

**PUBLIC DISCLOSURE**

**SEPTEMBER 28, 2018**

**MORTGAGE LENDER COMMUNITY INVESTMENT  
PERFORMANCE EVALUATION**

**LOANDEPOT.COM LLC  
MC174457**

**26642 TOWNE CENTRE DRIVE  
FOOTHILL RANCH, CA. 92610**

**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 **loanDepot.com LLC (the Lender or loanDepot)** 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 **September 28, 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 loanDepot'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, 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 loanDepot's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered loanDepot'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, as 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: “Satisfactory”**

- The geographic distribution of the Lender’s loans reflects reasonable dispersion in LMI 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.
- loanDepot 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: “Satisfactory”**

- The Lender provides 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

loanDepot was established in California in 2010, and was granted a mortgage company license by the Division in the same year. In 2013, loanDepot acquired imortgage.com Inc. and in 2015 followed up with the acquisition of Mortgage Master Inc., creating one of the largest non-bank mortgage lending entities. The Lender is a wholly-owned subsidiary of LD Holdings Group LLC. loanDepot engages primarily in the origination and sale of residential mortgage loans. In addition to the Mortgage Company license, loanDepot also holds a Small Loan Company license in Massachusetts. As of the date of the examination the Lender was licensed or authorized to conduct business in all 50 states and the District of Columbia. The Licensee maintains a network of 16 licensed locations within Massachusetts: six are in upper-income geographies, eight in middle-income geographies, and two in moderate-income geographies. Two of these offices (Walpole and Danvers) serve as service centers that include on-site underwriting.

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

loanDepot's business development relies on a wide variety on marketing tools, including web-based and printed advertisements, direct marketing, internet lead generators, referrals and repeat customers. Approved loans are funded through established warehouse lines of credit. Originated loans are closed in the Lender's name and sold immediately to secondary market investors, with servicing rights retained for certain loans. Remaining loans are sold with servicing rights released.

### 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 the 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 Low and Moderate Income 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 07/31/2018

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 3.6 percent as of July 2018, which was a slight increase from March 2018 when the unemployment rate was at 3.5 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. loanDepot’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 loanDepot.

loanDepot’s Lending Test performance was determined to be “**Satisfactory.**”

#### *I. Geographic Distribution*

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

Distribution of HMDA Loans by Income Level Category of the Census Tract						
Census Tract Income Level	Total Owner- Occupied Housing Units	2016 loanDepot		2017 Aggregate Lending Data	2017 loanDepot	
		#	%	% of #	#	%
<b>Low</b>	3.1	225	2.6	4.8	192	3.4
<b>Moderate</b>	13.0	940	10.8	15.9	841	14.7
<b>Middle</b>	48.3	3,859	44.4	43.5	2,495	43.7
<b>Upper</b>	35.6	3,671	42.2	35.7	2,169	38.0
<b>N/A</b>	0.0	0	0.0	0.1	9	0.2
<b>Total</b>	<b>100.0</b>	<b>8,695</b>	<b>100.0</b>	<b>100.0</b>	<b>5,706</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, 13.4 percent were in the LMI census tracts; this increased to 18.1 percent in 2017, showing a positive trend. LMI lending in 2017 was comparable to the percentage of the area’s owner occupied housing units in those geographies. While 2017 LMI lending was slightly below aggregate performance, in light of overall improvement in LMI tract origination, the Lender’s geographic distribution of residential mortgage loans reflects a reasonable performance.

## 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 loanDepot'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 loanDepot).

Distribution of HMDA Loans by Borrower Income Level						
Median Family Income Level	% of Families	2016 loanDepot		2017 Aggregate Lending Data	2017 loanDepot	
		#	%	% of #	#	%
Low	22.2	249	2.8	5.2	328	5.8
Moderate	16.5	1,219	14.0	17.6	1,202	21.1
Middle	20.6	2,310	26.6	23.4	1,544	27.0
Upper	40.7	4,659	53.6	40.8	2,508	43.9
N/A	0.0	258	3.0	13.0	124	2.2
<b>Total</b>	<b>100.0</b>	<b>8,695</b>	<b>100.0</b>	<b>100.0</b>	<b>5,706</b>	<b>100.0</b>

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

As shown in the above table, lending to LMI borrowers in 2016 was below the aggregate percentages. In 2017, loanDepot's loan delivery to these borrowers improved to percentages above the aggregate data, most notably in the moderate income category. The Lender's overall performance of lending to LMI borrowers is adequate.

## III. Innovative or Flexible Lending Practices

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

The Lender became a Housing and Urban Development approved Non-Supervised FHA Loan Correspondent (Direct Endorsement Lender) in 2009. Although they contain imbedded insurance premiums, FHA products provide generally competitive interest rates and smaller down payments for LMI first time homebuyers and existing homeowners. During the review period, loanDepot originated 1,665 FHA loans totaling \$473 million. Of these, 590 loans benefited LMI borrowers, while 425 loans were originated in LMI level geographies.

