

PUBLIC DISCLOSURE

SEPTEMBER 20, 2021

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**MEMBERS MORTGAGE COMPANY, INC.
ML1292, DC0448**

**90 MAPLE STREET
STONEHAM, MASSACHUSETTS 02180**

**DIVISION OF BANKS
1000 WASHINGTON STREET
BOSTON, MASSACHUSETTS 02118**

| |
|--|
| <p>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.</p> |
|--|

GENERAL INFORMATION

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **Members Mortgage Company, Inc. (Members Mortgage or Lender)** pursuant to the Massachusetts General laws chapter 255E, section 8 and the Division of Banks' (Division) regulation 209 CMR 54.00, prepared by the Division, the Lender's supervisory agency, as of September 23, 2021.

SCOPE OF EXAMINATION

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

The CRA examination included a comprehensive review and analysis, as applicable, of Members Mortgage'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 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 Members Mortgage's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Members Mortgage's lending and community development activities for the period of January 1, 2019 through December 31, 2020. The data and applicable timeframes for the Lending Test and Service Test are discussed below.

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

Home mortgage lending data for 2019 and 2020 is presented in the geographic distribution, lending to borrowers of different incomes, and minority application flow tables. Comparative analysis of the Lender's lending performance for 2019 and 2020 is provided as they are the most recent years 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 that originated loans in Massachusetts.

In addition to gathering and evaluating statistical information relative to a mortgage lender's loan volume, the CRA examination also reflects an in-depth review of the entity's mortgage lending using qualitative analysis. This analysis includes, but is not limited to, an assessment of the suitability and sustainability of a mortgage lender's loan products by reviewing its internally maintained records of delinquencies and defaults as well as information publicly available through the Federal Reserve Banks, local Registries of Deeds, and other sources available to the examination team. The examination included inspection of the Lender's individual loan files for review of compliance with consumer protection provisions and scrutiny of these files for the occurrence of disparate treatment based on a prohibited basis.

The Service Test evaluates 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 LMI census tracts as compared to the distribution of owner occupied housing in those census tracts.
- The distribution of borrowers, given the demographics of Massachusetts, reflects a reasonable record of serving the credit needs among individuals of different income levels.
- Members Mortgage exhibited use of innovative or flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI level individuals.
- The lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable.
- Fair lending policies and practices are considered adequate.

Service Test: "Satisfactory"

- Members Mortgage provides an adequate delivery of mortgage lending and a reasonable level of community development services within Massachusetts.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Members Mortgage was established in Massachusetts in August 1994 and was granted a license by the Division as a mortgage lender in November 1994. Members Mortgage is also licensed in the states of California, Connecticut, Florida, Maine, New Hampshire, and Rhode Island. The Lender’s headquarters and only office is located at 90 Maple Street, Stoneham, Massachusetts. Members Mortgage provides lending services to credit unions and their members across New England and focuses on retail origination of first lien conventional loans for purchases and refinance. The Lender is also an approved Department of Housing and Urban Development (HUD) direct endorsement mortgage lender and offers Federal Housing Administration (FHA) loan products. Members Mortgage is considered a small servicer as it services a small percentage of loans on behalf of credit union partners. The majority of originations are sold on the secondary market with servicing rights released.

During 2019 and 2020, Members Mortgage originated 2,204 loans totaling approximately \$895 million in Massachusetts.

Demographic Information

The Division’s regulation 209 CMR 54.00 requires mortgage lenders to be evaluated on their performance within Massachusetts. Demographic data is provided below to offer contextual overviews of the economic climate along with housing and population characteristics for Massachusetts.

