

**PUBLIC DISCLOSURE**

**DECEMBER 5, 2022**

**MORTGAGE LENDER COMMUNITY INVESTMENT  
PERFORMANCE EVALUATION**

**LONGBRIDGE FINANCIAL, LLC  
ML957935**

**ONE INTERNATIONAL BLVD., SUITE 900  
MAHWAH, NJ 07495**

**DIVISION OF BANKS  
1000 WASHINGTON STREET  
BOSTON, MA 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 **Longbridge Financial, LLC (Lender or Longbridge)** 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 **December 5, 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.

The CRA examination included a comprehensive review and analysis, as applicable, of Longbridge'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 Longbridge's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Longbridge'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 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 2020 and 2021 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 both years 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 who originated loans in the Commonwealth.

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 an adequate dispersion in low- and moderate-income level census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects a satisfactory record of serving the credit needs among individuals of different income levels.
- Longbridge exhibited use of innovative or 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”**

- On a limited basis, the Lender is engaged in providing community development services and qualified investments benefiting Massachusetts consumers.
- Service delivery systems are accessible to geographies and individuals of different income levels in the Commonwealth.

## **PERFORMANCE CONTEXT**

### **Description of Mortgage Lender**

Longbridge was organized in the state of Delaware in 2012 and was granted a mortgage lender license by the Division on November 13, 2015. Longbridge primarily originates Federal Housing Administration (FHA)-insured reverse mortgage loans from its three call centers, and also purchases reverse mortgage loans from other lenders. Generally, the servicing rights are retained, and the Lender uses a third party to sub-service its portfolio. Longbridge is licensed or authorized to do business throughout the United States.

Longbridge is approved as a Government National Mortgage Association (GNMA) issuer in GNMA's Home Equity Conversion Mortgage-Backed Securities Program. Underwriters work remotely under centralized oversight and all major functions of the loan process are administered from Longbridge's main office. Business development relies primarily on purchasing of leads from licensed lead vendors and direct marketing.

### **Demographic Information**

The Division's regulation 209 CMR 54.00 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.

<b>DEMOGRAPHIC INFORMATION OF THE COMMONWEALTH</b>						
<b>Demographic Characteristics</b>	<b>Amount</b>	<b>% Low</b>	<b>% Moderate</b>	<b>% Middle</b>	<b>% Upper</b>	<b>% N/A</b>
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 ACS Census; \* Bureau of Labor Statistics as of 12/31/2021*

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, almost 1.6 million or 56.4 percent are owner-occupied, 966,054 or 34.5 percent are rental-occupied, and 9.1 percent are vacant units.

According to the 2015 ACS data, there are 2.5 million households in the Commonwealth with a median household income of \$74,527. Over 41 percent of households are 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 according to the 2015 ACS data stood at \$93,145. The Department Housing and Urban Development (HUD) adjusted median family income was \$104,900 in 2020 and \$106,200 in 2021. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth 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. The unemployment rate for Massachusetts stood at 4.6 percent as of December 2021, a significant decrease from December 2020 when the rate was 7.7 percent. 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 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. Longbridge'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 Longbridge.

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

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

The geographic distribution of loans was reviewed to assess how well Longbridge is addressing credit needs throughout Massachusetts. The following table presents, by number, Longbridge's 2020 and 2021 HMDA reportable loans in low-, moderate-, middle-, and upper-income level geographies, in comparison to the percentage of owner-occupied housing units in each of the census tract income level categories, and the 2020 and 2021 aggregate lending data (inclusive of Longbridge).

<b>Geographic Distribution of HMDA Loans by Census Tract</b>					
<b>Tract Income Level</b>	<b>Year</b>	<b>% of MA Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>Longbridge #</b>	<b>Longbridge %</b>
Low	2020	3.4	3.6	5	4.46
	2021		4.2	1	0.93
Moderate	2020	13.8	13.2	14	12.50
	2021		14.3	14	13.09
Middle	2020	44.4	42.9	63	56.25
	2021		42.7	59	55.14
Upper	2020	38.3	40.2	30	26.79
	2021		38.6	33	30.84
Not Available	2020	0.1	0.1	0	0.00
	2021		0.2	0	0.00
<b>Total</b>	<b>2020</b>	100.0	<b>100.00</b>	<b>112</b>	<b>100.00</b>
	<b>2021</b>		<b>100.00</b>	<b>107</b>	<b>100.00</b>

*Source: 2015 ACS Census; 1/1/2020 - 12/31/2021 Lender HMDA Data, 2020 and 2021 HMDA Aggregate Data*

As reflected in the above table, of the total Massachusetts loans originated and purchased by the Lender, 16.96 and 14.02 percent were located in low- and moderate-income level census tracts in 2020 and 2021, respectively. These percentages were generally 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.

