

PUBLIC DISCLOSURE

AUGUST 3, 2018

**CRA FOR MORTGAGE LENDERS
PERFORMANCE EVALUATION**

**FBC MORTGAGE, LLC
MC152859**

**189 SOUTH ORANGE AVENUE, SUITE 970
ORLANDO FL. 32801**

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

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.

GENERAL INFORMATION

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **FBC Mortgage, LLC (FBC Mortgage 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 **August 3, 2018**.

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 FBC Mortgage'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, 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 FBC Mortgage's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered FBC Mortgage's lending and community development activities for the period of January 2016 through December 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 and the Minority Application Flow tables. Comparative analysis of the Lender's lending performance for the year of 2017 is provided because it is the most recent year 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 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 evaluated the mortgage lender's record of helping to meet the mortgage credit needs by analyzing the extent and innovativeness of its community development services, the availability and effectiveness of a mortgage lender's system for delivering mortgage loan products, and if applicable, efforts to keep delinquent home borrowers in their homes, and the range and to what degree of services provided.

MORTGAGE LENDER'S CRA RATING:

This mortgage lender is rated “Satisfactory”.

Lending Test: “Satisfactory”

- The geographic distribution of the Lender’s loans reflects adequate dispersion in low- and moderate-income level census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects, an adequate record of serving the credit needs among individuals of different income levels.
- FBC Mortgage offers 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 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: “Satisfactory”

- The Lender provides 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

The Division granted FBC Mortgage a mortgage lender license on January 24, 2014 and a mortgage company license on July 28, 2016. The Licensee's corporate headquarters is located at 190 South Orange Avenue in Orlando, Florida. The Licensee has 7 licensed branch locations, including two in Florida and four in Massachusetts. Massachusetts branches are located in Boston, Hyannis, Newton and Weymouth. FBC Mortgage had 19 loan originators licensed to conduct business in Massachusetts at the time of the examination. Massachusetts applications represent approximately four percent of the Licensee's entire business volume.

The Licensee's business focuses on originating residential mortgage loan products, including conventional loans backed by Fannie Mae and Freddie Mac, government secured and jumbo loan products. The Lender offers a variety of mortgage loan products to meet the needs of the Commonwealth's borrowers. FBC Mortgage is an approved lender for the Federal Housing Administration (FHA), Veteran Administration (VA), US Department of Agriculture (USDA).

FBC Mortgage's business development relies primarily on direct and electronic marketing, professional referrals, repeat customers, and social media. Originated loans are closed in Lender's name and sold secondary market investors with servicing rights both retained and released depending on the loans type.

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.

2010 CENSUS DEMOGRAPHIC INFORMATION						
Demographic Characteristics	Amount	Low %	Moderate %	Middle %	Upper %	N/A %
Geographies (Census Tracts)	1,474	10.8	20.0	40.7	27.1	1.4
Population by Geography	6,547,629	8.9	18.9	42.8	29.2	0.2
Owner-Occupied Housing by Geography	1,608,474	2.9	13.7	48.9	34.5	0.0
Family Distribution by Income Level	1,600,588	19.2	17.8	24.4	38.6	0.0
Distribution of Low and Moderate Income Families Throughout AA Geographies	592,420	7.7	18.4	43.6	30.3	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 04/30/2018*

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 low- and moderate-income. 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 stood at 3.5 percent as of June 31, 2018, unchanged from December 31, 2017. 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

The lending test evaluates a mortgage lender's record of helping to meet the mortgage credit needs of the Commonwealth through its lending activities. FBC Mortgage'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 FBC Mortgage.

FBC Mortgage's Lending Test performance was determined to be "**Satisfactory**".

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well FBC Mortgage is addressing the credit needs throughout the Commonwealth of Massachusetts' low, moderate, middle, and upper-income census tracts. The following table shows the distribution of HMDA-reportable loans by census tract income level. The lending activity is compared to the 2017 aggregate data (inclusive of the Lender) and the percentage of owner-occupied housing units within the Commonwealth of Massachusetts within each respective group.

