

PUBLIC DISCLOSURE

NOVEMBER 16, 2018

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**HOME POINT FINANCIAL CORPORATION
ML7706**

**2211 OLD EARHART ROAD, SUITE 250
ANN HARBOR MI. 48105**

**DIVISION OF BANKS
1000 WASHINGTON STREET
BOSTON, MASSACHUSETTS 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 **Home Point Financial Corporation (the Lender or Home Point)** 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 **November 16, 2018**.

SCOPE OF EXAMINATION

An evaluation was conducted using examination procedures, as defined by CRA. A review of the Division's records, as well as the mortgage lender's public CRA file, did not reveal any complaints related to CRA.

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

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

CRA examination procedures were used to evaluate Home Point's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Home Point'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 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 good dispersion in LMI level census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects, a good record of serving the credit needs among individuals of different income levels.
- Home Point offers a variety of flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI individuals.
- Lending practices and products do not show systematic pattern of lending resulting in mortgage loans that are not sustainable, The Lender demonstrates the ability to work with delinquent borrowers to facilitate a resolution of delinquency.
- Fair lending policies and practices are considered adequate.

Service Test: "Needs to Improve"

- The Lender does not offer community development services or qualified investments.
- Service delivery systems are accessible to geographies and individuals of different income levels in the Commonwealth.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Home Point was established in 2015, as nationwide multi-channel residential mortgage loan origination and servicing lender. The Lender is headquartered in Michigan, licensed in all 50 states and does not have branches in Massachusetts. The Lender acquired mortgage lenders Maverick Funding Corp. in 2015 and Stonegate Mortgage Corp. in 2017.

The Lender offers a variety of mortgage loan products to meet the needs of the Commonwealth's borrowers. Home Point is an approved lender for the Federal Housing Administration (FHA), Veteran Administration (VA), and US Department of Agriculture (USDA).

All underwriting and major functions in the loan process are done at Home Point's corporate office, as well as operations center locations throughout the country. Approved loans are funded through established warehouse lines of credit. Home Point's business development relies primarily on wholesale marketing, repeat customers, and the corporate web site. Servicing is retained on all loans, with exception of jumbo loans.

Demographic Information

The 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 LMI 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			3.6*
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 stood at 6.55 million people with a total of 2.79 million housing units. Of the total housing units, 1.61 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 2.51 million households in the Commonwealth with a median household income of \$69,101. Nearly 40 percent of the households are classified as LMI.

In addition, over 11 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 1.60 million. Of all family households, 19.2 percent were low-income, 17.8 percent were moderate-income, 24.4 percent were middle-income, and 38.6 percent were upper-income. The median family income according to the 2010 census was \$86,272. The Housing and Urban Development (HUD) adjusted median family income is \$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, 160 or 10.8 percent are low-income; 295 or 20.0 percent are moderate-income; 600 or 40.7 percent are middle-income; 399 or 27.1 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 income 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 October 2018, which was a decrease from July 2018, when the unemployment rate was at 3.6 percent. Employment rates would tend to affect a borrower’s ability to remain current on mortgage loan obligations and also correlates to delinquency and default rates.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Lending performance is rated under five performance criteria: Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending Practices, Loss Mitigation Efforts, Fair Lending Policies and Procedures, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the mortgage lending of Home Point.

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

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well Home Point is addressing the credit needs throughout the Commonwealth of Massachusetts' low, moderate, middle, and upper-income census tracts. The following table presents, by number, Home Point's 2016 and 2017 HMDA reportable loans in low, moderate, middle, and upper-income geographies, in comparison to the percentage of owner-occupied housing units in each of the census tract income categories, and the 2017 aggregate lending data (inclusive of Home Point).

Distribution of HMDA Loans by Income Level Category of the Census Tract						
Census Tract Income Level	Total Owner-Occupied Housing Units	2016 Home Point		2017 Aggregate Lending Data	2017 Home Point	
		#	%		#	%
	%	#	%	% of #	#	%
Low	3.1	50	5.5	4.8	104	9.2
Moderate	13.0	203	22.5	15.9	268	23.6
Middle	48.3	458	50.8	43.5	510	44.8
Upper	35.6	191	21.2	35.7	254	22.3
N/A		0	0.0	0.1	1	0.1
Total	100.0	902	100.0	100.0	1,137	100.0

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

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

II. Borrower Characteristics

The distribution of loans by borrower income levels was reviewed to determine the extent to which the mortgage lender is addressing the credit needs of the Commonwealth's residents. The table below illustrates HMDA-reportable loan originations and purchases, categorized by borrower income level, that were reported by Home Point during 2016 and 2017, and compares this activity to the 2017

aggregate lending data and the percentage of families by income level within the assessment area using U.S. Census demographics.