| 2015 DEMOGRAPHIC INFORMATION OF THE COMMONWEALTH | | | | | | |
|---|---------------|--------------|--|-----------------|----------------|--------------|
| Demographic Characteristics | Amount | Low % | Moderate % | Middle % | Upper % | N/A % |
| Geographies (Census Tracts) | 1,478 | 12.2 | 19.1 | 37.5 | 29.2 | 2.0 |
| Population by Geography | 6,705,586 | 10.1 | 18.6 | 38.9 | 31.9 | 0.5 |
| Owner-Occupied Housing by Geography | 1,583,667 | 3.4 | 13.8 | 44.4 | 38.3 | 0.1 |
| Family Distribution by Income Level | 1,620,917 | 23.3 | 16.4 | 19.4 | 40.9 | 0.0 |
| Distribution of Low and Moderate Income Families | 643,491 | 17.8 | 25.8 | 37.6 | 18.7 | 0.1 |
| Median Family Income | \$93,145 | | Median Housing Value | | | \$358,764 |
| Households Below Poverty Level | 12.0% | | Unemployment Rate | | | 8.4%* |
| 2019 HUD Adjusted Median Family Income | \$101,200 | | 2020 HUD Adjusted Median Family Income | | | \$104,900 |

Source: 2015 American Community Survey (ACS); *Bureau of Labor Statistics as of 12/31/2020

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

According to 2015 ACS data, there are 2.5 million households in Massachusetts with a median of household income of \$74,527. Over 41 percent of households were classified as low- to moderate-

income (LMI). Twelve percent of the total number of households are living below the poverty level. Individuals in these categories may find it difficult to qualify for traditional mortgage loan products.

Households classified as “families” totaled slightly over 1.6 million. Of all family households, 23.3 percent were low-income, 16.4 percent were moderate-income, 19.4 percent were middle-income, and 40.9 percent were upper-income. The median family income reported by the 2015 ACS was \$93,145. The HUD adjusted median family income was \$101,200 in 2019 and increased to \$104,900 in 2020. The HUD adjusted median family income is updated yearly and takes into account inflation and other economic factors.

Massachusetts contains 1,478 Census tracts. Of these, 181 or 12.2 percent are low-income; 282 or 19.1 percent are moderate-income; 555 or 37.5 percent are middle-income; 431 or 29.2 percent are upper-income; and 29 or 2.0 percent are NA or have no income designation. The tracts with no income designation are located in areas that contain no housing units and will not be included in this evaluation since they provide no lending opportunities. These areas are made up of correctional facilities, universities, military installations, and uninhabited locations such as the Boston Harbor Islands.

Low-income is defined as individual income that is less than 50 percent of the area median income. Moderate-income is defined as individual income that is at least 50 percent and less than 80 percent of the area median income. Middle-income is defined as individual income that is at least 80 percent and less than 120 percent of the area median income. Upper-income is defined as individual income that is more than 120 percent of the area median income.

The median housing value for Massachusetts was \$358,764 according to the 2015 ACS data. The unemployment rate for the Massachusetts as of December 31, 2020, was 8.4 percent, which was an increase from December 31, 2019, at which time it was 2.9 percent, according to the Bureau of Labor Statistics. Employment rates would tend to affect a borrower’s ability to remain current on mortgage loan obligations and also correlates to delinquency and default rates.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TEST

LENDING TEST

The Lending Test evaluates a mortgage lender’s record of helping to meet the mortgage credit needs of the Commonwealth through its lending activities. Lending performance is rated under six performance criteria: geographic distribution, borrower characteristics, innovative or flexible lending practices, loss mitigation efforts, fair lending policies and procedures, and loss of affordable housing. The following information details the data compiled and reviewed, as well as conclusions on the mortgage lending of Members Mortgage.

Members Mortgage’s Lending Test performance was determined to be “Satisfactory” at this time.

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well Members Mortgage is addressing the credit needs throughout Massachusetts’ low-, moderate-, middle-, and upper-income census tracts. The table below shows the distribution of HMDA-reportable loans by census tract income level. Lending activity is compared with the percent of owner-occupied housing units based on the 2015 ACS demographics and is also compared to aggregate lending performance in 2019 and 2020.

