

PUBLIC DISCLOSURE

JULY 31, 2019

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**J.G. WENTWORTH HOME LENDING, LLC
ML2925**

**3350 COMMISSION COURT
WOODBIDGE, VA 22192**

**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 **J.G. Wentworth Home Lending, LLC (Lender or JGW)** 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 **July 31, 2019**.

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 JGW'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 JGW's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered JGW's lending and community development activities for the period of January 1, 2017, through December 31, 2018. 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 2017, together with preliminary data for 2018, is presented in the geographic distribution, lending to borrowers of different incomes, and 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. In addition, preliminary home mortgage lending data for 2018 is referenced in the narrative to illustrate trends in JGW's lending performance.

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 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.
- JGW 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 qualified investments; 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 Lender was initially organized as Weststar Mortgage Inc. (Weststar) in June 2000 for the purpose of originating and selling residential mortgage loans. The Division first licensed this entity as a mortgage lender on December 2, 2004. On July 31, 2015, Weststar's stock was purchased by J.G. Wentworth Company, creating J.G. Wentworth Home Lending Inc. Effective December 31, 2015, the Lender was converted from a C-Corporation to a Limited Liability Company and changed its name to J.G. Wentworth Home Lending, LLC. At the time of this examination, as of August 1, 2019, JGW was acquired by Freedom Mortgage Corporation. The Lender maintains a Massachusetts branch location at 367 Main Street in Oxford.

The Lender offers a variety of mortgage loan products to meet the needs of the Commonwealth's borrowers. JGW is an approved lender for the Federal Housing Administration (FHA), Veterans Administration (VA), US Department of Agriculture (USDA), and also offers a selection of Massachusetts Housing Finance Agency (MassHousing) loans. All underwriting and major functions in the loan process are done at JGW's main office in Woodbridge, Virginia. Approved loans are funded through established warehouse lines of credit. JGW's business development relies primarily on internet lead generators, direct marketing, professional referrals, and repeat customers. Originated loans are closed in the Lender's name and sold immediately to secondary market investors. Servicing is retained on loans sold directly to an agency, and all other loans are sold with servicing rights released.

Demographic Information

The Division's regulation 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.

DEMOGRAPHIC INFORMATION OF THE COMMONWEALTH						
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		3.0%*	
2017 HUD Adjusted Median Family Income		\$91,119	2018 HUD Adjusted Median Family Income		\$95,779	

Source: 2015 ACS US Census

*as of June 2019

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, 1.58 million or 56 percent are owner occupied, 966,054 or 34 percent are rental-occupied, and 9.8 percent are vacant units.

According to the 2015 ACS data, there are 2.5 million households in the Commonwealth with a median of household income of \$74,527. Over 41 percent of households are now 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 reported by the 2015 ACS was \$93,145. The Housing and Urban Development (HUD) adjusted median family income was \$91,119 in 2017 and \$95,779 in 2018. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth of Massachusetts contained 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 the Commonwealth as of June 2019 was 3.0 percent, a slight decrease from January 2019 at 3.1 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

The Lending Test evaluates a mortgage lender's record of helping to meet the mortgage credit needs of the Commonwealth through its lending activities. JGW'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 JGW.

JGW's Lending Test performance was determined to be "Satisfactory".

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well JGW is addressing the credit needs throughout the Commonwealth's low-, moderate-, middle-, and upper-income level census tracts. The following table presents, by number, JGW's 2017 and preliminary 2018 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 JGW).

Distribution of HMDA Loans by Income Level Category of the Census Tract						
Census Tract Income Level	Total Owner- Occupied Housing Units	2017 JGW		2017 Aggregate Lending Data	2018 JGW	
		#	%	% of #	#	%
Low	3.4	5	3.62	4.84	10	4.02
Moderate	13.8	18	13.04	15.86	36	14.46
Middle	44.4	66	47.83	43.50	117	46.99
Upper	38.3	49	35.51	35.65	85	34.14
N/A	0.1	0	0.00	0.15	1	0.39
Total	100.0	138	100.00	100.00	249	100.00

Source: 2017 & 2018 HMDA LAR Data and 2015 ACS Census

As reflected in the above table, of the loans originated in 2017, 16.66 percent were in the low- and moderate-income level census tracts. This percentage was comparable to the percentage of the area's owner occupied housing units in low- and moderate-income level census tracts, as well as the aggregate percentages. A preliminary review of the interim data for 2018 confirms this trend with 18.48 percent of loans being originated in low- and moderate-income level census tracts.

The highest concentration of residential loans was originated in the middle- and upper-income level census tracts for both 2017 and 2018. Given that over 80.0 percent of the area's owner-occupied housing units are in middle- and upper-income level census tracts, it is reasonable to find the majority of loans originated within these designated census tracts.

Overall, the geographic distribution of residential mortgage loans reflects an adequate dispersion throughout low- and moderate-income level 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 JGW's 2017 and preliminary 2018 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 JGW).

Distribution of HMDA Loans by Borrower Income Level						
Median Family Income Level	% of Families	2017 JGW		2017 Aggregate Lending Data	2018 JGW	
		#	%	% of #	#	%
Low	23.3	3	2.18	5.24	13	5.22
Moderate	16.4	18	13.04	17.63	64	25.70
Middle	19.4	37	26.81	23.35	84	33.74
Upper	40.9	74	53.62	40.75	88	35.34
N/A	0.0	6	4.35	13.03	0	0.00
Total	100.0	138	100.00	100.00	249	100.00

Source: 2017 & 2018 HMDA LAR Data and 2015 ACS Census

As shown in the above table, at 15.22 percent, lending to low- and moderate-income borrowers in 2017 was below the Commonwealth's demographics as well as aggregate peer data. Preliminary 2018 results indicate improved performance in this area. The Lender's overall performance of lending to low- and moderate-income borrowers appears adequate.

