

# **PUBLIC DISCLOSURE**

December 26, 2018

## **MORTGAGE LENDER COMMUNITY INVESTMENT PERFORMANCE EVALUATION**

Lakeview Loan Servicing, LLC  
ML391521

4425 Ponce De Leon Blvd., MS 5-251  
Coral Gables, FL 33146

Division of Banks  
1000 Washington Street, 10th Floor  
Boston, Massachusetts 02118

<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.
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## GENERAL INFORMATION

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **Lakeview Loan Servicing LLC (the Lender or Lakeview)** 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 **December 26, 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.

The CRA examination included a comprehensive review and analysis, as applicable, of Lakeview'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 Lakeview's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Lakeview'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 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:**

**The Lender is rated "Satisfactory" for CRA performance.**

### **Lending Test: "Satisfactory"**

- The geographic distribution of the Lender's loans reflects a reasonable dispersion in low- and moderate-income census tracts as compared to the distribution of owner occupied housing in those 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 including low- and moderate-income individuals.
- Lakeview 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. The lender demonstrates the ability to work with delinquent borrowers to resolve the delinquency.
- Fair lending policies and practices are considered reasonable.

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

- The Lender's community development activities are very limited in the Commonwealth.

## **PERFORMANCE CONTEXT**

### **Description of Mortgage Lender**

Lakeview was organized as a Delaware limited liability company in 2010. The Division granted the Lender a mortgage lender license in November 2014. Lakeview is a nationwide lender specializing in refinance mortgage loan options to consumers. The Lender acquires loans for servicing from failed institutions with an intention to help the borrowers refinance into a more sustainable position. The Lender offers a variety of mortgage loan products to meet its goals. All closed loans are sold to agencies with mortgage servicing rights retained. The mortgage servicing function is contracted to five sub-servicers, who perform servicing and loss mitigation activities.

All underwriting and major functions in the loan process are conducted at Lakeview's main office and the Horsham, Pennsylvania office location. Approved loans are funded through established warehouse lines of credit. Lakeview's business development relies primarily on utilization of its retained servicing portfolio data.

### **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.

<b>2010 CENSUS DEMOGRAPHIC INFORMATION</b>						
<b>Demographic Characteristics</b>	<b>Amount</b>	<b>Low %</b>	<b>Moderate %</b>	<b>Middle %</b>	<b>Upper %</b>	<b>N/A %</b>
<b>Geographies (Census Tracts)</b>	1,474	10.8	20.0	40.7	27.1	1.4
<b>Population by Geography</b>	6,547,629	8.9	18.9	42.8	29.2	0.2
<b>Owner-Occupied Housing by Geography</b>	1,608,474	2.9	13.7	48.9	34.5	0.0
<b>Family Distribution by Income Level</b>	1,600,588	19.2	17.8	24.4	38.6	0.0
<b>Distribution of Low and Moderate Income Families Throughout AA Geographies</b>	592,420	7.7	18.4	43.6	30.3	0.0
<b>Median Family Income</b>	\$86,272		<b>Median Housing Value</b>		373,206	
<b>Households Below Poverty Level</b>	11.1%		<b>Unemployment Rate</b>		3.6*	
<b>2016 HUD Adjusted Median Family Income</b>	\$86,904		<b>2017 HUD Adjusted Median Family Income</b>		\$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 low- and moderate-income. 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 contains 1,474 Census tracts, according to the 2010 Census. 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 3.4 percent as of November 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**

