

PUBLIC DISCLOSURE

April 14, 2021

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**ENVOY MORTGAGE LTD
MC6666**

**10496 KATY FREEWAY, SUITE 250
HOUSTON, TX 77043**

**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>
--

GENERAL INFORMATION

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **Envoy Mortgage Ltd. (Lender or Envoy)** 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 **April 14, 2021**.

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 Envoy'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 Envoy's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Envoy's lending and community development activities for the period of January 1, 2019 through December 31, 2020. 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 2019 and 2020 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 the year of 2019 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 strong 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.
- Envoy 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 adequate.

Service Test: “Needs to Improve”

- The Lender provides a modest level of community development services, and its service delivery systems are accessible to geographies and individuals of different income levels in the Commonwealth.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Envoy was established in Texas in 2002, and was initially granted a mortgage lender license by the Division on December 31, 2009. The Division subsequently granted Envoy a mortgage broker license on January 5, 2011 and a third party loan servicer registration on December 27, 2012. Currently, Envoy engages in the origination and sale of residential mortgage loans in 47 states as well as the District of Columbia. At the time of the examination, Envoy had five branch locations within Massachusetts, located in Danvers, Framingham, Franklin, Medway, and Worcester.

All underwriting and major functions in the loan process are done at Envoy's main office. Envoy's business development relies primarily on internet marketing. Approved loans are funded through established warehouse lines of credit, closed in the Lender's name, and sold immediately to secondary market investors. Servicing for some accounts is retained based on best execution value determination, while remaining loans are sold with servicing rights released. At the time of examination, Envoy utilized a licensed sub-servicer to service its retained portfolio 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.

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		8.4%*	
2019 HUD Adjusted Median Family Income	\$101,200		2020 HUD Adjusted Median Family Income		\$104,900	

Source: 2015 ACS, U.S. Bureau of Labor Statistics

*as of December 2020

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 \$101,200 in 2019 and \$104,900 in 2020. The HUD 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 8.4 percent as of December 2020. 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. Envoy’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 Envoy.

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

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well Envoy is addressing credit needs throughout Massachusetts. The following table presents, by number, Envoy’s 2019 and 2020 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 2019 aggregate lending data (inclusive of Envoy).

Distribution of HMDA Loans by Income Level Category of the Census Tract						
Census Tract Income Level	Total Owner-Occupied Housing Units	2019 Envoy		2019 Aggregate Lending Data	2020 Envoy	
		#	%	% of #	#	%
Low	3.4	70	8.1	4.4	70	4.6
Moderate	13.8	166	19.3	14.6	207	13.5
Middle	44.4	361	42.0	43.5	686	44.7
Upper	38.3	263	30.6	37.4	570	37.2
N/A	0.1	0	0.0	0.1	1	0.1
Total	100.0	860	100.0	100.0	1,534	100.0

Source: 2019 & 2020 HMDA LAR Data and 2015 ACS Data.

As reflected in the above table, of the total loans originated in 2019 and 2020, Envoy originated 5.9 percent of its loans in low-income census tracts and 15.6 percent in moderate-income level census tracts. These percentages are in line with 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, Envoy’s overall geographic distribution of residential mortgage loans reflects a strong 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 Envoy’s 2019 and 2020 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 2019 aggregate lending data (inclusive of Envoy).

Distribution of HMDA Loans by Borrower Income						
Median Family Income Level	% of Families	2019 Envoy		2019 Aggregate Lending Data	2020 Envoy	
	%	#	%	% of #	#	%
Low	23.3	88	10.2	6.0	138	9.0
Moderate	16.4	261	30.4	18.2	385	25.1
Middle	19.4	251	29.2	22.8	447	29.1
Upper	40.9	260	30.2	39.8	564	36.8
N/A	0.0	0	0.00	13.2	0	0.00
Total	100.0	860	100.00	100.0	1,534	100.00

Source: 2019 & 2020 HMDA LAR Data and 2015 ACS Data.