Distribution of HMDA Loans by Income Level Category of the Census Tract						
Census Tract Income Level	Total Owner-Occupied Housing Units	2016 FBC Mortgage		2017 Aggregate Lending Data	2017 FBC Mortgage	
		%	#		%	#
Low	3.1	44	4.9	4.8	25	4.7
Moderate	13.0	102	11.4	15.9	87	16.2
Middle	48.3	421	47.2	43.5	270	50.4
Upper	35.6	325	36.5	35.7	154	28.7
N/A	0.0	0	0.0	0.1	0	0.0
Total	100.0	892	100.0	100.0	536	100.0

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

As reflected in the above table, of the total loans originated in 2016 and 2017, 16.3 and 20.9 percent respectively, were in the low- and moderate-income census tracts. The percentages were comparable to the percentage of the area's owner occupied housing units in low- and moderate-income census tracts, as well as the aggregate percentages. Additionally, while overall lending volume decreased from 2016 to 2017, the percentage of loans originated in low- and moderate-income geographies increased.

Overall, the geographic distribution of residential mortgage loans reflects an adequate dispersion throughout low- and moderate-income geographies within the Commonwealth.

II. Borrower Characteristics

The distribution of loans by borrower income levels was reviewed to determine the extent to which the Lender is addressing the credit needs of the Commonwealth's residents.

The following table shows FBC Mortgage's 2016 and 2017 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 2017 aggregate lending data (inclusive of FBC Mortgage).

Distribution of HMDA Loans by Borrower Income Level						
Median Family Income Level	% of Families	2016 FBC Mortgage		2017 Aggregate Lending Data	2017 FBC Mortgage	
		#	%		% of #	#
Low	22.2	30	3.4	5.2	30	5.6
Moderate	16.5	156	17.5	17.6	119	22.2
Middle	20.6	251	28.1	23.4	159	29.7
Upper	40.7	429	48.1	40.8	227	42.3
N/A	0.0	26	2.9	13.0	1	0.2
Total	100.0	892	100.0	100.0	536	100.0

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

As shown in the above table, lending to low- and moderate-income borrowers in 2016 and 2017 was generally in-line with the aggregate data. Similar to lending by geographies, FBC Mortgage's distribution of lending to low- and moderate-income borrowers increased from 2016 to 2017. The Lender's overall lending performance is reasonable.

III. Innovative or Flexible Lending Practices

FBC Mortgage offers 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.

FBC Mortgage became a Housing and Urban Development approved Non-Supervised FHA Loan Correspondent (Direct Endorsement Lender) in 2006. FHA products provide competitive interest rates, smaller down payments for low- and moderate-income first time homebuyers and existing homeowners. Since 2009 FBC Mortgage also offers HUD insured Home Equity Conversion Mortgage products. During the review period, FBC Mortgage originated 197 FHA loans totaling \$66 million. Of these, 60 loans benefited low- to moderate-income borrowers, and 60 loans were originated in low- or moderate-income level geographies.

The Lender became a VA Automatic Approval Agent in 2006. The VA Home Loan Guarantee Program is designed specifically for the unique challenges facing service members and their families. The VA program offers low closing costs, no down payment, and no private mortgage insurance requirement. During the review period, FBC Mortgage originated 37 VA loans totaling

more than \$25 million. Of these, 14 loans benefited low- to moderate-income borrowers, while 15 loans were originated in low- or moderate-income level geographies.

Since 2010 FBC Mortgage also offers loan products guaranteed by 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 which offers fixed rates, and does not require a down payment and includes low- and moderate-income requirements. During the review period, FBC Mortgage originated 4 loans totaling \$961,000. None benefited low- or moderate-income borrowers or geographies.

FBC Mortgage also offers Massachusetts Housing Finance Agency (MassHousing) products. MassHousing is a self-supporting not-for-profit public agency that provides financing for homebuyers and homeowners, and for developers and owners of affordable rental housing. The agency sells bonds to fund its credit programs. In 2016 and 2017, FBC Mortgage originated 3 MassHousing loans with a total of \$494,000 in dollar volume.

FBC Mortgage offers additional loan programs, including FNMA 'HomeReady' and FHLMC 'Home Possible'. These programs are designed to provide consumers with flexible credit options to help them meet their home buying, refinance or renovation needs, and help the mortgage lenders to confidently serve a market of creditworthy low- to moderate-income borrowers. During the review period, the Lender originated 34 loans with a total of \$9 million dollar volume, under these lending programs.

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

FBC Mortgage uses a third party to sub-service its retained servicing portfolio. The review of sub-servicer and investor score cards revealed overall default rates to be consistent with industry averages. For the review period, lending practices and products 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 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, review of written policies and procedures, interviews with FBC Mortgage's personnel, and individual file review. No evidence of disparate treatment was identified.