| <i>Geographic Distribution of HMDA loans by Census Tract</i> | | | | | | |
|--|--|-------------------------------------|--------------|--------------|-----------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2019 | 3.4 | 4.4 | 30 | 5.1 | 10,218 | 5.0 |
| 2020 | | 3.6 | 51 | 2.3 | 12,484 | 1.8 |
| Moderate | | | | | | |
| 2019 | 13.8 | 14.6 | 78 | 13.3 | 24,489 | 11.9 |
| 2020 | | 13.2 | 230 | 10.4 | 64,450 | 9.4 |
| Middle | | | | | | |
| 2019 | 44.4 | 43.5 | 280 | 47.8 | 93,559 | 45.3 |
| 2020 | | 42.9 | 963 | 43.4 | 280,796 | 40.8 |
| Upper | | | | | | |
| 2019 | 38.3 | 37.4 | 198 | 33.8 | 78,292 | 37.8 |
| 2020 | | 40.2 | 969 | 43.7 | 329,259 | 47.8 |
| Not Available | | | | | | |
| 2019 | 0.1 | 0.1 | 0 | 0.0 | 0 | 0.0 |
| 2020 | | 0.1 | 5 | 0.2 | 1,545 | 0.2 |
| Totals | | | | | | |
| 2019 | 100.0 | 100.0 | 586 | 100.0 | 206,558 | 100.0 |
| 2020 | | 100.0 | 2,218 | 100.0 | 688,534 | 100.0 |

Source: 2019 and 2020 Lender, 2019 and 2020 Aggregate HMDA Data and 2015 ACS

Members Mortgage geographic distribution of loans in low-income tracts was above both the aggregate and demographic in 2019. The Lender’s performance in moderate-income tracts was below both the aggregate and demographic in 2019. The Lender’s performance of lending in LMI tracts decreased from 18.4 percent in 2019 to 12.7 percent in 2020. The Lender’s overall lending increased from 2019 to 2020 and the number of loans originated to LMI census tract increased between both years. Members Mortgage’s geographic distribution of residential mortgage is adequate.

II. Borrower Characteristics

The distribution of loans by borrower income levels was reviewed to determine the extent to which the Lender is addressing the credit needs of Massachusetts’ residents. The table below illustrates HMDA-reportable loan originations and purchases, categorized by borrower income level that were reported by Members Mortgage during 2019 and 2020, and compares this activity to 2019 and 2020 aggregate lending data and the percentage of families by income level within Massachusetts using the 2015 ACS demographics.

| <i>Distribution of HMDA Loans by Borrower Income</i> | | | | | | |
|---|----------------------|-------------------------------------|--------------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2019 | 23.3 | 6.0 | 16 | 2.7 | 3,069 | 1.5 |
| 2020 | | 5.0 | 67 | 3.0 | 10,644 | 1.6 |
| Moderate | | | | | | |
| 2019 | 16.4 | 18.2 | 90 | 15.4 | 23,884 | 11.6 |
| 2020 | | 17.3 | 360 | 16.2 | 81,100 | 11.8 |
| Middle | | | | | | |
| 2019 | 19.4 | 22.8 | 176 | 30.0 | 56,396 | 27.3 |
| 2020 | | 23.2 | 591 | 26.7 | 164,775 | 23.9 |
| Upper | | | | | | |
| 2019 | 40.9 | 39.8 | 304 | 51.9 | 123,209 | 59.6 |
| 2020 | | 42.6 | 1,197 | 54.0 | 431,358 | 62.6 |
| Not Available | | | | | | |
| 2019 | 0.0 | 13.2 | 0 | 0.0 | 0 | 0.0 |
| 2020 | | 11.9 | 3 | 0.1 | 657 | 0.1 |
| Totals | | | | | | |
| 2019 | 100.0 | 100.0 | 586 | 100.0 | 206,558 | 100.0 |
| 2020 | | 100.0 | 2,218 | 100.0 | 688,534 | 100.0 |
| <i>Source: 2019 and 2020 Lender, 2019 and 2020 Aggregate HMDA Data and 2015 ACS</i> | | | | | | |

Lending to LMI borrowers during 2019 was below the percentage of LMI families and below the aggregate. In 2020, lending to LMI borrowers was below the aggregate. The Lender’s performance among LMI borrowers increased from 2019 to 2020 from 18.1 percent to 19.2 percent. The number of originated loans to both LMI borrowers also increased from 2019 to 2020.

