

PUBLIC DISCLOSURE

NOVEMBER 15, 2021

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**NORTHEAST HOME LOAN, LLC
ML2329**

**25 MR ARTHUR DRIVE
WEST CHESTERFIELD, NH 03466**

**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 **Northeast Home Loan, LLC (Lender or Northeast Home Loan)** 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 **November 15, 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 Northeast Home Loan'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 Northeast Home Loan's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Northeast Home Loan'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 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 2019 and 2020 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 both years 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.

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.”

Lending Test: “Needs to Improve”

- The geographic distribution of the Lender’s loans reflects an adequate dispersion in low- and moderate-income level census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects an insufficient record of serving the credit needs among individuals of different income levels.
- Northeast Home Loan offers a limited variety of flexible lending products in the Commonwealth.
- 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: “Needs to Improve”

- At present time, Northeast Home Loan is not involved in any community development services or investments benefiting Massachusetts consumers and geographies.
- Service delivery systems are accessible to geographies and individuals of different income levels in the Commonwealth.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Northeast Home Loan was established in 2000 under the laws of the state of Vermont as a wholly owned subsidiary of Passumpsic Savings Bank (Parent) and registered as a foreign corporation in Massachusetts that same year. The Division granted Northeast Home Loan a mortgage lender license on February 12, 2001, and a third party loan servicer registration on March 14, 2014. Northeast Home Loan is primarily a regional lender and is licensed to conduct business throughout most of the New England region.

The Licensee's business model in the Commonwealth focuses on wholesale origination, with business development relying on a network of mortgage brokers. Closed loans are funded via the Licensee's warehouse line of credit through its Parent. All underwriting and major functions in the loan process are done at Northeast Home Loan's main office. Approved loans are closed in the Lender's name and sold to secondary market agencies or the Parent, with servicing rights both retained and released. The Lender utilizes a third party to sub-service its retained servicing rights portfolio.

Demographic Information

The Division's regulation 209 CMR 54.00 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		8.4%*	
2019 HUD Adjusted Median Family Income	\$101,200		2020 HUD Adjusted Median Family Income		\$104,900	

Source: 2015 ACS

*as of 12/31/2020

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 \$101,200 in 2019 and \$104,900 in 2020. 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 8.4 percent as of December 2020, a significant increase from December 2019 when the rate was 2.9 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. Northeast Home Loan’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 Northeast Home Loan.

Northeast Home Loan’s Lending Test performance was determined to be “**Needs to Improve.**”

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well Northeast Home Loan is addressing credit needs throughout Massachusetts. The following table presents, by number, Northeast Home Loan’s 2019 and 2020 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 and 2020 aggregate lending data (inclusive of Northeast Home Loan).

Distribution of HMDA Loans by Income Level Category of the Census Tract							
Census Tract Income Level	Total Owner-Occupied Housing Units	2019 Aggregate Lending Data	2019 Northeast Home Loan		2020 Aggregate Lending Data	2020 Northeast Home Loan	
			%	% of #		#	%
Low	3.4	4.4	17	6.56	3.6	17	4.62
Moderate	13.8	14.6	34	13.13	13.2	47	12.77
Middle	44.4	43.5	88	33.98	42.9	124	33.70
Upper	38.3	37.4	118	45.56	40.2	179	48.64
N/A	0.1	0.1	2	0.77	0.1	1	0.27
Total	100.0	100.0	259	100.00	100.0	368	100.00

Source: 2019 & 2020 HMDA LAR Data and 2015 ACS Data.

As reflected in the above table, of the total Massachusetts loans originated in by Northeast Home Loan, 19.69 and 17.39 percent were located in low- and moderate-income level census tracts for 2019 and 2020, respectively. These percentages were comparable to the percentage of the area’s owner-occupied housing units in low- and moderate-income level census tracts, as well as the aggregate lending percentages.

Considering that over 80 percent of the area’s owner-occupied housing units are in middle- and upper-income level census tracts, Northeast Home Loan’s overall geographic distribution of residential mortgage loans reflects an adequate 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 Northeast Home’s 2019 and 2020 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 and 2020 aggregate lending data (inclusive of Northeast Home Loan).

Distribution of HMDA Loans by Borrower Income							
Median Family Income Level	% of Families	2019 Aggregate Lending Data	2019 Northeast Home Loan		2020 Aggregate Lending Data	2020 Northeast Home Loan	
			#	%		#	%
	%	% of #	#	%	% of #	#	%
Low	23.3	6.0	2	0.77	5.0	2	0.54
Moderate	16.4	18.2	32	12.36	17.4	38	10.33
Middle	19.4	22.8	51	19.69	23.1	91	24.73
Upper	40.9	39.8	174	67.18	42.6	237	64.40
N/A	0.0	13.2	0	0.00	11.9	0	0.00
Total	100.0	100.0	259	100.00	100.0	368	100.00

Source: 2019 & 2020 HMDA LAR Data and 2015 ACS Data.