Considering that over 80 percent of the area’s owner-occupied housing units are in middle- and upper-income level census tracts, Longbridge’s overall 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 was reviewed to determine the extent to which the Lender is addressing the credit needs of the Commonwealth’s residents. The following table shows Longbridge’s 2020 and 2021 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 2020 and 2021 aggregate lending data (inclusive of Longbridge).

<b>Distribution of HMDA Loans by Borrower Income</b>					
<b>Borrower Income Level</b>	<b>Year</b>	<b>% of MA Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>Longbridge #</b>	<b>Longbridge %</b>
Low	2020	23.3	5.0	98	87.50
	2021		5.9	70	65.42
Moderate	2020	16.4	17.3	11	9.82
	2021		17.8	5	4.67
Middle	2020	19.4	23.2	1	0.89
	2021		22.5	0	0.00
Upper	2020	40.9	42.6	2	1.79
	2021		39.9	0	0.00
Not Available	2020	0.0	11.9	0	0.00
	2021		13.9	32	29.91
<b>Total</b>	<b>2020</b>	100.0	<b>100.00</b>	<b>112</b>	<b>100.00</b>
	<b>2021</b>		<b>100.00</b>	<b>107</b>	<b>100.00</b>

*Source: 2015 ACS Census; 1/1/2020 - 12/31/2021 Lender HMDA Data, 2020 and 2021 HMDA Aggregate Data*

As shown in the above table, a significant majority of Longbridge’s Massachusetts originations and purchases were directed at low-income borrowers, far exceeding both the demographics and aggregate data. The Lender’s lending to moderate-income borrowers was below the aggregate data, as well as the demographics.

The Lender predominately originates the FHA Home Equity Conversion Mortgage (HECM) product, which is typically marketed to elderly fixed income borrowers. A higher percentage of originations for low-income borrowers is expected for reverse lenders compared to the aggregate data, which reflects originations for the mortgage industry and all mortgage products as a whole. It should also be noted that income is not a driving factor in the approval process for reverse mortgage loans, as the ability to repay requirement is focused on the borrowers’ ability to pay property taxes and homeowners insurance. As a result, the income verified and reported for reverse mortgage loans may not reflect the total household income. This may explain the large percentage of low-income borrowers reflected in the above-referenced chart.



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 home ownership given high housing costs. The Lender's overall lending performance to low- and moderate-income borrowers is satisfactory at this time.

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

Longbridge offers some flexible lending products which are provided in a safe and sound manner to address the credit needs of low- and moderate-income individuals and geographies.

Longbridge's primary product offering is the FHA-insured HECM loan, which is the only reverse mortgage insured by the U.S. Federal Government and only available through FHA-approved lenders. The HECM enables borrowers, age 62 or older, to convert a portion of their home equity into a line of credit or receive a lump sum cash-out. The amount available for withdrawal varies by borrower and depends on several factors, including the customer's age, property appraised value, and current interest rates. During the review period, Longbridge originated 165 FHA HECM loans totaling \$45 million. Of these 165 loans, 25 were located in low- and moderate-income geographies. Based on the income reported, it appears that 163 benefited low- and moderate-income individuals. However, as noted above, the income verified and reported for reverse mortgage loans may not reflect the total household income to accurately determine if all loans benefited low- and moderate-income individuals.

In addition, Longbridge offers a proprietary reverse mortgage product called Longbridge Platinum, with larger loan limits than the traditional HECM product. The Lender did not originate any of these proprietary loans in the Commonwealth during the review period, as the program was only approved in Massachusetts in late 2021.