FBC Mortgage has established an adequate record relative to Fair Lending policies and practices.

Fair Lending is incorporated in FBC Mortgage's company-wide policies and procedures that apply to all employees. Fair Lending training is designed and delivered by outside counsel, and distributed to all personnel on an annual basis. All staff participates in periodic training and courses available through on-line vendors, as well as any additional agency specific or investor specific training. In addition, employees are instructed not to engage in any inappropriate conduct, take any action based upon prohibited basis, or steer consumers to loan products unsuitable for their needs.

Senior management is responsible for ensuring that the Lender is in compliance with current laws and regulations, and for making necessary changes and updates to policies and procedures. FBC Mortgage utilizes its internal review team, as well as external vendors, to conduct targeted periodic reviews and annual audits for compliance with all regulatory standards, including CRA and Fair Lending.

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 2016 and 2017 FBC Mortgage received 1,784 HMDA-reportable mortgage loan applications from within the Commonwealth of Massachusetts. The racial and ethnic identity was not specified in approximately 8.5 percent of cases. Of the remaining applications, 150 or 8.4 percent were received from racial minority applicants, and 103 or 68.7 percent resulted in originations. For the period, FBC Mortgage received 66 or 3.7 percent of HMDA reportable applications from ethnic groups of Hispanic or Latino origin, and 54 or 81.8 percent were originated. This compares to 80.0 percent overall ratio of mortgage loans originated by the Lender in Massachusetts, and the 72.3 percent approval ratio for the aggregate group.

Demographic information for Massachusetts reveals the total ethnic and racial minority population stood at 23.9 percent of the total population as of the 2010 Census. This segment of the population is comprised of 9.6 percent Hispanic or Latino ethnicities. At 14.3 percent, 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 self-identified as Other Race.

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

MINORITY APPLICATION FLOW					
RACE	2016 FBC Mortgage		2017 Aggregate Data	2017 FBC Mortgage	
	#	%		#	%
American Indian/ Alaska Native	4	0.4	0.2	0	0.0
Asian	31	2.8	5.5	14	2.0
Black/ African American	35	3.2	4.1	44	6.3
Hawaiian/Pacific Islander	1	0.1	0.2	1	0.2
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	11	1.0	1.4	9	1.3
Total Minority	82	7.5	11.5	68	9.8
White	914	84.1	67.0	571	81.9
Race Not Available	91	8.4	21.5	58	8.3
Total	1,087	100.0	100.0	697	100.0
ETHNICITY					
Hispanic or Latino	17	1.6	5.3	33	4.7
Joint (Hisp-Lat /Not Hisp-Lat)	8	0.7	1.1	8	1.2
Total Hispanic or Latino	25	2.3	6.4	41	5.9
Not Hispanic or Latino	968	89.0	72.4	591	84.8
Ethnicity Not Available	94	8.7	21.2	65	9.3
Total	1,087	100.0	100.0	697	100.0

Source: PCI Corporation CRA Wiz, Data Source: 2000 U.S. Census Data, 2016 & 2017 HMDA Data

FBC Mortgage's overall racial and ethnic minority application flow was below the aggregate and demographic data. However, FBC Mortgage's 2017 data shows an increase in the percentage of applications from racial and ethnic minorities.

VI. *Loss of Affordable Housing*

This review concentrated on the suitability and sustainability of mortgage loans originated by FBC Mortgage by taking into account delinquency and default rates of the mortgage 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.

An 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, overall delinquency rates were found to be 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.

FBC Mortgage's Service Test performance was determined to be "**Satisfactory**" 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, FBC Mortgage hosted or co-hosted six financial literacy and homeownership seminars for the general public at several Massachusetts locations. This included a first-time homebuyer seminar.

Management is encouraged to continue pro-active commitment in community development activities that meet the definition of community development under the CRA 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 Division evaluates the availability and effectiveness of a mortgage lender's systems for delivering mortgage lending services to low- and moderate-income geographies and individuals.

FBC Mortgage provides reasonable delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in the Commonwealth. Business development relies primarily on direct and electronic marketing and professional referrals. Customers can also apply to FBC Mortgage for a mortgage loan over the telephone and via the company's website. Overall services do not vary in a way that inconveniences geographies or individuals, particularly low- and moderate-income geographies and low- and moderate-income individuals.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 255E, Section 8, and 209 CMR 54.00, the CRA regulation, requires 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.