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

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

#### ***I. Geographic Distribution***

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

<b>Distribution of HMDA Loans by Income Level Category of the Census Tract</b>						
<b>Census Tract Income Level</b>	<b>Total Owner- Occupied Housing Units</b>	<b>2016 Lakeview</b>		<b>2017 Aggregate Lending Data</b>	<b>2017 Lakeview</b>	
	<b>%</b>	<b>#</b>	<b>%</b>	<b>% of #</b>	<b>#</b>	<b>%</b>
<b>Low</b>	3.1	20	4.4	4.8	34	7.7
<b>Moderate</b>	13.0	74	16.3	15.9	65	14.6
<b>Middle</b>	48.3	243	53.7	43.5	216	48.8
<b>Upper</b>	35.6	116	25.6	35.7	128	28.9
<b>N/A</b>		0	0.0	0.1	0	0.0
<b>Total</b>	<b>100.0</b>	<b>453</b>	<b>100.0</b>	<b>100.0</b>	<b>443</b>	<b>100.0</b>

*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, 20.7 and 22.3 percent respectively, were originated in low- and moderate-income census tracts. The Lender's lending performance is comparable to the aggregate lending performance and above the percentage of the area's owner occupied housing units in low and moderate-income census tracts.

Overall, the geographic distribution of residential mortgage loans reflects reasonable 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 Lakeview'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 Lakeview).

<b>Distribution of HMDA Loans by Borrower Income Level</b>						
<b>Median Family Income Level</b>	<b>% of Families</b>	<b>2016 Lakeview</b>		<b>2017 Aggregate Lending Data</b>	<b>2017 Lakeview</b>	
	<b>%</b>	<b>#</b>	<b>%</b>	<b>% of #</b>	<b>#</b>	<b>%</b>
<b>Low</b>	22.2	29	6.4	5.2	27	6.1
<b>Moderate</b>	16.5	21	4.7	17.6	34	7.7
<b>Middle</b>	20.6	20	4.4	23.4	36	8.1
<b>Upper</b>	40.7	26	5.7	40.8	53	12.0
<b>N/A</b>	0.0	357	78.8	13.0	293	66.1
<b>Total</b>	<b>100.0</b>	<b>453</b>	<b>100.0</b>	<b>100.0</b>	<b>443</b>	<b>100.0</b>

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

The Lender specializes in refinance mortgage loan transactions, including loan programs such as FHA Streamline Refinance or VA Rate Reduction Refinance that do not require income verification. Loans without income verification are classified as "N/A" in the table above. Of the originations with verified income available, the Lender's lending to low-income borrowers was above the aggregate percentages, while lending to moderate-income borrowers was below the aggregate. The Lender's performance of lending to low- and moderate-income borrowers overall improved from 11.1 percent in 2016 to 13.8 percent in 2017, showing a positive trend. Taking in to consideration the majority of the Lender's loans do not capture borrower income information, the Lender's overall lending performance to low- and moderate-income borrowers is adequate.

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

Lakeview 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.

Lakeview became a Housing and Urban Development approved Non-Supervised FHA Loan Correspondent (Direct Endorsement Lender) in 2012. FHA products provide flexible underwriting criteria and generally competitive interest rates and smaller down payments for low- and moderate-income first time homebuyers and existing homeowners. During the review period, Lakeview originated 493 FHA loans totaling \$141 million. Of these, 102 loans were originated in low- or moderate-income level geographies.

The Lender became Veterans Administration's (VA) Automatic Approval Agent in 2017. The VA Home Loan Guarantee Program is designed specifically for the unique challenges facing service

members and their families. Through VA-approved lenders like Lakeview, the program offers low closing cost, no down payment requirement, and no private mortgage insurance requirement. During the review period, Lakeview originated 167 VA loans totaling \$49 million. Of these, 24 loans were originated in low- or moderate-income level geographies.

Lakeview offers loans under FNMA's 'Home Affordable Refinance Program' (HARP) initiative that is designed to assist homeowners in refinancing their mortgage loans even if they owe more than the home's current value. The primary expectation for HARP is that refinancing will put responsible borrowers in a better position by reducing their monthly principal and interest payments, reducing their interest rate, reducing the amortization period, or moving them from a more risky loan structure to a more stable product. The Lender originated 61 HARP loans in Massachusetts totaling \$14 million.

