geographic distribution of residential mortgage loans reflects a satisfactory dispersion throughout low- and moderate-income level geographies within the Commonwealth.

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 EMM’s 2020 and 2021 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 2020 and 2021 aggregate lending data (inclusive of EMM).

Distribution of HMDA Loans by Borrower Income							
Median Family Income Level	% of Families	2020 Aggregate Lending Data	2020 EMM		2021 Aggregate Lending Data	2021 EMM	
			#	%		#	%
	%	% of #	#	%	% of #	#	%
Low	23.3	5.0	91	7.3	5.9	71	7.3
Moderate	16.4	17.3	312	25.0	17.8	290	29.6
Middle	19.4	23.2	346	27.8	22.5	266	27.1
Upper	40.9	42.6	497	39.9	39.9	353	36.0
N/A	0.0	11.9	0	0.0	13.9	0	0.0
Total	100.0	100.0	1,246	100.0	100.0	980	100.0

Source: 2020 & 2021 HMDA LAR Data and 2015 ACS Data.

As shown in the above table, at 32.3 percent and 36.9 percent in 2020 and 2021, respectively, lending to low- and moderate-income borrowers was well above the aggregate data. The Lender’s overall lending performance of providing mortgage loans to low- and moderate-income borrowers delivers effective results.

III. Innovative or Flexible Lending Practices

EMM offers a variety of flexible lending products, which are provided in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

EMM maintains HUD-approved Non-Supervised Federal Housing Administration (FHA) Loan Correspondent (Direct Endorsement Lender) status. Although they contain imbedded insurance premiums, FHA products provide generally competitive interest rates and smaller down payments for low- and moderate-income first-time homebuyers and existing homeowners. During the review period, EMM originated 194 FHA loans totaling \$73 million. Of these, 106 loans benefited low- to moderate-income borrowers, while 82 loans were originated in low- and moderate-income level geographies.

The Lender is also a Department of Veterans Affairs (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 EMM, the program offers low closing costs, no down payment requirement, 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, EMM originated 36 VA loans totaling nearly \$15 million. Of these, seven loans were originated in low- and moderate-income level geographies, while 17 loans benefited low- to moderate-income borrowers.

EMM also offers loan products guaranteed by the U.S. Department of Agriculture (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 provide flexible temporary financing for customers who are planning to start, purchase, sustain, or expand a family farm. During the review period, EMM originated 10 loans totaling approximately \$2 million. Of these, one loan was originated in a low-income level census tract, and six loans benefited low- to moderate-income borrowers.

EMM also offers MassHousing products. MassHousing is a self-supporting non-profit quasi-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 2020 and 2021, EMM originated 30 MassHousing loans with a total of \$5.0 million in dollar volume.

In addition, EMM offers several additional flexible loan programs, including FNMA's HomeReady and FHLMC's Home Possible. 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 \$37 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.

EMM uses a third party to sub-service its retained servicing portfolio. The review of sub-servicer and investor score cards revealed overall default rates that were on average below industry averages. Consequently, lending practices and products for the review period do not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable.

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 EMM's personnel, and individual file review.

EMM has established a satisfactory 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 2020 and 2021, EMM received 2,921 HMDA-reportable mortgage loan applications from within Massachusetts. For these applications, the racial and ethnic identity was not specified in approximately eight percent of cases. Of the remaining applications, 342 or 11.7 percent were received from racial minority applicants, and 250 or 73.1 percent resulted in originations. For the review period, EMM received 221 or 7.6 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, and 160 or 72.4 percent were originated. This compares to a 76.2 percent overall ratio of mortgage loans originated by the Lender in Massachusetts, and the 56.3 percent approval ratio for the aggregate group.

Demographic information for Massachusetts reveals the total racial and ethnic minority population stood at 25.7 percent of the total population as of the 2015 ACS. At 15.2 percent, 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 self-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 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	2020 Aggregate Data	2020 EMM		2021 Aggregate Data	2021 EMM	
	% of #	#	%	% of #	#	%
American Indian/ Alaska Native	0.2	1	0.1	0.3	6	0.5
Asian	6.5	54	3.4	6.6	58	4.3
Black/ African American	3.6	84	5.4	4.6	82	6.1
Hawaiian/Pacific Islander	0.1	0	0.0	0.1	1	0.1
2 or more Minority	0.1	5	0.3	0.1	2	0.1
Joint Race (White/Minority)	1.6	24	1.5	1.6	25	1.8
Total Minority	12.1	168	10.7	13.3	174	12.9
White	65.2	1,289	82.0	61.2	1,058	78.4
Race Not Available	22.7	115	7.3	25.5	117	8.7
Total	100.0	1,572	100.0	100.0	1,349	100.0
ETHNICITY	% of #					
Hispanic or Latino	5.1	105	6.7	6.0	81	6.0
Joint (Hisp-Lat /Non-Hisp-Lat)	1.1	19	1.2	1.2	16	1.2
Total Hispanic or Latino	6.2	124	7.9	7.2	97	7.2

Not Hispanic or Latino	70.2	1,313	83.5	67.4	1,137	84.3
Ethnicity Not Available	23.6	135	8.6	25.4	115	8.5
Total	100.0	1,572	100.0	100.0	1,349	100.0

Source: 2020 & 2021 HMDA LAR Data and 2015 ACS Data.

In 2020 and 2021, EMM’s overall racial and ethnic minority application flow was below the ACS demographic data for Massachusetts. However, EMM’s overall racial minority application flow for both years was comparable to the aggregate data. In addition, the ethnic minority flow reflected similar levels of performance and was slightly above the aggregate data indicators.

VI. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by EMM by taking into account delinquency and default rates of the Lender and those of the overall marketplace. Pertinent information provided by the Lender was reviewed, as were statistics available on delinquency and default rates for mortgage loans. Additionally, individual mortgage loans could be tracked for their status through local Registries of Deeds and other available sources including public records of foreclosure filings.

An extensive review of information and documentation, from both internal and external sources as partially described above, did not reveal lending practices or products that showed an undue concentration or a systematic pattern of lending, including a pattern of early payment defaults, resulting in the loss of affordable housing units. Overall delinquency rates were found to be on average comparable to 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.

EMM’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.

For the examination review period, EMM was not involved in any community development services benefiting Massachusetts consumers and geographies, as defined by the Division's regulation 209 CMR 54.12. This was noted in the Lender's previous CRA examination.

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 low- and moderate-income individuals, foreclosure prevention counseling throughout the Commonwealth, and/or technical assistance to community organizations in a leadership capacity.

Qualified Investments

For the purposes of this CRA evaluation, a Qualified Investment is a lawful investment, deposit, membership share, or grant, the primary purpose of which is community development. The evaluation considered (1) the number of investments and grants, (2) the extent to which community development opportunities have been made available to the institution, and (3) the responsiveness of the institution's community development grants to the assessment area's needs.

EMM does not currently engage in any qualified community development investments benefitting the Commonwealth.

Management is encouraged to capture and properly document investments and donations promoting financial literacy education, homeownership counselling, and other initiatives targeted to low- and moderate-income consumers throughout the Commonwealth.

Mortgage Lending Services

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

EMM provides a satisfactory delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in the Commonwealth. Business development relies primarily on personal and professional referrals.

As described above, lending practices and products do not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable.

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.