

**PUBLIC DISCLOSURE**

**MAY 10, 2017**

**MORTGAGE LENDER COMMUNITY INVESTMENT  
PERFORMANCE EVALUATION**

**MiLEND INC.**

**MC148769**

**375 NORTHBRIDGE ROAD, SUITE 600  
ATLANTA GA. 30350**

**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 **MiLend Inc. (the Lender or MiLend)** 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 **May 10, 2017**.

### 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 mortgage lender's public CRA file, did not reveal any complaints.

The CRA examination included a comprehensive review and analysis, as applicable, of MiLend'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, 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.

CRA examination procedures were used to evaluate MiLend's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered MiLend's lending and community development activities for the period of January 2015 through May 2017. 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 five criteria: geographic distribution of loans, lending to borrowers of different incomes, innovative and flexible lending practices, fair lending, and loss of affordable housing.

Home mortgage lending for 2015 and 2016 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 2016 is provided because it is the most recent year for which aggregate 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 of 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, which 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 "Needs to Improve."**

Notwithstanding the licensee's record of helping to meet the credit needs in the Commonwealth of Massachusetts, including low-and-moderate-income borrowers and neighborhoods, the examination of MiLend revealed a significant number of consumer protection violations. Pursuant to 209 CMR 54.25, evidence of illegal credit practices adversely affects the Commissioner's evaluation of a mortgage lender's performance. In determining the effect on the mortgage lender's assigned rating, the Commissioner considers the nature and extent of the evidence, the policies and procedures the mortgage lender has in place to prevent illegal credit practices, any corrective action the mortgage lender has taken or has committed to take, particularly voluntary corrective action resulting from self-assessment, the mortgage lender's compliance with written policies and directives with regard to fair lending, and other relevant information.

## **PERFORMANCE CONTEXT**

### **Description of Mortgage Lender**

MiLend, is headquartered in Atlanta, Georgia and originates and sells mortgage loans through its retail channel. The Division granted the Lender a mortgage lender license on June 15, 2011. MiLend's is licensed to conduct business in 11 states throughout eastern United States.

MiLend offers a variety of mortgage loan products including fixed and adjustable conventional mortgage products, as well as Federal Housing Administration (FHA), Veteran Administration (VA), and US Department of Agriculture (USDA) mortgage loans. All underwriting and major functions in the loan process are completed at MiLend's main office in Atlanta, Georgia. Approved loans are funded through established warehouse lines of credit. MiLend's business development relies primarily on internet lead generators, direct solicitation, referrals and repeat customers. Originated loans are closed in the Lender's name and sold immediately to secondary market investors, with servicing rights released.

### **Demographic Information**

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

<b>2010 CENSUS DEMOGRAPHIC INFORMATION</b>						
<b>Demographic Characteristics</b>	<b>Amount</b>	<b>Low %</b>	<b>Moderate %</b>	<b>Middle %</b>	<b>Upper %</b>	<b>N/A %</b>
<b>Geographies (Census Tracts)</b>	1,474	10.8	20.0	40.7	27.1	1.4
<b>Population by Geography</b>	6,547,629	8.9	18.9	42.8	29.2	0.2
<b>Owner-Occupied Housing by Geography</b>	1,608,474	2.9	13.7	48.9	34.5	0.0
<b>Family Distribution by Income Level</b>	1,600,588	19.2	17.8	24.4	38.6	0.0
<b>Distribution of Low and Moderate Income Families Throughout AA Geographies</b>	592,420	7.7	18.4	43.6	30.3	0.0
<b>Median Family Income</b>		\$86,272	<b>Median Housing Value</b>			373,206
<b>Households Below Poverty Level</b>		11.1%	<b>Unemployment Rate</b>			3.5*
<b>2015 HUD Adjusted Median Family Income</b>		\$87,300	<b>2016 HUD Adjusted Median Family Income</b>			\$86,904

Source: 2010 US Census

\*as of 12/31/2017

Based on the 2010 Census, the Commonwealth's population stood at 6.55 million people with a total of 2.79 million housing units. Of the total housing units, 1.61 million or 57.7 percent are owner-occupied, 904,078 or 32.5 percent are rental-occupied, and 9.8 percent are vacant units.