As shown in the above table, of the total loans originated in 2019 and 2020, Envoy originated 9.4 percent to low-income borrowers and 27.0 percent to moderate-income borrowers. Both of these percentages were well above the aggregate data. Lending to low-income borrowers during that same period was below the demographics, while lending to moderate-income borrowers was above. The Lender’s overall lending performance of providing mortgage loans to low- and moderate-income borrowers is effective.

III. Innovative or Flexible Lending Practices

Envoy 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.

Envoy maintains HUD-approved Non-Supervised Federal Housing Administration (FHA) Loan Correspondent 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, Envoy originated 345 FHA loans totaling over \$115 million. Of these, 142 loans were originated in low- and moderate-income level geographies, while 205 loans benefited low- to moderate-income borrowers

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 Envoy, 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, Envoy originated 128 VA loans totaling over \$52 million. Of these, 11 loans were originated in moderate-income level geographies, while 90 loans benefited low- to moderate-income borrowers.

Envoy 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, Envoy originated two loans for \$411,000. One loan was originated in a moderate-income level census tract, and both loans benefited moderate-income borrowers.

Envoy 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 2019 and 2020, Envoy originated 95 MassHousing loans with a total of \$17 million in dollar volume.

Envoy offers several additional flexible loan programs, including FNMA HomeReady and FHLMC Home Possible. These programs are designed to extend to consumers certain benefits and flexible credit options, in order 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 exceeded \$50 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

Envoy uses a third party to sub-service its retained servicing portfolio. Therefore, this review would not include an evaluation of loan mitigation and modification efforts as the Lender would not be accountable for such action.

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 Envoy's personnel, and individual file review.

Envoy 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 2019 and 2020, Envoy received 3,309 HMDA-reportable mortgage loan applications from within Massachusetts. For these applications, the racial and ethnic identity was not specified in approximately 11 percent of cases. Of the remaining applications, 540 or 16.3 percent were received from racial minority applicants, and 386 or 71.5 percent resulted in originations. For the review period, Envoy received 331 or 10.0 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, and 229 or 69.2 percent were originated. This compares to a 72.4 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	2019 Envoy		2019 Aggregate Data	2020 Envoy	
	#	%	% of #	#	%
American Indian/ Alaska Native	2	0.2	0.2	4	0.2
Asian	36	3.0	5.8	78	3.7
Black/ African American	140	11.6	4.2	230	10.9
Hawaiian/Pacific Islander	0	0.0	0.2	0	0.0
2 or more Minority	1	0.1	0.1	2	0.1
Joint Race (White/Minority)	16	1.3	1.4	31	1.5
Total Minority	195	16.2	11.9	345	16.4
White	875	72.7	65.6	1,531	72.7
Race Not Available	134	11.1	22.5	229	10.9
Total	1,204	100.00	100.0	2,105	100.00
ETHNICITY					
Hispanic or Latino	130	10.8	5.8	153	7.3
Joint (Hisp-Lat /Non-Hisp-Lat)	19	1.6	1.1	29	1.4
Total Hispanic or Latino	149	12.4	6.9	182	8.7
Not Hispanic or Latino	912	75.7	70.3	1,674	79.5
Ethnicity Not Available	143	11.9	22.8	249	11.8
Total	1,204	100.00	100.0	2,105	100.00

Source: 2019 & 2020 HMDA LAR Data and 2015 ACS Data.

In 2019 and 2020, Envoy’s overall racial and ethnic minority application flows were comparable to the ACS data and exceeded the aggregate data. Lender’s overall performance in this area is considered satisfactory.

VI. *Loss of Affordable Housing*

This review concentrated on the suitability and sustainability of mortgage loans originated by Envoy 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.

Envoy’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.

During the examination period, Envoy hosted one homebuyer seminar for the general public.

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.

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.

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

The Lender is a member of the Mortgage Bankers Association, from which it received an award for its diversity and inclusion program in 2016, and the National Association of Hispanic Real Estate Professionals.

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.