

**PUBLIC DISCLOSURE**

**June 21, 2023**

**MORTGAGE LENDER COMMUNITY INVESTMENT  
PERFORMANCE EVALUATION**

**GUIDANCE RESIDENTIAL, LLC  
ML2908**

**11107 SUNSET HILL ROAD  
SUITE 300  
RESTON, VA 20190**

**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>
--

## GENERAL INFORMATION

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **Guidance Residential, LLC (Guidance Residential or 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 **June 21, 2023**.

## 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 related to CRA.

The CRA examination included a comprehensive review and analysis, as applicable, of Guidance Residential's:

- (a) origination of loans and other efforts to assist low- and moderate-income (LMI) residents, without distinction, to be able to acquire or to remain in affordable housing at rates and terms that are reasonable considering the lender's history with similarly situated borrowers, the availability of mortgage loan products suitable for such borrowers, and consistency with safe and sound business practices;
- (b) origination of loans that show an undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units;
- (c) efforts working with delinquent residential mortgage customers to facilitate a resolution of the delinquency; and
- (d) other efforts, including public notice of the scheduling of examinations and the right of interested parties to submit written comments relative to any such examination to the Commissioner of Banks (Commissioner), as, in the judgment of the Commissioner, reasonably bear upon the extent to which a mortgage lender is complying with the requirements of fair lending laws and helping to meet the mortgage loan credit needs of communities in the Commonwealth of Massachusetts (Commonwealth or Massachusetts).

CRA examination procedures were used to evaluate Guidance Residential's community investment performance. These procedures utilize three performance tests: the Lending Test and the Service Test. This evaluation considered Guidance Residential's lending and community development activities for the period of January 1, 2021, through December 31, 2022. The data and applicable timeframes for the Lending Test and 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 2021 and 2022 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: "Satisfactory"**

- The geographic distribution of the Lender's loans reflects an adequate dispersion in LMI census tracts as compared to the distribution of owner-occupied housing in those census tracts.
- The distribution of borrowers, given the demographics of Massachusetts, reflects an adequate record of serving the credit needs among individuals of different income levels.
- Guidance Residential exhibited use of innovative or flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI level individuals.
- Lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable.
- Fair lending policies and practices are considered adequate.

### **Service Test: "Needs to Improve"**

- Service delivery systems are accessible to geographies and individuals of different income levels in Massachusetts.
- Guidance Residential did not provide community development activities within Massachusetts for the review period.

## **PERFORMANCE CONTEXT**

### **Description of Mortgage Lender**

Guidance Residential organized in Delaware on May 11, 2001, registering as a foreign limited liability company in Massachusetts on December 28, 2001. The Division granted a mortgage lender license to Guidance Residential on August 19, 2002. Guidance Residential is engaged in the underwriting, funding, and sale of residential mortgages. Guidance Residential's main office is located at 11107 Sunset Hills Road, Suite 200, in Reston Virginia. At the time of examination, Guidance Residential held licenses in 34 states and the District of Columbia and maintains two branch locations throughout Massachusetts, located in Ludlow and Upton.

Guidance Residential offers a variety of mortgage loan products to meet the needs of the Commonwealth's borrowers. Guidance Residential is an approved lender for the Fannie Mae, Freddie Mac and the Federal Housing Administration (FHA), in addition to offering conventional loan products.

Guidance Residential's business development relies primarily on referrals and marketing directly to consumers. The majority of originated loans are closed in the Lender's name and sold immediately to secondary market investors with servicing rights retained. Guidance Residential utilizes a sub-servicer for loans with servicing rights retained.

During 2021 and 2022, Guidance Residential originated 258 loans totaling approximately \$102.2 million in Massachusetts.

### **Demographic Information**

The Division's regulation 209 CMR 54.00 requires mortgage lenders to be evaluated on their performance within Massachusetts. Demographic data is provided below to offer contextual overviews of the economic climate along with housing and population characteristics for Massachusetts.