### ***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.

Longbridge uses a third party to sub-service its retained servicing portfolio. As Longbridge does not directly service mortgage loans for Massachusetts consumers, it would not work with delinquent borrowers; therefore, this review did not include an evaluation of loan mitigation and modification efforts. Consequently, lending practices and products for the review period 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 Longbridge's personnel, and individual file review.

Longbridge has established an adequate record relative to fair lending policies and procedural practices. No evidence of discriminatory or illegal credit practices was identified.

### 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 2020 and 2021, Longbridge received 259 HMDA-reportable mortgage loan applications from within Massachusetts. For these applications, the racial and ethnic identity was not specified in 15.06 percent and 14.67 percent of applications, respectively. Of the total applications, 13 or 5.02 percent were received from racial minority applicants, and 10 or 76.92 percent resulted in originations. For the review period, Longbridge received one or 0.39 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, which was originated. This compares to a 63.7 percent overall ratio of mortgage loans originated by the Lender in Massachusetts, and the 56.3 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	2020 Aggregate Data	2020 Longbridge		2021 Aggregate Data	2021 Longbridge	
	% of #	#	%	% of #	#	%
American Indian/ Alaska Native	0.2	0	0.00	0.3	0	0.00
Asian	6.6	0	0.00	6.6	1	0.81
Black/ African American	3.6	7	5.19	4.6	4	3.22
Hawaiian/Pacific Islander	0.1	0	0.00	0.1	0	0.00
2 or more Minority	0.1	0	0.00	0.1	0	0.00
Joint Race (White/Minority)	1.6	0	0.00	1.6	1	0.81
<b>Total Minority</b>	<b>12.1</b>	<b>7</b>	<b>5.19</b>	<b>13.3</b>	<b>6</b>	<b>4.84</b>
White	65.4	124	91.85	61.2	83	66.93
Race Not Available	22.5	4	2.96	25.5	35	28.23
<b>Total</b>	<b>100.0</b>	<b>135</b>	<b>100.00</b>	<b>100.0</b>	<b>124</b>	<b>100.00</b>
Ethnicity	% of #			% of #		
Hispanic or Latino	5.1	0	0.00	6.0	0	0.00
Joint (Hisp-Lat /Non-Hisp-Lat)	1.2	0	0.00	1.2	1	0.81
<b>Total Hispanic or Latino</b>	<b>6.3</b>	<b>0</b>	<b>0.00</b>	<b>7.2</b>	<b>1</b>	<b>0.81</b>
Not Hispanic or Latino	70.4	131	97.04	67.4	89	71.77
Ethnicity Not Available	23.3	4	2.96	25.4	34	27.42
<b>Total</b>	<b>100.0</b>	<b>135</b>	<b>100.00</b>	<b>100.0</b>	<b>124</b>	<b>100.00</b>

Source: 1/1/2020 - 12/31/2021 Lender HMDA Data, 2020 & 2021 HMDA Aggregate Data

In 2020 and 2021, Longbridge's overall racial minority application flow was below both the ACS data and the aggregate data. The ethnic minority flow reflected similar levels of performance.

#### ***VI. Loss of Affordable Housing***

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

## **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.

Longbridge'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.

Longbridge has participated in events with and given monetary support to the nonprofit HomeFree-USA. HomeFree-USA's mission is to close the racial homeownership gap by offering people the guidance they need to achieve financial literacy and sustained homeownership through rent-to-own and other programs. In Massachusetts, HomeFree-USA is affiliated with Cambridge Credit Counseling Corp. of Agawam. Longbridge is also pursuing opportunities to collaborate with HomeFree-USA, as well as with other reverse mortgage lenders, to find ways to fund additional post-closing counseling for consumers who are struggling to pay taxes, insurance or maintain their home after closing on a reverse mortgage.

### **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. Longbridge provides a satisfactory delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in the Commonwealth.

Longbridge refers, in writing, any borrower to credit counseling if there is a monetary default on their reverse mortgage. These referrals are to FHA-approved counseling agencies for borrowers to seek assistance with default resolution.

Longbridge also participates in the Homeowners Assistance Fund (HAF) in every state, which provides access to federal funds allocated to assist borrowers who are in monetary default and qualify for assistance.

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.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 255E, Section 8, and the Division's regulation 209 CMR 54.00, require 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.