

PUBLIC DISCLOSURE

OCTOBER 3, 2019

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**MEMBER ADVANTAGE MORTGAGE, LLC
ML1557**

**3330 BROADMOOR SE, SUITE B
GRAND RAPIDS, MI 49512-8192**

**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 **Member Advantage Mortgage, LLC (Lender or Member Advantage)** 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 **October 3, 2019**.

SCOPE OF EXAMINATION

An evaluation was conducted using examination procedures, as defined by CRA guidelines. A review of the Division's records, as well as the Lender's public CRA file, did not reveal any complaints.

The CRA examination included a comprehensive review and analysis, as applicable, of Member Advantage'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 Member Advantage's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Member Advantage's lending and community development activities for the period of January 1, 2017, through December 31, 2018. The data and applicable timeframes for the Lending Test and the Service Test are discussed below.

The Lending Test evaluates the mortgage lender's community investment performance pursuant to the following six criteria: geographic distribution of loans, lending to borrowers of different incomes, innovative and flexible lending practices, loss mitigation efforts, fair lending, and loss of affordable housing.

Home mortgage lending for 2017, together with preliminary data for 2018, is presented in the geographic distribution, lending to borrowers of different incomes, and 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 Home Mortgage Disclosure Act (HMDA) lending data is available. The aggregate lending data is used for comparison purposes

within the evaluation and is a measure of loan demand. It includes lending information from all HMDA reporting mortgage lenders which originated loans in the Commonwealth.

In addition 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 reasonable dispersion in low- and moderate-income level census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects a reasonable record of serving the credit needs among individuals of different income levels.
- Member Advantage 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 is reasonably engaged in community development, and its service delivery systems are accessible to geographies and individuals of different income levels in the Commonwealth.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Member Advantage was founded in 2006 as a Credit Union Service Organization (CUSO) and is wholly owned consolidated subsidiary of CUSO Development Company LLC, which is organized and operated by five credit unions. The Lender was granted a mortgage lender license by the Division in 2007. Member Advantage is licensed or registered in 19 states as well as the District of Columbia. Member Advantage maintains four branch locations within Massachusetts located at partner credit unions.

The Lender's business model focuses on the retail origination and underwriting of conventional and government loans. Member Advantage generates all business through a network of partner credit unions. Loan officers employed by Member Advantage at the partner credit unions submit applications electronically through Member Advantage's loan system. All underwriting and other major functions are performed at the Lender's main office in Michigan. Servicing is retained on the majority of loans, while government-guaranteed loans are sold primarily with servicing rights released.

Demographic Information

The regulation requires mortgage lenders to be evaluated on their performance within the Commonwealth. Demographic data is provided below to offer contextual overviews of economic climate along with housing and population characteristics for Massachusetts.

DEMOGRAPHIC INFORMATION						
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		2.9*	
2017 HUD Adjusted Median Family Income		\$91,119	2018 HUD Adjusted Median Family Income		\$95,779	

Source: 2015 ACS

*as of 08/31/2019

Based on the 2015 American Community Survey (ACS), the Commonwealth's population was above 6.7 million people with a total of 2.8 million housing units. Of the total housing units, 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 were 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 of Housing and Urban Development (HUD) adjusted median family income was \$91,119 in 2017 and \$95,779 in 2018. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth 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 2.9 percent as of August 2019, a decrease from June 2019 when the unemployment rate was at 3.0 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. Member Advantage'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 Member Advantage.

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

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well Member Advantage is addressing the credit needs throughout Massachusetts. The following table presents, by number, Member Advantage's 2017 and preliminary 2018 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 2017 aggregate lending data (inclusive of Member Advantage).

Distribution of HMDA Loans by Income Level Category of the Census Tract						
Census Tract Income Level	Total Owner- Occupied Housing Units	2017 Member Advantage		2017 Aggregate Lending Data	2018 Member Advantage	
		#	%		#	%
	%	#	%	% of #	#	%
Low	3.4	8	5.33	4.84	6	4.51
Moderate	13.8	13	8.67	15.86	16	12.03
Middle	44.4	73	48.67	43.50	60	45.11
Upper	38.3	55	36.66	35.65	49	36.84
N/A	0.1	1	0.67	0.15	2	1.51
Total	100.0	150	100.00	100.00	133	100.00

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

As reflected in the above table, of the total loans originated in 2017 and 2018, 14.00 and 16.54 percent respectively, were in the low- and moderate-income level census tracts. The low-income category percentages were comparable to the percentage of the area's owner-occupied housing units, as well as the aggregate percentages. The origination figures for moderate-income level census tracts were below both of these indicators.

Considering that over 80.0 percent of the area's owner-occupied housing units are located in middle- and upper-income level census tracts, overall, the Lender's geographic distribution of residential mortgage loans reflects a reasonable dispersion throughout low- and moderate-income level geographies within the Commonwealth.

II. Borrower Characteristics

The distribution of loans by borrower income levels was reviewed to determine the extent to which the Lender is addressing the credit needs of the Commonwealth's residents. The following table shows Member Advantage's 2017 and preliminary 2018 HMDA-reportable loans to low-, moderate-, middle-, and upper-income borrowers in comparison to the percentage of total families within the Commonwealth in each respective income group, and the 2017 aggregate lending data (inclusive of Member Advantage).

Distribution of HMDA Loans by Borrower Income						
Median Family Income Level	% of Families	2017 Member Advantage		2017 Aggregate Lending Data	2018 Member Advantage	
		#	%	% of #	#	%
Low	23.3	7	4.67	5.24	5	3.76
Moderate	16.4	32	21.33	17.63	39	29.32
Middle	19.4	41	27.33	23.35	43	32.33
Upper	40.9	70	46.67	40.75	46	34.59
N/A	0.0	0	0.0	13.03	0	0.0
Total	100.0	150	100.00	100.00	133	100.00

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

As shown in the above table, lending to low-income borrowers in 2017 and 2018 was below the demographic and aggregate data, while Member Advantage's lending to moderate-income consumers during that same period exceeded the demographic and aggregate data.

Although lending to low-income borrowers decreased from 2017 to 2018, the Lender's overall lending performance to low- and moderate-income borrowers remains adequate.

III. Innovative or Flexible Lending Practices

Member Advantage offers a variety of flexible lending products, which are provided in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Since 2008, Member Advantage has maintained HUD-approved Non-Supervised FHA Loan Correspondent status. Although they contain imbedded insurance premiums, FHA products provide generally competitive interest rates and smaller down payments for low- and moderate-income first time homebuyers and existing homeowners. During the review period, Member Advantage originated 19 FHA loans totaling \$4 million. Of these, six loans benefited moderate-income borrowers, while nine loans were originated in low- and moderate-income level geographies.

The Lender has been a Department of Veterans Affairs' (VA) Automatic Approval Agent since 2008. The VA Home Loan Guarantee Program is designed specifically for the unique challenges facing service members and their families. Through VA-approved lenders like Member Advantage, the program offers low closing costs, no down payment requirement, and no private mortgage insurance requirement. In addition, under certain circumstances the Service Members