<b>DEMOGRAPHIC INFORMATION OF THE COMMONWEALTH</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)	1,620	10.5	19.1	37.0	30.0	3.4
Population by Geography	7,029,917	9.4	19.0	37.8	32.6	1.2
Owner-Occupied Housing by Geography	1,654,892	3.1	14.6	43.1	38.9	0.3
Family Distribution by Income Level	1,673,992	22.8	16.4	19.8	41.0	0.0
Distribution of Low and Moderate Income Families	655,582	15.8	27.3	37.1	19.2	0.7
Median Family Income	\$114,076	Median Housing Value				\$449,342
Households Below Poverty Level	10.6%	2022 Unemployment Rate				3.8%*
2021 HUD Adjusted Median Family Income	\$106,200	2022 HUD Adjusted Median Family Income				\$120,400

Source: 2020 US Census; \*Bureau of Labor Statistics annual average

Based on the 2020 United States (US) Census, the Commonwealth's population was above 7 million people with a total of 2.9 million housing units. Of the total housing units, almost 1.6 million or 56.8 percent are owner-occupied, 992,088 or 34.1 percent are rental-occupied, and 9.1 percent are vacant units.

According to the 2020 US Census, there are 2.6 million households in the Commonwealth with a median household income of \$91,426. Nearly 40 percent of households are classified as LMI. Over ten 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 1.67 million. Of all family households, 22.8 percent were low-income, 16.4 percent were moderate-income, 19.8 percent were middle-income, and 41.0 percent were upper-income. The median family income according to the 2020 US Census data stood at \$114,076. The Department of Housing and Urban Development (HUD) adjusted median family income was \$106,200 in 2021 and increased to \$120,400 in 2022. The HUD adjusted median family income is updated yearly and takes into account inflation and other economic factors.

Massachusetts contains 1,620 census tracts. Of these, 170 or 10.5 percent are low-income; 309 or 19.1 percent are moderate-income; 599 or 37.0 percent are middle-income; 486 or 30.0 percent are upper-income; and 56 or 3.4 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 income that is more than 120 percent of the area median income.

The median housing value for Massachusetts was \$449,342 according to the 2020 US Census data. The unemployment rate for Massachusetts stood at 3.8 percent as of December 2022, a decrease from December 2021 when the rate was 5.5 percent, according to the Bureau of Labor Statistics. Employment rates would tend to affect a borrower's ability to remain current on mortgage loan obligations and also correlate with delinquency and default rates.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TEST

### 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. Lending performance is rated under 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 Guidance Residential.

Guidance Residential’s Lending Test performance was determined to be “**Satisfactory**” at this time.

#### I. *Geographic Distribution*

The geographic distribution of loans was reviewed to assess how well the Lender is addressing the credit needs throughout Massachusetts’ low-, moderate-, middle-, and upper-income census tracts. The table below shows the distribution of HMDA-reportable loans by census tract income level. Lending activity is compared with the percent of owner-occupied housing units based on the 2020 US Census demographics and is also compared to aggregate lending performance in 2021 and 2022.

<b>Geographic Distribution of HMDA Loans by Census Tract</b>					
<b>Tract Income Level</b>	<b>Year</b>	<b>% of MA Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>Lender #</b>	<b>Lender %</b>
Low	2021	3.1	4.2	11	5.8
	2022		4.4	6	8.5
Moderate	2021	14.6	14.3	27	14.4
	2022		16.0	9	12.9
Middle	2021	43.1	42.7	72	38.3
	2022		42.0	23	32.9
Upper	2021	38.9	38.6	78	41.5
	2022		37.1	32	45.7
Not Available	2021	0.3	0.2	0	0.0
	2022		0.5	0	0.0
<b>Total</b>	<b>2021</b>	100.0	<b>100.00</b>	<b>188</b>	<b>100.00</b>
	<b>2022</b>		<b>100.00</b>	<b>70</b>	<b>100.00</b>

Source: 2020 US Census; 1/1/2021 - 12/31/2022 Lender HMDA Data, 2021 and 2022 HMDA Aggregate Data

Lending to low-income tracts was above the percentage of families and above the aggregate for 2021 and 2022. For 2021, lending to moderate-income tracts was above the aggregate but below the percentage of families. For 2022, lending to moderate-income tracts was below both the percentage of families and the aggregate. However, the Lender’s performance of lending in LMI tracts increased

slightly from 20.2 percent in 2021 to 21.4 percent in 2022. Guidance Residential’s geographic distribution of residential mortgages is adequate.