According to the 2010 Census, there are 2.51 million households in the Commonwealth with a median household income of \$69,101. Nearly 40 percent of the households are classified as low

and moderate-income. In addition, over 11 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 1.60 million. Of all family households, 19.2 percent were low-income, 17.8 percent were moderate-income, 24.4 percent were middle-income, and 38.6 percent were upper-income. The median family income according to the 2010 census was \$86,272. The Housing and Urban Development (HUD) adjusted median family income is \$86,904 in 2016. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth of Massachusetts contained 1,474 Census tracts. Of these, 160 or 10.8 percent are low-income; 295 or 20.0 percent are moderate-income; 600 or 40.7 percent are middle-income; 399 or 27.1 percent are upper-income; and 20 or 1.4 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 \$373,206 according to the 2010 Census. The unemployment rate for the Commonwealth of Massachusetts stood at 3.5 percent as of December 2017, which was a decrease from December 2016 when the unemployment rate was at 3.8 percent. 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 TESTS

### LENDING TEST

MiLend's Lending Test performance was rated an overall "Needs to Improve." As noted previously, evidence of illegal credit practices adversely affects the Commissioner's evaluation of a mortgage lender's performance. The examination of MiLend revealed a significant number of serious violations of consumer protection statutes and regulations precluding the issuance of a satisfactory rating.

Lending performance is presented under the five performance criteria: Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending Practices, 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 MiLend.

#### I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well MiLend is addressing the credit needs throughout the Commonwealth of Massachusetts' low, moderate, middle, and upper-income census tracts.

The table below shows the distribution of HMDA-reportable loans by census tract income, in comparison to the percentage of owner-occupied housing units in each of the census tract income categories, and the 2016 aggregate lending data (inclusive of MiLend).

Distribution of HMDA Loans by Income Level Category of the Census Tract						
Census Tract Income Level	Total Owner-Occupied Housing Units	2015 MiLend		2016 Aggregate Lending Data	2016 MiLend	
		#	%	% of #	#	%
<b>Low</b>	3.1	2	1.9	3.5	5	3.0
<b>Moderate</b>	13.0	10	9.4	12.9	27	16.5
<b>Middle</b>	48.3	63	59.4	47.0	104	63.4
<b>Upper</b>	35.6	31	29.3	36.6	28	17.1
<b>Total</b>	<b>100.0</b>	<b>106</b>	<b>100.0</b>	<b>100.0</b>	<b>164</b>	<b>100.0</b>

Source: 2015 & 2016 HMDA LAR Data and 2010 U.S. Census Data.

MiLend's geographic distribution of loans during 2015 was below the distribution of owner-occupied housing units in low- and moderate-income census tracts. The Lender's lending performance increased during 2016, however, the percentage of lending in low-income tracts continued below the percentage of lending by the aggregate during 2016.

## 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 MiLend's 2015 and 2016 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 2016 aggregate lending data (inclusive of MiLend).

Distribution of HMDA Loans by Borrower Income Level						
Median Family Income Level	% of Families	2015 MiLend		2016 Aggregate Lending Data	2016 MiLend	
		#	%	% of #	#	%
Low	22.2	4	3.8	4.2	5	3.1
Moderate	16.5	33	31.1	14.9	41	25.0
Middle	20.6	30	28.3	22.5	53	32.3
Upper	40.7	27	25.5	44.4	59	36.0
N/A	0.0	12	11.3	14.0	6	3.6
<b>Total</b>	<b>100.0</b>	<b>106</b>	<b>100.0</b>	<b>100.0</b>	<b>164</b>	<b>100.0</b>

Source: 2015 & 2016 HMDA LAR Data and 2010 U.S. Census Data.

As shown in the above table, lending to low-income borrowers during 2015 and 2016 was considerably below the percentage of low-income families, and below the performance of the aggregate. MiLend's lending to moderate-income borrowers, during that same period, was above the percentage of moderate-income families, as well as the aggregate.

This appears to indicate the difficulty low-income families may have in qualifying for a home mortgage, particularly considering 11.1 percent of these families earn income below the poverty level.

## III. Innovative or Flexible Lending Practices

MiLend offers 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.

MiLend became approved to originate FHA loans in 2011. FHA products provide competitive interest rates, smaller down payments for low and moderate income first-time homebuyers and existing homeowners. During the review period, MiLend originated 102 FHA loans totaling \$26 million. Of these, 31 loans benefited low- or moderate-income borrowers, while 20 loans were originated in low- or moderate-income geographies.

MiLend became approved to originate VA loans in 2011. The VA Home Loan Guarantee Program is designed specifically for the unique challenges facing service members and their families. Through VA-approved lenders like MiLend, the program offers low closing cost, no down payment requirement, and no private mortgage insurance requirement. During the review period, MiLend originated 26 VA loans totaling \$8.2 million. Of these, seven loans benefited low- or



moderate-income borrowers, while three loans were originated in low- or moderate-income geographies.

MiLend offers loans under FNMA's '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 Lender originated six HARP loans in Massachusetts 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.

As MiLend does not routinely service mortgage loans, it would not work directly with delinquent borrowers. Therefore, this review would not include an evaluation of loan mitigation and modification efforts as the Lender would not be accountable for such action. The review of investor score cards revealed an overall default rate of slightly over one percent and consistent with industry averages.

