

PUBLIC DISCLOSURE

OCTOBER 20, 2022

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**LEADERONE FINANCIAL CORPORATION
MC12007**

**7500 COLLEGE BOULEVARD
SUITE 1150
OVERLAND PARK, KANSAS 66210**

**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 **LeaderOne Financial Corporation (LeaderOne 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 **October 20, 2022**.

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 LeaderOne'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 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 LeaderOne's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered LeaderOne's lending and community development activities for the period of January 1, 2020, through December 31, 2021. The data and applicable timeframes for the Lending Test and Service Test are discussed below.

The Lending Test evaluates a 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 data for 2020 and 2021 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 2020 and 2021 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 that originated loans in 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. This analysis includes, but is not limited to, an assessment of the suitability and sustainability of a mortgage lender's loan products by reviewing its internally maintained records of delinquencies and defaults as well as information publicly available through the Federal Reserve Banks, local Registries of Deeds, and other sources available to the examination team. The examination included inspection of the Lender's 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 a 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 a good record of serving the credit needs among individuals of different income levels.
- LeaderOne 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.
- LeaderOne did not provide community development activities within Massachusetts.

PERFORMANCE CONTEXT

Description of Mortgage Lender

LeaderOne is a Kansas corporation that originates and purchases residential mortgage loans. LeaderOne was formed on October 15, 1993, and the Division issued it a mortgage lender and broker license on November 3, 2016. At the time of the examination, Leader One was licensed in 47 states, including the District of Columbia. LeaderOne offers conventional, Federal Housing Administration (FHA), Department of Veterans' Administration (VA), United States Department of Agriculture (USDA) and construction mortgage loans. It also offers FHA-insured Home Equity Conversion Mortgages (HECM) reverse mortgage loans. Underwriting and major functions in the loan process are done at the Lender's corporate office, operations center locations throughout the country, or remotely. Approved loans are funded through established warehouse lines of credit. LeaderOne's business development relies primarily on marketing, repeat customers, and the corporate web site. Originated loans are closed in the Lender's name and sold immediately to secondary market investors with servicing rights either released or retained. The Lender uses Dovenmuehle Mortgage, Inc., as its sub-servicer for loans in which servicing rights are retained.

During 2020 and 2021, LeaderOne originated 204 loans totaling approximately \$69.4 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.

2015 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			4.6%*
2020 HUD Adjusted Median Family Income	\$104,900		2021 HUD Adjusted Median Family Income			\$106,200

Source: 2015 American Community Survey (ACS); *Bureau of Labor Statistics as of 12/31/2021

Based on the 2015 American Community Survey (ACS), Massachusetts' population was above 6.7 million people with a total of 2.8 million housing units. Of the total housing units, 1.6 million or 56.4 percent are owner-occupied, 966,054 or 34.5 percent are rental units, and 9.1 percent are vacant units.

According to 2015 ACS data, there are 2.5 million households in Massachusetts with a median household income of \$74,527. Over 41 percent of households were classified as LMI. Twelve percent of the total number of households are living below the poverty level. Individuals in these categories may find it difficult to qualify for traditional mortgage loan products.

Households classified as "families" totaled slightly over 1.6 million. Of all family households, 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 Department of Housing and Urban Development (HUD) adjusted median family income was \$104,900 in 2020 and increased to \$106,200 in 2021. The HUD adjusted median family income is updated yearly and takes into account inflation and other economic factors.

Massachusetts contains 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 data. The unemployment rate for Massachusetts as of December 31, 2021, was 4.6 percent, which was a significant decrease from December 31, 2020, at which time it was 7.7 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 LeaderOne.

LeaderOne’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 2015 ACS demographics and is also compared to aggregate lending performance in 2020 and 2021.