III. Innovative or Flexible Lending Practices

JGW 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.

Since June 2001, JGW maintains HUD approved Non-Supervised FHA Loan Correspondent (Direct Endorsement Lender) status. Although they contain imbedded insurance premiums, FHA products provide generally competitive interest rates and smaller down payments for low- and moderate-income first time homebuyers and existing homeowners. During 2017 and 2018, JGW originated 44 FHA loans totaling approximately \$11 million. Of these, 15 loans benefited low- and moderate-income borrowers, while 13 loans were originated in low- and moderate-income level geographies.

The Lender has been a Veterans Administration's Approval Agent since 2003. The VA Home Loan Guarantee Program is designed specifically for the unique challenges facing service members and their families. Through VA-approved lenders like JGW, 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 2017 and 2018, JGW originated 66 VA loans totaling over \$22 million. Of these, 19 loans benefited low- to moderate-income borrowers, while 12 loans were originated in low- and moderate-income level geographies.

As of 2016, the Lender also offers loan products guaranteed by the USDA. The 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, offering fixed rates, and not requiring 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 2017 and 2018, the Lender originated two loans totaling \$372,000. Both benefited moderate-income borrowers.

Since June 2018, the Lender also offers MassHousing products. MassHousing is a self-supporting not-for-profit quasi-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 2018, JGW originated eight MassHousing loans with a total of more than \$1 million in dollar volume.

JGW offers variety of additional loan programs, including FNMA's HomeReady or FHLMC's Home Possible. These programs are designed to extend to consumers certain benefits and flexible credit options, to help them meet their home buying, refinance, or renovation needs, and help the mortgage lenders to confidently serve a market of creditworthy low- to moderate-income borrowers. During 2017 and 2018, the Lender's Massachusetts loans included several closed under these flexible lending programs.

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

JGW uses a third party to sub-service its retained servicing portfolio, which includes any loss-mitigation efforts. 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 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 JGW's personnel, and individual file review. No evidence of disparate treatment was identified.

JGW has established a reasonable record relative to fair lending policies and practices.

Fair lending is incorporated in JGW's company-wide policies and procedures that apply to all employees. Fair lending training is designed and delivered through an exclusive online platform to all personnel on a periodic 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.

Mortgage loan officers are required to pass the National SAFE Exam, and then to complete the Nationwide Multistate System & Registry (NMLS) continuing education program. In addition, loan officers complete any other courses required by JGW's senior management.

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. JGW utilizes its internal review team to conduct targeted periodic reviews and annual audits for compliance with all regulatory standards.

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 2017, JGW had received 294 HMDA-reportable mortgage loan applications from within the Commonwealth. The racial and ethnic identity was not specified in approximately 12 percent

of cases. Of the remaining applications, 34 or 11.56 percent were received from racial minority applicants, and 17 or 50.00 percent resulted in originations. For the period, JGW received 10 or 3.40 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, and five or 50.00 percent were originated. This compares to the 46.94 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 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	2017 JGW		2017 Aggregate Data	2018 JGW	
	#	%	% of #	#	%
American Indian/ Alaska Native	3	1.02	0.25	1	0.19
Asian	19	6.46	5.46	33	6.28
Black/ African American	10	3.40	4.14	21	3.99
Hawaiian/Pacific Islander	1	0.34	0.15	1	0.19
2 or more Minority	0	0.00	0.08	2	0.38
Joint Race (White/Minority)	1	0.34	1.44	4	0.76
Total Minority	34	11.56	11.52	62	11.79
White	226	76.88	66.95	375	71.29
Race Not Available	34	11.56	21.53	89	16.92
Total	294	100.00	100.00	526	100.00
ETHNICITY					
Hispanic or Latino	5	1.70	5.28	29	5.51
Joint (Hisp-Lat /Not Hisp-Lat)	5	1.70	1.13	8	1.52
Total Hispanic or Latino	10	3.40	6.41	37	7.03
Not Hispanic or Latino	244	82.99	72.38	398	75.67
Ethnicity Not Available	40	13.61	21.21	91	17.30
Total	294	100.00	100.00	526	100.00

Source: 2017 & 2018 HMDA LAR Data and 2015 ACS Census

In 2017, JGW's overall racial minority application flow was below the 2015 ACS data yet in line with the aggregate data. The ethnic minority flow reflected levels below both Commonwealth demographics and the aggregate data. A preliminary review of the 2018 data indicates racial minority applications at a similar level to 2017, and an increase to ethnic minority applications from the previous year.

VI. *Loss of Affordable Housing*

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

JGW'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, JGW is not involved in any community development services benefiting Massachusetts consumers and geographies.

Management is encouraged to seek out and identify community development activities it can offer 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.

Qualified Investments

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

During the examination period, JGW provided a moderate donation to a center supporting New England veterans.

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

Mortgage Lending Services

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

JGW provides adequate delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in the Commonwealth. Business development relies primarily on internet application conduits, professional referrals, and direct consumer mailing. Customers can also apply to JGW for a mortgage loan over the telephone and via the company's website.

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. Overall, the Lender provides an adequate delivery of mortgage lending services throughout the Commonwealth.

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.