

PUBLIC DISCLOSURE

JANUARY 7, 2021

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**MID-ISLAND MORTGAGE CORP.
MC1259**

**900 MERCHANTS CONCOURSE, SUITE 112
WESTBURY, NY 11590**

**DIVISION OF BANKS
1000 WASHINGTON STREET
BOSTON, MA 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>
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GENERAL INFORMATION

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **Mid-Island Mortgage Corp. (Lender or Mid-Island)** 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 **January 7, 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.

The CRA examination included a comprehensive review and analysis, as applicable, of Mid-Island'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 Mid-Island's community investment performance. These procedures utilize a single performance test, the Lending Test. This evaluation considered Mid-Island's lending for the period of January 1, 2018 through December 31, 2019. The data and applicable timeframes for this Lending 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 2018 and 2019 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 2019 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.

MORTGAGE LENDER'S CRA RATING:

This mortgage lender is rated “Satisfactory.”

Lending Test: “Satisfactory”

- The geographic distribution of the Lender’s loans reflects a satisfactory dispersion in low- and moderate-income level census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects an adequate record of serving the credit needs among individuals of different income levels.
- Mid-Island 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 the consequent loss of affordable housing units.
- Fair lending policies and practices are considered adequate.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Mid-Island Mortgage Corp. (Mid-Island or Licensee) incorporated in New York on May 13, 1959, and registered as a foreign corporation in Massachusetts on August 11, 2003. The Division granted the Licensee a mortgage lender license on February 11, 2004, and subsequently granted a mortgage broker license on November 20, 2006. Mid-Island is similarly licensed in 17 additional states, primarily on the East Coast, and engages in the origination, underwriting, funding, and sale of residential mortgage loans. In addition to its main office location in New York, the Lender maintains a Massachusetts branch location in Woburn.

All underwriting and major functions in the loan process are performed at Mid-Island's main office. Approved loans are funded through established warehouse lines of credit and sold to agencies and various other secondary market investors with servicing rights released as well as retained. The Licensee maintains a third-party sub-servicing agreement for loans on which it retains servicing rights. Business development relies primarily on direct marketing, professional referrals, and repeat customers.

Demographic Information

The Division's regulation 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.

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		2.8%*	
2018 HUD Adjusted Median Family Income	\$95,500		2019 HUD Adjusted Median Family Income		\$101,200	

Source: 2015 ACS

*as of 12/31/2019

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 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 \$95,500 in 2018 and \$101,200 in 2019. 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 2.8 percent as of December 2019. 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. Mid-Island’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 Mid-Island.

Mid-Island’s Lending Test performance was determined to be “**Satisfactory**”.

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well Mid-Island is addressing credit needs throughout Massachusetts. The following table presents, by number, Mid-Island’s 2018 and 2019 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 2019 aggregate lending data (inclusive of Mid-Island).

Distribution of HMDA Loans by Income Level Category of the Census Tract						
Census Tract Income Level	Total Owner-Occupied Housing Units	2018 Mid-Island		2019 Aggregate Lending Data	2019 Mid-Island	
	%	#	%	% of #	#	%
Low	3.4	4	5.3	4.4	1	1.1
Moderate	13.8	16	21.3	14.6	20	22.0
Middle	44.4	42	56.0	43.5	52	57.1
Upper	38.3	13	17.3	37.3	18	19.8
N/A	0.1	0	0.0	0.2	0	0.0
Total	100.0	75	100.0	100.0	91	100.0

Source: 2018 & 2019 HMDA LAR Data and 2015 ACS Data.

As reflected in the above table, of the total loans originated by Mid-Island in 2018 and 2019, 26.6 and 23.1 percent respectively, were in the low- and moderate-income level census tracts. These percentages were comparable to or above 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, Mid-Island’s overall geographic distribution of residential mortgage loans reflects a satisfactory 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 Mid-Island’s 2018 and 2019 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 2019 aggregate lending data (inclusive of Mid-Island).