According to the 2015 census data, 12 percent of the families within the Commonwealth have incomes below the poverty threshold and would most likely not qualify for the home ownership considering the presence of high housing costs. The aggregate among LMI borrowers also decreased from 2019 to 2020 from 24.2 percent to 22.3 percent. The Lender's overall lending performance to LMI borrowers is reasonable at this time.

III. *Innovative or Flexible Lending Practices*

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

As an approved HUD direct endorsement mortgage lender, the Lender offers FHA loan products. FHA products provide competitive interest rates and smaller down payment requirements for LMI first time homebuyers and existing homeowners. During the review period, Members Mortgage originated eight FHA loans totaling \$2.7 million. Of these, four benefited LMI individuals or geographies.

The Lender also offers the Fannie Mae Home Ready Program designed to assist eligible applicants obtain an affordable mortgage. During the review period, the Lender originated 60 loans totaling \$16.7 million under this program that benefited LMI individuals or geographies.

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.

Members Mortgage is considered a small servicer as it services a small percentage of loans on behalf of its credit union partners. There was one foreclosure sale and no loans modified or restructured during the examination period. The majority of originations are sold on the secondary market with servicing rights released. Lending and servicing practices did not show an undue concentration or 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, a review of written policies and procedures, interviews with Members Mortgage's personnel, and individual file review.

Members Mortgage has established a reasonable record relative to fair lending policies and practices. No evidence of discriminatory or other illegal credit practices was identified.

Minority Application Flow

Examiners reviewed Members Mortgage’s HMDA data to determine whether the mortgage application flow from various racial and ethnic groups was consistent with the area demographics.

During 2019 and 2020, Members Mortgage received 3,874 HMDA-reportable mortgage loan applications from within Massachusetts. Of these applications, 384 or 9.9 percent were received from racial minority applicants, and 264 or 68.6 percent resulted in originations. For the same period, Members Mortgage received 169 or 4.4 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, and 121 or 71.6 percent were originated. This compares to the 72.4 percent overall ratio of mortgage loans originated by the Lender in Massachusetts in 2019 and 2020 and the 71.6 percent originated by the aggregate group in 2019 and 2020. Demographic information for Massachusetts reveals the total racial and ethnic minority population stood at 25.7 percent of total population per the 2015 ACS. Racial minorities consisted of 6.5 percent Black; 6.0 percent Asian/Pacific Islander; 0.1 percent American Indian/Alaskan Native; and 2.6 percent self-identified as Other Race. Ethnic minorities consisted of 10.5 percent Hispanic or Latino.

Refer to the following table for information on the Lender’s minority application flow as well as a comparison to aggregate lenders throughout Massachusetts. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Lender received from minority applicants.

| MINORITY APPLICATION FLOW | | | | | | |
|---|------------------------|--------------|------------------------------------|------------------------|--------------|------------------------------------|
| RACE | 2019 Lender | | 2019 Aggregate Data | 2020 Lender | | 2020 Aggregate Data |
| | # | % | % of # | # | % | % of # |
| American Indian/ Alaska Native | 0 | 0.0 | 0.2 | 2 | 0.1 | 0.2 |
| Asian | 30 | 3.8 | 5.8 | 122 | 4.0 | 6.6 |
| Black/ African American | 29 | 3.7 | 4.2 | 110 | 3.6 | 3.6 |
| Hawaiian/Pac Isl. | 0 | 0.0 | 0.2 | 1 | 0.0 | 0.1 |
| 2 or more Minority | 1 | 0.1 | 0.1 | 1 | 0.0 | 0.1 |
| Joint Race (White/Minority) | 23 | 2.9 | 1.4 | 65 | 2.1 | 1.5 |
| Total Minority | 83 | 10.5 | 11.9 | 301 | 9.8 | 12.1 |
| White | 393 | 49.6 | 65.6 | 1,604 | 52.0 | 65.4 |
| Race Not Available | 316 | 39.9 | 22.5 | 1,177 | 38.2 | 22.5 |
| Total | 792 | 100.0 | 100.0 | 3,082 | 100.0 | 100.0 |
| ETHNICITY | | | | | | |
| Hispanic or Latino | 16 | 2.0 | 5.8 | 85 | 2.8 | 5.1 |
| Not Hispanic or Latino | 439 | 55.4 | 70.3 | 1,735 | 56.3 | 70.4 |
| Joint (Hisp/Lat /Not Hisp/Lat) | 14 | 1.8 | 1.1 | 54 | 1.8 | 1.2 |
| Ethnicity Not Available | 323 | 40.8 | 22.8 | 1,208 | 39.1 | 23.3 |
| Total | 792 | 100.0 | 100.0 | 3,082 | 100.0 | 100.0 |
| <i>Source: 2019 and 2020 Lender, 2019 and 2020 Aggregate HMDA Data and 2015 ACS</i> | | | | | | |