As shown in the above table, combined lending to low- and moderate-income borrowers was 13.13 percent and 10.87 percent in 2019 and 2020, respectively. These percentages were notably below the area demographics, as well as the aggregate data. Furthermore, the trend from 2019 to 2020 indicates decreasing lending performance in these target areas. Consequently, the Lender's overall lending performance of providing mortgage loans to low- and moderate-income borrowers is insufficient.

III. Innovative or Flexible Lending Practices

Northeast Home Loan offers a limited selection 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.

The Lender is 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 Northeast Home Loan, 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, Northeast Home Loan originated one VA loan in Massachusetts. This loan did not benefit low- to moderate-income borrowers, nor was it originated in a low-or moderate-income level geography.

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.

Northeast Home Loan uses a third party to sub-service its retained servicing portfolio. The amount of mortgage loan foreclosures, modifications and/or repurchases does not appear disproportionate.

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 Northeast Home Loan's personnel, and individual file review.

Northeast Home Loan 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 2019 and 2020, Northeast Home Loan received 707 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, 60 or 8.49 percent were received from racial minority applicants, and 49 or 81.67 percent resulted in originations. For the review period, Northeast Home Loan received 20 or 2.83 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, and 16 or 80.00 percent were originated. This compares to an 88.68 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	2019 Aggregate Data	2019 Northeast Home Loan		2020 Aggregate Data	2020 Northeast Home Loan	
	% of #	#	%	% of #	#	%
American Indian/ Alaska Native	0.2	0	0.00	0.2	0	0.00
Asian	5.8	14	4.78	6.5	21	5.07
Black/ African American	4.2	9	3.07	3.6	3	0.73
Hawaiian/Pacific Islander	0.2	0	0.00	0.1	0	0.00
2 or more Minority	0.1	0	0.00	0.1	0	0.00
Joint Race (White/Minority)	1.4	6	2.05	1.6	7	1.69
Total Minority	11.9	29	9.90	12.1	31	7.49
White	65.6	258	88.05	65.4	367	88.65
Race Not Available	22.5	6	2.05	22.5	16	3.86
Total	100.0	293	100.00	100.0	414	100.00
ETHNICITY	% of #			% of #		
Hispanic or Latino	5.8	3	1.02	5.1	11	2.66
Joint (Hisp-Lat /Non-Hisp-Lat)	1.1	3	1.02	1.2	3	0.72
Total Hispanic or Latino	6.9	6	2.04	6.3	14	3.38
Not Hispanic or Latino	70.3	283	96.59	70.4	386	93.24
Ethnicity Not Available	22.8	4	1.37	23.3	14	3.38
Total	100.0	293	100.00	100.0	414	100.00

Source: 2019 & 2020 HMDA LAR Data and 2015 ACS Data.

In 2019 and 2020, Northeast's performance was below the aggregate's performance for both racial and ethnic minority applicants, as well as being below the ACS data. The racial minority applicant percentage decreased from 2019 to 2020, while the ethnic minority applicant percentage increased.

VI. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Northeast Home Loan 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.

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.

Northeast Home Loan's Service Test performance was determined to be "**Needs to Improve**" 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.

Northeast Home Loan is a member of the Mortgage Bankers Association and Massachusetts Mortgage Bankers Association. At present time, Northeast Home Loan is not involved in any community development services benefiting Massachusetts consumers and geographies, as defined by the Division's regulation 209 CMR 54.12.

Management is strongly encouraged to expand its commitment to community outreach activities that meet the definition of community development under the aforementioned 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.

Northeast Home Loan does not currently engage in any qualified community development investments.

Management is strongly encouraged to establish, capture and properly document investments and donations promoting financial literacy education, homeownership counselling, and other initiatives targeted to low- and moderate-income consumers throughout the Commonwealth.

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.

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. The Lender currently only lends to Massachusetts borrowers through its wholesale channel and network of mortgage brokers.

In addition to the flexible loan programs noted previously, Northeast Home Loan also offers loan products guaranteed by the U.S. Department of Agriculture (USDA). The USDA 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, offers fixed rates, and does not require a down payment. Income requirements do apply and the property must be located in a rural development designated area. Farm Service Agency loan products provide flexible temporary financing for customers who are planning to start, purchase, sustain or expand a family farm. During the review period, Northeast Home Loan did not originate any Massachusetts loans under this program.

Northeast Home Loan also offers FNMA HomeReady and FHLMC Home Possible loan products. These programs are designed to extend certain benefits and flexible credit options to consumers to help them meet their home buying, refinance, or renovation needs, and help mortgage lenders to confidently serve a market of creditworthy low- to moderate-income borrowers. During the review period, the Lender has not closed any loans under these flexible lending programs in Massachusetts.

Management is strongly encouraged to monitor application flows to ensure that its training, marketing, and outreach efforts address a fair distribution of credit within the Commonwealth of Massachusetts.

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.