#### **V. Fair Lending**

The Division examines a mortgage lender's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. The mortgage 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 MiLend's personnel, and individual file review. No evidence of disparate treatment was identified.

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

Fair lending is incorporated in MiLend's company-wide policies and procedures that apply to all employees and fair lending training is distributed to all personnel on an annual basis. The Lender conducts targeted periodic reviews and annual audits for compliance with regulatory requirements, including Fair Lending.

#### **Minority Application Flow**

The Division 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 2015 and 2016 MiLend had received 1,985 HMDA-reportable mortgage loan applications from within the Commonwealth of Massachusetts. The racial and ethnic identity was not specified in more than 50 percent of the loan applications. Of the remaining applications, 121 or 6.1 percent were received from racial minority applicants, and 22 or 18.2 percent resulted in originations. For the period, MiLend received 47 or 2.4 percent of HMDA reportable applications from ethnic groups of Hispanic or Latino origin, and eight or 17.0 percent were originated. This compares to the 13.6 percent ratio of mortgage loans originated by the Lender in Massachusetts.

Demographic information for Massachusetts reveals the total ethnic and racial minority population stood at 23.9 percent of the total population as of the 2010 Census. This segment of the population is comprised of 9.6 percent Hispanic or Latino ethnicities. At 14.3 percent, racial minorities consisted of 6.0 percent Black; 5.3 percent Asian/Pacific Islander; 0.2 percent American Indian/Alaskan Native; and 2.8 percent self-identified as Other Race.

Refer to the following table for information on the mortgage lenders' minority loan application flow as well as a comparison to aggregate lending data throughout the Commonwealth of Massachusetts. The comparison of this data assists in deriving reasonable expectations for the rate of applications the mortgage lender received from minority applicants.

<b>MINORITY APPLICATION FLOW</b>					
<b>RACE</b>	<b>2015 MiLend</b>		<b>2016 Aggregate Data</b>	<b>2016 MiLend</b>	
	<b>#</b>	<b>%</b>	<b>% of #</b>	<b>#</b>	<b>%</b>
American Indian/ Alaska Native	0	0.0	0.2	0	0.0
Asian	16	1.7	5.4	20	1.9
Black/ African American	36	3.9	3.6	35	3.3
Hawaiian/Pacific Islander	3	0.3	0.2	0	0.0
2 or more Minority	2	0.2	0.1	1	0.1
Joint Race (White/Minority)	5	0.6	1.3	3	0.3
<b>Total Minority</b>	<b>62</b>	<b>6.7</b>	<b>10.8</b>	<b>59</b>	<b>5.6</b>
White	379	40.7	68.9	457	43.4
Race Not Available	490	52.6	20.3	538	51.0
<b>Total</b>	<b>931</b>	<b>100.0</b>	<b>100.0</b>	<b>1054</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	15	1.6	4.5	25	2.4
Joint (Hisp-Lat /Not Hisp-Lat)	2	0.2	1.1	5	0.4
<b>Total Hispanic or Latino</b>	<b>17</b>	<b>1.8</b>	<b>5.6</b>	<b>30</b>	<b>2.8</b>
Not Hispanic or Latino	438	47.1	74.5	492	46.7
Ethnicity Not Available	476	51.1	19.9	532	50.5
<b>Total</b>	<b>931</b>	<b>100.0</b>	<b>100.0</b>	<b>1054</b>	<b>100.0</b>

Source: PCI Corporation CRA Wiz, Data Source: 2000 U.S. Census Data, 2015 & 2016 HMDA Data

In both 2015 and 2016, MiLend's overall racial and ethnic minority application flow was lower than the population demographics derived from the census data, as well as the aggregate data.

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

This review concentrated on the suitability and sustainability of mortgage loans originated by MiLend by taking into account delinquency and default rates of the mortgage 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 or a systematic pattern of lending, including a pattern of early payment defaults, resulting in the

loss of affordable housing units. Furthermore, at just over one percent, overall delinquency rates were found to be consistent with 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.

MiLend's Service Test is rated "Needs to Improve."

### **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 does not currently engage in any qualified community development services.

Management is strongly advised to employ effective community development activities or investments which meet the definition of community development under the CRA regulation. Examples may include, but are not necessarily limited to: financial literacy education initiatives targeted to low- and moderate-income individuals, foreclosure prevention counseling, and/or providing technical assistance to community organizations in a leadership capacity.

### **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.

MiLend provides mortgage lender services that are accessible to geographies and individuals of different income levels in the Commonwealth. Business development relies primarily on direct and social media marketing, internet lead generators, direct solicitation, referrals and repeat customers. Customers can apply to MiLend for a mortgage loan over the telephone and via the company's website.

The Lender offers free credit repair service for certain customers and covers any associated cost, through a lending support and solutions company.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 255E, Section 8, and 209 CMR 54.00, the CRA regulation, requires 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.