The Lender became a Veterans Administration's Automatic Approval Agent in 2011. The VA Home Loan Guarantee Program is designed specifically for the unique challenges facing service members and their families. Through VA-approved lenders like loanDepot, 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, loanDepot originated 883 VA loans totaling \$270 million. Of these, 186 loans benefited LMI borrowers, while 147 loans were originated in LMI level geographies.



Since 2011, loanDepot has offered loan products guaranteed by the USDA. The 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, loanDepot originated 31 loans totaling over \$7 million. Of these, 13 loans benefited moderate-income borrowers, while three loans were originated in moderate-income level geographies.

loanDepot also offers Massachusetts Housing Finance Agency (MassHousing) products. MassHousing is a self-supporting not-for-profit 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 2016 and 2017, loanDepot originated 101 MassHousing loans for a total of \$27 million.

Additional flexible loan programs offered by loanDepot include:

The FNMA DU Refi Plus program extends certain benefits to borrowers and includes at least one of the following: reduced monthly mortgage principal and interest payment, a more stable mortgage product, a reduction in the interest rate, or a reduction in the amortization term.

The FHLMC Open Access program is designed to assist borrowers who are making timely mortgage payments, but have been unable to refinance due to declining property values.

The FNMA HomeReady program is designed to help lenders confidently serve a market of creditworthy, low- to moderate-income borrowers, with expanded eligibility for financing homes in low-income communities.

The FHLMC's Home Possible program provides flexible credit terms and low down payment options to meet a variety of borrowers' needs.

In 2016 and 2017, the Lender originated 287 loans under the above programs totaling \$68 million.

In addition, loanDepot originated 17 loans totaling \$177,000 via the City of Boston Down Payment Assistance Grant Program.

#### ***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

loanDepot uses a third party to sub-service its retained servicing portfolio. The review of sub-servicer and investor score cards revealed overall default rates that do not pose regulatory concern at this time. 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 loanDepot's personnel, and individual file review.

loanDepot has established an adequate record relative to Fair Lending policies and practices. No evidence of disparate treatment was identified.

Fair lending is incorporated in loanDepot's company-wide policies and procedures that apply to all employees. Fair Lending training is designed and delivered by outside counsel and distributed to all personnel on an 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.

### 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 loanDepot received 34,686 HMDA-reportable mortgage loan applications from within the Commonwealth of Massachusetts. Of these applications, 4,560 or 13.1 percent were received from racial minority applicants, of which 1,876 or 41.1 percent resulted in originations. For the same period, loanDepot received 1,793 or 5.2 percent of HMDA reportable applications from ethnic groups of Hispanic or Latino origin, of which 550 or 30.7 percent were originated. This compares to the 41.5 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 loanDepot		2017 Aggregate Data	2017 loanDepot	
	#	%	% of #	#	%
American Indian/ Alaska Native	126	0.4	0.2	25	0.3
Asian	1,490	5.6	5.5	500	6.1
Black/African American	1,390	5.2	4.1	464	5.7
Hawaiian/Pacific Islander	45	0.2	0.2	6	0.1
2 or more Minority	41	0.2	0.1	11	0.2
Joint Race (White/Minority)	337	1.3	1.4	125	1.5
<b>Total Minority</b>	<b>3,429</b>	<b>12.9</b>	<b>11.5</b>	<b>1,131</b>	<b>13.9</b>
White	20,547	77.4	67.0	6,407	78.7
Race Not Available	2,573	9.7	21.5	599	7.4
<b>Total</b>	<b>26,549</b>	<b>100.0</b>	<b>100.0</b>	<b>8,137</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	1,113	4.2	5.3	298	3.7
Joint (Hisp-Lat /Not Hisp-Lat)	282	1.1	1.1	100	1.2
<b>Total Hispanic or Latino</b>	<b>1,395</b>	<b>5.3</b>	<b>6.4</b>	<b>398</b>	<b>4.9</b>
Not Hispanic or Latino	23,362	88.0	72.4	7,288	89.6
Ethnicity Not Available	1,792	6.7	21.2	451	5.5
<b>Total</b>	<b>26,549</b>	<b>100.0</b>	<b>100.0</b>	<b>8,137</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, loanDepot’s overall racial minority application flow was comparable to the census data and above the aggregate percentage. The ethnic minority flow was below the demographic and aggregate data.

## VI. Loss of Affordable Housing

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

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 the Commonwealth or a broader regional area that includes the Commonwealth.

loanDepot's Service Test performance was determined to be "**Satisfactory**" 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.

During the examination period, loanDepot participated in 17 homeownership presentations in Massachusetts, open to the general public at locations in Westborough, Burlington, Westford, Springfield and Leominster.

The Lender also participated in numerous "Meet the Mortgage Lenders We Work With" events for the Boston Home Center at various city locations, including the Tobin Community Center in Roxbury, Archdale Community Center in Roslindale, and Bruce Bolling Building in Roxbury.

### **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.

In 2017, the Lender contributed to two qualified programs including the Boston Urban Edge first time homebuyer program and the "African Professionals Speaker Series" event at the NonProfit Center in Boston, both focused on homeownership opportunities in Massachusetts.

### **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.

loanDepot 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 and direct consumer dialing. Customers can also apply to loanDepot 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.