

**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**

<p><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.</p>
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## 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

Civil Relief Act provides military personnel with rights and protections on issues relative to mortgage interest rates and foreclosure proceedings. During the review period, Member Advantage originated seven VA loans totaling over \$1 million. Of these, four loans benefited moderate-income borrowers, while none were originated in low- and moderate-income level geographies.

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

The Lender also offers variety of additional loan programs, including FNMA HomeReady, Federal Home Loan Mortgage Corporation (FHLMC) Home Possible, and FHLMC Home Possible Advantage. These programs are designed to extend to consumers certain benefits and flexible credit options, help them meet their home buying, refinance or renovation needs, and help mortgage lenders confidently serve a market of creditworthy low- to moderate-income borrowers. During the review period, the Member Advantage's 18 Massachusetts loans closed under these flexible lending programs, exceeding \$3 million in origination volume.

#### ***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 or such modifications, and the extent to which such modifications are effective in preventing subsequent defaults or foreclosures

Member Advantage uses a third party to sub-service its retained servicing portfolio. The review of sub-servicer and investor score cards revealed overall default rates to be consistent with industry averages.

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 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 Member Advantage's personnel, and individual file review. No evidence of disparate treatment was identified.



Member Advantage has established an adequate record relative to fair lending policies and practices.

Fair lending is incorporated in Member Advantage's company-wide policies and procedures that apply to all employees. Relevant fair lending training is distributed to appropriate personnel on at least an annual basis.

Senior management is responsible for ensuring that the Lender is in compliance with current laws and regulations, and for making necessary changes and updates to policies and procedures. Member Advantage utilizes a quality control team to conduct periodic fair lending reviews, and an outside vendor for annual compliance audits.

### **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 2017 and 2018, Member Advantage received 570 HMDA-reportable mortgage loan applications from within Massachusetts. The racial and ethnic identity was not specified in approximately 30 percent of cases. Of the remaining applications, 69 or 12.11 percent were received from racial minority applicants, and 24 or 34.78 percent resulted in originations. For the review period, Member Advantage received 29 or 5.09 percent of HMDA reportable applications from ethnic groups of Hispanic or Latino origin, and 16 or 55.17 percent were originated. This compares to 49.65 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 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	2017 Member Advantage		2017 Aggregate Data	2018 Member Advantage	
	#	%	% of #	#	%
American Indian/ Alaska Native	0	0.00	0.25	1	0.31
Asian	9	3.60	5.46	14	4.38
Black/ African American	11	4.40	4.14	23	7.19
Hawaiian/Pacific Islander	1	0.40	0.15	0	0.00
2 or more Minority	2	0.80	0.08	0	0.00
Joint Race (White/Minority)	4	1.60	1.44	4	1.25
<b>Total Minority</b>	<b>27</b>	<b>10.80</b>	<b>11.52</b>	<b>42</b>	<b>13.13</b>
White	134	53.60	66.95	196	61.25
Race Not Available	89	35.60	21.53	82	25.62
<b>Total</b>	<b>250</b>	<b>100.00</b>	<b>100.00</b>	<b>320</b>	<b>100.00</b>
<b>ETHNICITY</b>					
Hispanic or Latino	9	3.60	5.28	12	3.75
Joint (Hisp-Lat /Not Hisp-Lat)	1	0.40	1.13	7	2.19
<b>Total Hispanic or Latino</b>	<b>10</b>	<b>4.00</b>	<b>6.41</b>	<b>19</b>	<b>5.94</b>
Not Hispanic or Latino	144	57.60	72.38	217	67.81
Ethnicity Not Available	96	38.40	21.21	84	26.25
<b>Total</b>	<b>250</b>	<b>100.00</b>	<b>100.00</b>	<b>320</b>	<b>100.00</b>

Source: 2017 & 2018 HMDA LAR Data and 2015 ACS

In 2017 and 2018, Member Advantage's overall racial minority application flow was generally in-line with the ACS demographic data and the aggregate data. The percentage of applications received from ethnic minority applicants was below both the demographics and aggregate data, although the application flow increased from 2017 to 2018.

## VI. *Loss of Affordable Housing*

This review concentrated on the suitability and sustainability of mortgage loans originated by Member Advantage 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. Overall delinquency rates were found to be comparable to industry averages.

## **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.

Member Advantage'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.

The Lender's mortgage loan originators that are located in Massachusetts periodically offer "Homebuyer 101" education seminars. The goal of these seminars is to educate prospective homebuyers on the home buying process, the responsibilities of homeownership, types of financing that are available, and the process, requirements, and documentation needed to obtain a mortgage loan. Attendance is not restricted to credit union membership, although these seminars are marketed via partner credit union websites.

Management is encouraged to seek additional opportunities to offer community development activities that meet the definition of "community development" under the CRA regulation. Examples may include, but are not necessarily limited to, financial literacy education initiatives, homeownership promotion targeted to low- and moderate-income individuals, foreclosure prevention counseling throughout the Commonwealth, and/or technical assistance to community organizations in a leadership capacity.

### **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.

Member Advantage does not currently engage in any qualified community development investments.



## **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.

Member Advantage provides reasonable delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in the Commonwealth.

Since 2013, Member Advantage offers loan products guaranteed by the U.S. Department of Agriculture (USDA). The USDA's Rural Housing Program is an innovative loan program that provides 100% financing for eligible homebuyers in rural-designated areas. This program is for home purchase transactions and does not require a down payment. Income requirements do apply and the property must be located in a rural development designated area. In addition, Farm Service Agency loan products provide flexible temporary financing for customers who are planning to start, purchase, sustain or expand a family farm. However, for the current review period, Member Advantage did not originate any loans under these programs in the Commonwealth.

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 209 CMR 54.00, the CRA regulation, 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.