In 2019 and 2020, Members Mortgage's performance was below the aggregate's performance for minority applicants. For 2019 and 2020, the Lender's performance was below the aggregate's performance for ethnic minority applicants of Hispanic origin. The Lender's performance was essentially the same for 2019 to 2020 for racial minority applicants and ethnic minority applicants at 14.3 and 14.4, respectively.

VI. Loss of Affordable Housing

The review concentrated on the suitability and sustainability of mortgage loans originated by Members Mortgage by taking into account delinquency and default rates of the Lender and those of the overall marketplace. Information provided by the Lender was reviewed, as were statistics available on delinquency and default rates for mortgage loans.

A review of information and documentation, from both internal and external sources as partially described above, did not reveal lending practices or products that showed an undue concentration of a systematic pattern of lending, including a pattern of early payment defaults resulting in the loss of affordable housing units.

SERVICE TEST

The Service Test evaluates a mortgage lender's record of helping to meet the mortgage credit needs in the Commonwealth by analyzing both the availability and effectiveness of a mortgage lender's systems for delivering mortgage loan products; the extent and innovativeness of its community development services; and loss mitigation services to modify loans or otherwise keep delinquent home loan borrowers in their homes. Community development services must benefit Massachusetts or a broader regional area that includes Massachusetts.

Members Mortgage's Service Test performance was determined to be **"Satisfactory"** during the evaluation period.

Community Development Services

A community development service is a service that:

- (a) has as its primary purpose community development; and
- (b) is related to the provision of financial services, including technical services

The Commissioner evaluates community development services pursuant to the following criteria:

- (a) the extent to which the mortgage lender provides community development services; and
- (b) the innovativeness and responsiveness of community development services.

During the review period, the Lender provided an adequate level of community development services within the Commonwealth.

During the review period, Member Mortgage hosted 26 home buying seminars along with its credit union partners. The homebuyers' seminars were both in-person and virtually during the COVID-19 pandemic. Topics included mortgage terminology, the home buying process, and the documentation required.

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

Mortgage Lending Services

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

Members Mortgage primarily provides Fannie Mae products to borrowers through a network of partner credit unions throughout Massachusetts. Fannie Mae Home Ready and FHA loans products are also available. Non-credit union members may also apply directly with Members Mortgage either over the telephone, through its online mortgage application portal, or in-person at its Stoneham office. The Lender has online resources and learning center featuring information on financial topics and the

mortgage process in general. Members Mortgage's servicing department is responsible for loss mitigation and delinquencies for the small amount of loans that are being serviced.

As described above, lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable. Overall, the Lender provides an adequate delivery of mortgage lending services throughout the Commonwealth.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 255E, Section 8, and 209 CMR 54.00, the Mortgage Lender Community Investment (CRA) regulation, require all mortgage lenders to take the following actions within 30 business days of receipt of the CRA evaluation of their mortgage lender:

- 1) Make its most current CRA performance evaluation available to the public.
- 2) Provide a copy of its current evaluation to the public, upon request. The mortgage lender is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the mortgage lender's evaluation, as prepared by the Division of Banks, may not be altered or abridged in any manner. The mortgage lender is encouraged to include its response to the evaluation in its CRA public file.

The Division of Banks will publish the mortgage lender's Public Disclosure on its website no sooner than 30 days after the issuance of the Public Disclosure.