<i>Geographic Distribution of HMDA loans by Census Tract</i>						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	Lender #	Lender %	Lender \$(000s)	Lender %
Low						
2020	3.4	3.6	4	4.5	1,069	3.6
2021	3.4	4.2	9	7.8	2,669	6.7
Moderate						
2020	13.8	13.2	16	18.0	4,847	16.2
2021	13.8	14.3	18	15.6	5,225	13.2
Middle						
2020	44.4	42.9	46	51.7	14,609	49.0
2021	44.4	42.7	57	49.6	19,649	49.5
Upper						
2020	38.3	40.2	23	25.8	9,304	31.2
2021	38.3	38.6	31	27.0	12,119	30.6
Not Available						
2020	0.1	0.1	0.0	0.0	0.0	0.0
2021	0.1	0.2	0	0.0	0	0.0
Totals						
2020	100.0	100.0	89	100.0	29,829	100.0
2021	100.0	100.0	115	100.0	39,662	100.0
<i>Source: 2020 and 2021 Lender HMDA Data, 2020 and 2021 Aggregate HMDA Data and 2015 ACS</i>						

LeaderOne's geographic distribution of loans in LMI tracts was above both the aggregate and demographics in 2020 and 2021. In addition, the Lender's performance of lending in LMI tracts is trending upwards from 22.5 percent in 2020 to 23.4 percent in 2021. LeaderOne's geographic distribution of residential mortgage is adequate at this time.

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 LeaderOne during 2020 and 2021, and compares this activity to 2020 and 2021 aggregate lending data and the percentage of families by income level within Massachusetts using the 2015 ACS demographics.

<i>Distribution of HMDA Loans by Borrower Income</i>						
Borrower Income Level	% of Families	Aggregate Performance % of #	Lender #	Lender %	Lender \$(000s)	Lender %
Low						
2020	23.3	5.0	6	6.7	1,276	4.3
2021	23.3	5.9	14	12.2	2,744	6.9
Moderate						
2020	16.4	17.3	12	13.5	3,195	10.7
2021	16.4	17.8	36	31.3	11,236	28.3
Middle						
2020	19.4	23.0	20	22.5	5,723	19.2
2021	19.4	22.5	30	26.1	8,896	22.4
Upper						
2020	40.9	42.3	30	33.7	12,982	43.5
2021	40.9	39.9	31	26.9	15,659	39.5
Not Available						
2020	0.0	12.4	21	23.6	6,653	22.3
2021	0.0	13.9	4	3.5	1,127	2.9
Totals						
2020	100.0	100.0	89	100.0	29,829	100.0
2021	100.0	100.0	115	100.0	39,662	100.0
<i>Source: 2020 and 2021 Lender HMDA Data, 2020 and 2021 Aggregate HMDA Data and 2015 ACS</i>						

Lending to low-income borrowers during 2020 was below the percentage of families and above the aggregate. Lending to moderate-income borrowers during 2020 was below the percentage of families and the aggregate. Lending to low-income borrowers during 2021 was below the percentage of families and above the aggregate. Lending to moderate-income borrowers during 2021 was above the percentage of families and the aggregate. The Lender's performance of lending to LMI borrowers is trending upwards from 20.2 percent in 2020 to 43.5 in 2021.

According to the 2015 ACS data, 12 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 good at this time.

III. Innovative or Flexible Lending Practices

LeaderOne 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. During the review period, LeaderOne Point originated 38 FHA loans totaling \$12.3 million. This included four FHA HECM loans. Of the loans originated, 26 benefited LMI individuals and 16 loans were made in LMI geographies.

The Lender is a VA Automatic Approval Agent. The VA program is designed specifically for the unique challenges facing service members, veterans, and their families. The VA program offers low closing costs, no down payment, and no private mortgage insurance. During the review period, the Lender originated 34 VA loans totaling \$11.4 million. Of these, four loans benefited moderate-income individuals and seven loans were made in LMI geographies.

LeaderOne offers loan products guaranteed by the USDA Rural Housing Program, which is an innovative loan program that provides 100 percent financing for eligible homebuyers in rural-designated areas. This program is for home purchase transactions, offers fixed rates, does not require a down payment, and includes low- and moderate-income requirements. During the review period, LeaderOne originated one USDA loan for \$364,000.