**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 Massachusetts’ residents. The table below illustrates HMDA-reportable loan originations and purchases, categorized by borrower income level that were reported by Guidance Residential during 2021 and 2022, and compares this activity to 2021 and 2022 aggregate lending data and the percentage of families by income level within Massachusetts using the 2020 US Census demographics.

<b>Distribution of HMDA Loans by Borrower Income</b>					
<b>Borrower Income Level</b>	<b>Year</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>Lender #</b>	<b>Lender %</b>
Low	2021	22.8	5.9	16	8.5
	2022		7.4	1	1.4
Moderate	2021	16.4	17.8	47	25.0
	2022		19.7	9	12.9
Middle	2021	19.8	22.5	54	28.7
	2022		23.0	26	37.1
Upper	2021	41.0	39.9	71	37.8
	2022		37.5	34	48.6
Not Available	2021	0.0	13.9	0	0.0
	2022		12.4	0	0.0
<b>Total</b>	<b>2021</b>	100.0	<b>100.00</b>	<b>188</b>	<b>100.00</b>
	<b>2022</b>		<b>100.00</b>	<b>70</b>	<b>100.00</b>

*Source: 2020 US Census; 1/1/2021 - 12/31/2022 Lender HMDA Data, 2021 and 2022 HMDA Aggregate Data*

For 2021, lending to low-income borrowers was below the percentage of families and above the aggregate. For 2022, lending to low-income borrowers was below both the percentage of families and the aggregate. For 2021, lending to moderate-income borrowers was above both the percentage of families and the aggregate. For 2022, lending to moderate-income borrowers was below both the percentage of families and the aggregate. The Lender’s performance among LMI borrower decreased from 2021 to 2022 from 33.5 percent to 14.3 percent.

According to the 2020 census data, 10 percent of the families within the Commonwealth have incomes below the poverty threshold; and would most likely not qualify for the home ownership given high housing costs. The Lender’s overall lending performance to LMI borrowers is adequate at this time.



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

Guidance Residential offers flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI individuals and geographies.

The Lender is an approved HUD direct endorsement mortgage lender. FHA products provide competitive interest rates and smaller down payment requirements for LMI first time homebuyers and existing homeowners. While Guidance Residential is an approved HUD direct endorsement mortgage lender it has not originated any FHA loan products in any jurisdiction during the review period.

The Lender offers the Fannie Mae Home Ready and Freddie Mac Home Possible programs designed to assist eligible applicants obtain an affordable mortgage. During the review period, the Lender originated 41 loans totaling \$12 million in these programs that benefited LMI individuals or geographies.

### **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. As Guidance Residential does not service mortgage loans, it would not work directly with delinquent borrowers. Therefore, this review does 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, a review of written policies and procedures, interviews with Guidance Residential's personnel, and individual file review. Guidance Residential has established a reasonable record relative to fair lending policies and practices. No evidence of discriminatory or other illegal credit practices was identified.

#### **Minority Application Flow**

Examiners reviewed Guidance Residential's HMDA data to determine whether the mortgage application flow from various racial and ethnic groups was consistent with the area demographics.

During 2021 and 2022, Guidance Residential received 384 reportable mortgage loan applications from within Massachusetts. Of these applications, 157 or 40.9 percent were received from racial minority applications, and 111 or 70.7 percent resulted in originations. For the same period, Guidance Residential received 1 HMDA reportable application from ethnic groups of Hispanic or Latino origin, and it was not originated.

This compares to the 68.9 percent overall ratio of mortgage loans originated by the Lender in Massachusetts in 2021 and 63.1 percent in 2022 and the 61.67 percent originated by the aggregate group in 2021 and 58.3 percent originated by the aggregate group in 2022.

Demographic information for Massachusetts reveals the total racial minority population stood at 30.4 percent of the total population as of the 2020 US Census data. Racial minorities consisted of 7.0 percent Black; 7.3 percent Asian/Pacific Islander; 0.3 percent American Indian/Alaskan Native; 8.7 percent two or more minority races; and 7.1 percent identified as Other Race. Ethnic minorities consisted of 12.6 percent Hispanic or Latino.