Distribution of HMDA Loans by Borrower Income Level						
Median Family Income Level	% of Families	2016 Home Point		2017 Aggregate Lending Data	2017 Home Point	
		#	%	% of #	#	%
Low	22.2	60	6.7	5.2	77	6.8
Moderate	16.5	286	31.7	17.6	393	34.5
Middle	20.6	234	25.9	23.4	372	32.7
Upper	40.7	172	19.1	40.8	268	23.6
N/A	0.0	150	16.6	13.0	27	2.4
Total	100.0	902	100.0	100.0	1,137	100.0

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

As shown in the above table, lending to low-income borrowers in 2016 and 2017 was above the aggregate data. Home Point’s lending to moderate-income borrowers during that same period was significantly above the aggregate data and demographics. Home Point achieved a good record of serving the mortgage credit needs among borrowers of different income levels based on the area’s demographics and a comparison to aggregate lending data in Massachusetts.

III. Innovative or Flexible Lending Practices

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

Home Point offers Housing and Urban Development (HUD) approved FHA products, which provide competitive interest rates and flexible underwriting standards and smaller down payments to assist LMI first time homebuyers and existing homeowners. Home Point also offers FHA reverse mortgage loans, known as a Home Equity Conversion Mortgage (HECM). This product is designed to enable homeowners age 62 and older, to convert equity in the home into income or a line of credit. During the review period, the Lender closed Massachusetts HECM loans totaling \$5 million. Home Point also originated 977 FHA loans totaling \$303 million. Of these, 463 loans benefited LMI borrowers, and 357 loans were originated in LMI geographies.

The Lender is Veterans Administration’s authorized 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 Home Point, the program offers low closing cost, 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, Home Point originated 144 VA loans totaling \$43 million. Of these, 37 loans benefited LMI borrowers, and 27 loans were originated in LMI geographies.

Home Point also offers loan products guaranteed by the USDA. The USDA Rural Housing Program is an innovative loan program that provides 100 percent 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. Income requirements 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, Home Point originated 32 loans totaling \$7 million. Of these, 14 loans benefited LMI borrowers, and three loans were originated in moderate-income geographies.

In addition, Home Point offers variety of additional loan programs, including FNMA DU Refi Plus, FNMA HomeStyle, FNMA HomeReady, FHLMC Home Possible and FHLMC Open Access. 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 the 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 \$61 million.

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.

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 Home Point's personnel, and individual file review.

Home Point has established a satisfactory record relative to Fair Lending policies and practices. No evidence of disparate treatment was identified.

Fair Lending is incorporated in Home Point's company-wide policies and procedures that apply to all employees. Fair Lending training is designed in-house and delivered through third party learning platform to all personnel on at least annual basis. 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. Home Point 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 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 Home Point received 3,014 HMDA-reportable mortgage loan applications from the state of Massachusetts. The racial and ethnic identity was not specified in approximately 20 percent of cases. Of the remaining applications, 335 or 11.1 percent were received from racial minority applicants, and 216 or 64.5 percent resulted in originations. For the period, Home Point received 694 or 23.0 percent of HMDA reportable applications from ethnic groups of Hispanic or Latino origin, and 504 or 72.6 percent were originated. This compares to 67.7 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 establishing expectations for the rate of applications the mortgage lender received from minority applicants.

MINORITY APPLICATION FLOW					
RACE	2016 Home Point		2017 Aggregate Data	2017 Home Point	
	#	%	% of #	#	%
American Indian/ Alaska Native	2	0.2	0.2	3	0.2
Asian	30	2.3	5.5	46	2.6
Black/ African American	84	6.6	4.1	135	7.8
Hawaiian/Pacific Islander	2	0.2	0.2	2	0.1
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	16	1.2	1.4	15	0.9
Total Minority	134	10.5	11.5	201	11.6
White	926	72.6	67.0	1,115	64.1
Race Not Available	216	16.9	21.5	422	24.3
Total	1,276	100.0	100.0	1,738	100.0
ETHNICITY					
Hispanic or Latino	344	27.0	5.3	313	18.0
Joint (Hisp-Lat /Not Hisp-Lat)	12	0.9	1.1	25	1.4
Total Hispanic or Latino	356	27.9	6.4	338	19.4
Not Hispanic or Latino	714	56.0	72.4	1,007	58.0
Ethnicity Not Available	206	16.1	21.2	393	22.6
Total	1,276	100.0	100.0	1,738	100.0

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

In 2016 and 2017, Home Point's overall racial minority application flow was comparable with the aggregate data. The ethnic minority flow exceeded the aggregate.

VI. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Home Point by taking into account delinquency and default rates of the mortgage 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 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 better or consistent with industry averages.

SERVICE TEST

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

Home Point'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.

At present time, Home Point is not involved in any community development services benefiting Massachusetts consumers and geographies, aside from their standard loan mitigation efforts.

Management is encouraged to employ a strong focus and a 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 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.

Home Point provides a satisfactory level of mortgage lender services that are accessible to geographies and individuals of different income levels in the Commonwealth. Business development relies on wide variety of marketing strategies, including print advertisements, radio, TV, internet, social media and direct consumer text messaging. Customers can apply to Home Point for a mortgage loan over the telephone and via the company's website.

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.