The Lender offers the Freddie Mac HomePossible programs designed to assist eligible applicants obtaining affordable mortgages. During the review period, the Lender originated three loans totaling \$800,000 in these 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. As LeaderOne does not directly 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 actions.

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 LeaderOne's personnel, and individual file review.

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

During 2020 and 2021, LeaderOne received 373 HMDA-reportable mortgage loan applications from within Massachusetts. Of these applications, 42 or 11.3 percent were received from racial minority applications, and 29 or 69.1 percent resulted in originations. For the same period, LeaderOne received 25 or 6.7 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, and 16 or 64.0 percent were originated.

This compares to the 68.5 percent overall ratio of mortgage loans originated by the Lender in Massachusetts in 2020 and 47.3 percent in 2021, and the 71.8 percent originated by the aggregate group in 2020 and 72.5 percent originated by the aggregate group in 2021.

Demographic information for Massachusetts reveals the total racial and ethnic minority population stood at 25.7 percent of total population per 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 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	2020 Lender		2020 Aggregate Data	2021 Lender		Aggregate Data
	#	%	% of #	#	%	% of #
American Indian/ Alaska Native	0	0.0	0.2	0	0.0	0.2
Asian	1	0.8	6.5	12	4.9	6.6
Black/ African American	5	3.8	3.6	18	7.4	4.6
Hawaiian/Pac Isl.	0	0.0	0.1	0	0.0	0.1
2 or more Minority	1	0.8	0.1	0	0.0	0.1
Joint Race (White/Minority)	4	3.1	1.6	1	0.4	1.6
Total Minority	11	8.5	12.1	31	12.7	13.2
White	101	77.7	65.2	131	53.9	61.2
Race Not Available	18	13.8	22.7	81	33.4	25.6
Total	130	100.00	100.00	243	100.00	100.00
ETHNICITY						
Hispanic or Latino	8	6.1	5.1	14	5.8	6.0
Not Hispanic or Latino	102	78.5	70.2	155	63.8	67.4
Joint (Hisp/Lat /Not Hisp/Lat)	1	0.8	1.1	2	0.8	1.2
Ethnicity Not Available	19	14.6	23.6	72	29.6	25.4
Total	130	100.00	100.00	243	100.00	100.00
<i>Source: 2020 and 2021 Lender HMDA Data, 2020 and 2021 Aggregate HMDA Data and 2015 ACS</i>						

In 2020 and 2021, LeaderOne's performance was below the aggregate's performance for racial minority applicants. In 2020, LeaderOne's performance was above the aggregate's for ethnic minority applicants of Hispanic origin. In 2021, LeaderOne's performance was below the aggregate's for ethnic minority applicants of Hispanic origin. The Lender's performance is trending upward for racial minorities and is trending downward for ethnic minority applicants of Hispanic origin.

VI. Loss of Affordable Housing

The review concentrated on the suitability and sustainability of mortgage loans originated by LeaderOne 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 or 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.

LeaderOne'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 review period, the Lender did not provide community development services within the Commonwealth.

Management is encouraged to have a pro-active commitment to community development activities and investments that meet the definition of community development under the CRA regulation throughout the Commonwealth. Other activities may include, but are not necessarily limited to: financial literacy education initiatives targeted to LMI individuals, foreclosure prevention counseling, and/or providing technical assistance to community organizations in a leadership capacity.

Mortgage Lending Services

The Division evaluates the availability and effectiveness of a mortgage lender's systems for delivering mortgage-lending services to LMI geographies and individuals.

LeaderOne provides a reasonable delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in Massachusetts. LeaderOne offers FHA, VA, USDA and Freddie Mac HomePossible mortgage loans and FHA HECM reverse mortgages. Applicants can apply for a mortgage by telephone, mail, branch or LeaderOne's website. Servicing was performed by Dovenmuehle Mortgage during the examination period. The Lender has online resources featuring information regarding credit.

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. Overall, the Lender provides a reasonable delivery of mortgage lending services throughout the Commonwealth.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws chapter 255E, section 8, and the Division's regulation 209 CMR 54.00, the Mortgage Lender Community Investment (CRA) regulation, requires 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.