Lakeview offers loans under FNMA's 'DU Refi Plus' program that extends certain benefits to the borrowers. These benefits generally include at least one of the following: reduced monthly mortgage principal and interest payment, more stable mortgage product, reduction in the interest rate, or reduction in the amortization term. The Lender originated 87 of these loans in Massachusetts, totaling \$18 million.

In addition, Lakeview offers a variety of additional loan programs, including FHLMC's 'Home Possible' and 'Open Access' or FNMA's 'Home Ready'. 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. The Lender originated 24 loans for a total of \$7 million 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

Lakeview uses several third parties to sub-service its retained servicing portfolio. The overall default rates reflect current loan portfolio composition. 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 Lakeview's personnel, and individual file review. No evidence of disparate treatment was identified.

Lakeview has established a reasonable record relative to Fair Lending policies and practices.

Fair Lending is incorporated in Lakeview's company-wide policies and procedures that apply to all employees. Training, including Fair Lending topics, is provided through in-house Learning Management System 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.

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. Lakeview 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, Lakeview had received 2,283 HMDA-reportable mortgage loan applications from within the Commonwealth of Massachusetts. The racial and ethnic identity was not specified in approximately 25 percent of cases. Of the remaining applications, 237 or 10.4 percent were received from racial minority applicants, and 102 or 43.0 percent resulted in originations. For the period, Lakeview received 173 or 7.6 percent of HMDA reportable applications from ethnic groups of Hispanic or Latino origin, and 71 or 41.0 percent were originated. This compares to 39.2 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 Lakeview		2017 Aggregate Data	2017 Lakeview	
	#	%	% of #	#	%
American Indian/ Alaska Native	8	0.7	0.2	4	0.3
Asian	27	2.5	5.5	11	0.9
Black/ African American	81	7.6	4.1	79	6.6
Hawaiian/Pacific Islander	8	0.7	0.2	1	0.1
2 or more Minority	0	0.0	0.1	1	0.1
Joint Race (White/Minority)	1	0.1	1.4	16	1.3
<b>Total Minority</b>	<b>125</b>	<b>11.6</b>	<b>11.5</b>	<b>112</b>	<b>9.3</b>
White	693	64.2	67.0	750	62.3
Race Not Available	261	24.2	21.5	342	28.4
<b>Total</b>	<b>1,079</b>	<b>100.0</b>	<b>100.0</b>	<b>1,204</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	90	8.3	5.3	70	5.8
Joint (Hisp-Lat /Not Hisp-Lat)	1	0.1	1.1	12	1.0
<b>Total Hispanic or Latino</b>	<b>91</b>	<b>8.4</b>	<b>6.4</b>	<b>82</b>	<b>6.8</b>
Not Hispanic or Latino	767	71.1	72.4	832	69.1
Ethnicity Not Available	221	20.5	21.2	290	24.1
<b>Total</b>	<b>1,079</b>	<b>100.0</b>	<b>100.0</b>	<b>1,204</b>	<b>100.0</b>

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

In 2016 and 2017, Lakeview's overall racial and ethnic minority application flow was below the demographics and in line with the aggregate data.

## VI. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Lakeview 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. 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. There appear to be no cause for regulatory concern at this time.

## **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.

Lakeview's Service Test performance was determined to be **"Needs to Improve"** during this 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.

Lakeview is not involved in any community development services benefiting Massachusetts consumers and geographies.

It is noted, however, that in a CRA initiative from April 2018, the Lender's management indicated that they planned to partner with Home America Network, in order to provide consumer education centered on home-ownership affordability for potential borrowers at application. The partnership was anticipated to be implemented after the sunset of the HARP program in December 2018.

Management is encouraged to develop, capture, and properly document service and investments promoting financial literacy education, homeownership counselling, 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.

Lakeview exhibits its mortgage lending services activities primarily through active involvement in the US Treasury Making Home Affordable Program, specializing in offering HARP refinance loans. In addition to various other flexible lending products noted above, Lakeview also offers loan products guaranteed by the US Department of Agriculture, however, no loans under these programs were originated during the review period.

## **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.