Distribution of HMDA Loans by Borrower Income						
Median Family Income Level	% of Families	2018 Mid-Island		2019 Aggregate Lending Data	2019 Mid-Island	
		#	%	% of #	#	%
Low	23.3	4	5.3	6.0	10	11.0
Moderate	16.4	17	22.7	18.2	19	20.9
Middle	19.4	21	28.0	22.8	26	28.6
Upper	40.9	33	44.0	39.8	36	39.5
N/A	0.0	0	0.0	13.2	0	0.0
Total	100.0	75	100.0	100.0	91	100.0

Source: 2018 & 2019 HMDA LAR Data and 2015 ACS Data.

As shown in the above table, at 28.0 percent and 31.9 percent respectively, lending to low- and moderate-income borrowers in 2018 and 2019 was in-line with the aggregate data. Mid-Island’s lending to low-income borrowers during that same period was below the demographic levels. The Lender’s overall lending performance of providing mortgage loans to low- and moderate-income borrowers is adequate.

III. Innovative or Flexible Lending Practices

Mid-Island 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.

Mid-Island maintains HUD-approved Non-Supervised Federal Housing Administration (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, Mid-Island originated 42 FHA loans totaling \$16 million. Of these, 20 loans benefited low- to moderate-income borrowers, while 14 loans were originated in moderate-income level geographies.

The Lender is also a Department of Veterans Affairs (VA) Automatic Approval Agent. The VA Home Loan Guarantee Program is designed specifically for the unique challenges facing service members and their families. Through VA-approved lenders like Mid-Island, 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, Mid-Island originated five VA loans totaling \$2.50 million. None of these loans benefited low- to moderate-income borrowers, nor were originated in low- and moderate-income level geographies.

Mid-Island also offers MassHousing products. MassHousing is a self-supporting non-profit public agency that provides financing for homebuyers and homeowners, as well as for developers and owners of affordable rental housing. The agency sells bonds to fund its credit programs. In 2018 and 2019, Mid-Island originated two MassHousing loans with a total of \$756,550 in dollar volume.

Mid-Island offers additional loan programs, including the FNMA HomeReady program. This program is designed to extend to consumers certain benefits and flexible credit options in order to help them meet their home buying, refinance or renovation needs. For the review period, one \$373,450 loan was originated.

Mid-Island has recently been approved to offer loan products guaranteed by the United States Department of Agriculture (USDA); however, none were originated during the review period.

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.

Mid-Island uses a third party to sub-service its retained servicing portfolio. The review of sub-servicer and investor scorecards revealed overall default rates that were on average comparable to industry averages. 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 Mid-Island's personnel, and individual file review.

Mid-Island 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 2018 and 2019, Mid-Island received 209 HMDA-reportable mortgage loan applications from within Massachusetts. For these applications, the racial and ethnic identity was not specified in less than three percent of cases. Of the remaining applications, 35 or 16.8 percent were received from racial minority applicants, and 23 or 65.7 percent resulted in originations. For the review period, Mid-Island received 6 or 2.9 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, and 3 or 50.0 percent were originated. This compares to a 79.4 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	2018 Mid-Island		2019 Aggregate Data	2019 Mid-Island	
	#	%	% of #	#	%
American Indian/ Alaska Native	0	0.0	0.2	0	0.0
Asian	16	16.3	5.8	12	10.8
Black/ African American	3	3.1	4.2	3	2.7
Hawaiian/Pacific Islander	0	0.0	0.2	0	0.0
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	0	0.0	1.4	1	0.9
Total Minority	19	19.4	11.9	16	14.4
White	79	80.6	65.6	91	82.0
Race Not Available	0	0.0	22.5	4	3.6
Total	98	100.0	100.0	111	100.0
ETHNICITY					
Hispanic or Latino	3	3.1	5.8	0	0.0
Joint (Hisp-Lat /Non-Hisp-Lat)	2	2.0	1.1	1	0.9
Total Hispanic or Latino	5	5.1	6.9	1	0.9
Not Hispanic or Latino	92	93.9	70.3	106	95.5
Ethnicity Not Available	1	1.0	22.8	4	3.6
Total	98	100.0	100.0	111	100.0

Source: 2018 & 2019 HMDA LAR Data and 2015 ACS Data.

In 2018 and 2019, Mid-Island's overall racial minority application flow was comparable to the ACS demographic data and above the aggregate data. The ethnic minority application flow reflects performance that was below both the demographic data and aggregate lending data. The Lender's overall performance in this area is considered adequate.

VI. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Mid-Island 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 on average comparable to industry averages.

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.