Refer to the following table for information on the Lender’s minority application flow as well as a comparison to aggregate lenders throughout Massachusetts. 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	2021 Aggregate Data	2021 Lender		2022 Aggregate Data	2022 Lender	
	% of #	#	%	% of #	#	%
American Indian/ Alaska Native	0.3	0	0.0	0.3	0	0.0
Asian	6.6	84	30.8	6.6	46	41.5
Black/ African American	4.6	18	6.6	5.8	8	7.2
Hawaiian/Pacific Islander	0.1	0	0.0	0.2	0	0.0
2 or more Minority	0.1	0	0.0	0.2	0	0.0
Joint Race (White/Minority)	1.6	1	0.3	1.7	0	0.0
<b>Total Minority</b>	<b>13.3</b>	<b>103</b>	<b>37.7</b>	<b>14.8</b>	<b>54</b>	<b>48.7</b>
White	61.2	102	37.4	61.0	33	29.7
Race Not Available	25.5	68	24.9	24.2	24	21.6
<b>Total</b>	<b>100.0</b>	<b>273</b>	<b>100.00</b>	<b>100.0</b>	<b>111</b>	<b>100.00</b>
Ethnicity	% of #			% of #		
Hispanic or Latino	6.0	0	0.0	7.4	1	0.9
Joint (Hisp-Lat /Non-Hisp-Lat)	1.2	0	0.0	1.5	0	0.0
<b>Total Hispanic or Latino</b>	<b>7.2</b>	<b>0</b>	<b>0.0</b>	<b>8.9</b>	<b>1</b>	<b>0.9</b>
Not Hispanic or Latino	67.4	250	91.6	67.6	105	94.6
Ethnicity Not Available	25.4	23	8.4	23.5	5	4.5
<b>Total</b>	<b>100.0</b>	<b>273</b>	<b>100.0</b>	<b>100.0</b>	<b>111</b>	<b>100.00</b>

Source: 1/1/2021 - 12/31/2022 Lender HMDA Data, 2021 & 2022 HMDA Aggregate Data

In 2021 and 2022, Guidance Residential’s performance was above the aggregate’s performance for Racial minority applicants and below Ethnic minority applicants of Hispanic origin. The Lender’s performance increased from 2021 to 2022 for racial minority applicants from 37.7 percent to 48.7 percent. The Lender’s performance increased for Ethnic minority applicants from 0.0 percent to 0.9 percent.

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

The review concentrated on the suitability and sustainability of mortgage loans originated by Guidance Residential by taking into account delinquency and default rates of the Lender and those of the overall marketplace. Information provided by the Lender was reviewed, as were statistics available on delinquency and default rates for mortgage loans.

A review of information and documentation, from both internal and external sources as partially described above, did not reveal lending practices or products that showed an undue concentration of a systematic pattern of lending, including a pattern of early payment defaults resulting in the loss of affordable housing units.

## **SERVICE TEST**

The Service Test evaluates a mortgage lender's record of helping to meet the mortgage credit needs in the Commonwealth by analyzing both the availability and effectiveness of a mortgage lender's systems for delivering mortgage loan products; the extent and innovativeness of its community development services; and loss mitigation services to modify loans or otherwise keep delinquent home loan borrowers in their homes. Community development services must benefit Massachusetts or a broader regional area that includes Massachusetts.

Guidance Residential's Service Test performance was determined to be **"Needs to Improve"** 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.

During the examination period, Guidance Residential did not participate in any community development services within the Commonwealth.

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 LMI 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 LMI geographies and individuals.

Guidance Residential provides an adequate delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in Massachusetts. The Lender offers a variety of mortgage products such as Fannie Mae Home Ready and Freddie Mac Home Possible, and FHA loans. Guidance Residential has a branch location in a low- to moderate-income market. Applicants can apply to Guidance Residential for a mortgage over the telephone or through the online mortgage application portal. Guidance Residential relies on referrals and marketing directly to consumers. During the examination period, a majority of originations were sold on the secondary market with servicing rights retained.

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

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 255E, Section 8, and 209 CMR 54.00, the Mortgage Lender Community Investment (CRA) regulation, require 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.