

PUBLIC DISCLOSURE

NOVEMBER 8, 2021

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**NORTHPOINT MORTGAGE, INC.
MC1515**

**198 CHARLTON ROAD, 2ND FLOOR SUITE 4
STURBRIDGE, MA 01518**

**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>
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GENERAL INFORMATION

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **Northpoint Mortgage, Inc. (Northpoint or Lender)** 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 8, 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 Northpoint'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 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 Northpoint's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Northpoint'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 minority application flow tables. Comparative analysis of the Lender's lending performance for 2019 and 2020 is also 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 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 the mortgage lender's loan products by reviewing the mortgage lender's internally maintained records of delinquencies and defaults as well as information publicly available through the Federal Reserve Banks, local Registries of Deeds, and through other sources available to the examination team. The examination included inspection of individual loan files for review of compliance with consumer protection provisions and scrutiny of these files for the occurrence of disparate treatment based on a prohibited basis.

The Service Test evaluates the mortgage lender's record of helping to meet the mortgage credit needs by analyzing the availability and effectiveness of a mortgage lender's systems for delivering mortgage loan products, the extent and innovativeness of its community development services, and, if applicable, loss mitigation services to modify loans and/or efforts to keep delinquent home borrowers in their homes.

MORTGAGE LENDER'S CRA RATING

This mortgage lender is rated “Satisfactory”

Lending Test: “Satisfactory”

- The geographic distribution of the Lender’s loans reflects an adequate dispersion in LMI census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects an adequate record of servicing the credit needs among individuals of different income levels.
- Northpoint offers flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI 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”

- Northpoint provided qualified community development activities within the Commonwealth during the evaluation period.
- Service delivery systems are reasonably accessible to geographies and individuals of different income levels in the Commonwealth.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Northpoint Mortgage, Inc. (Northpoint or Licensee) was incorporated in Massachusetts on September 19, 2005. The Division originally licensed Northpoint as a mortgage broker on March 21, 2006 and then granted it a mortgage lender license on August 24, 2007. Since then, Northpoint has operated primarily as a mortgage lender. Northpoint engages in residential mortgage lending and brokering, and currently holds residential mortgage licenses in 10 jurisdictions. The Lender's corporate office is located in Sturbridge, Massachusetts. The Lender maintains branches in Danvers, West Springfield, and Westborough, Massachusetts as well as branches in Connecticut, Florida, Maine, New Hampshire, and Rhode Island.

Northpoint offers both fixed and adjustable conventional and jumbo products. The Licensee originates conventional, Federal Housing Administration (FHA), Department of Veterans Affairs (VA), and Massachusetts Housing Financing Agency (Mass Housing) loans in Massachusetts. The Licensee sells all loans it originates with servicing rights released.

During 2019 and 2020, Northpoint originated or purchased 1,622 loans totaling approximately \$484 million in Massachusetts.

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.

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
<i>Source: 2015 ACS US Census; * Bureau of Labor Statistics as of 12/31/2020</i>						

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, 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 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 LMI. Twelve percent of the total number 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 data was \$93,145. The Department Housing and Urban Development (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.

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 data. The unemployment rate for Massachusetts as of December 31, 2020, stood at 8.4 percent, which was a significant increase from December 31, 2019, at which time it stood at 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 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. Lending performance is rated under six performance criteria: geographic distribution, borrower characteristics, innovative or flexible lending practices, loss mitigation efforts, fair lending, and loss of affordable housing. The following information details the data compiled and reviewed, as well as conclusions on the mortgage lending of Northpoint.

Northpoint’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 Northpoint 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.

Geographic Distribution of HMDA Loans by Census Tract						
Tract Income Level	% of MA Owner-Occupied Housing Units	Aggregate Performance % of #	Northpoint #	Northpoint %	Northpoint \$(000s)	Northpoint %
Low						
2019	3.4	4.4	23	4.4	4,529	3.1
2020	3.4	3.6	29	2.7	7,485	2.2
Moderate						
2019	13.8	14.6	82	15.7	20,011	13.5
2020	13.8	13.2	97	8.8	24,533	7.3
Middle						
2019	44.4	43.5	199	38.0	53,556	36.1
2020	44.4	42.9	418	38.0	117,865	35.1
Upper						
2019	38.3	37.4	219	41.9	70,021	47.3
2020	38.3	40.2	555	50.5	186,256	55.4
Not Available						
2019	0.1	0.1	0	0.0	0	0.0
2020	0.1	0.1	0	0.0	0	0.0
Totals						
2019	100.0	100.0	523	100.0	148,128	100.0
2020	100.0	100.0	1,099	100.0	336,156	100.0

Source: 2015 ACS Census; 1/1/2019 - 12/31/2020 Lender HMDA Data, 2019 and 2020 HMDA Aggregate Data

As shown in the above table, Northpoint’s lending to low- and moderate-income geographies during 2019 was on par with the performance of the aggregate. Data for 2020 showed an increase in volume but a decrease in percentage of loans made in low- and moderate-income census tracts. Northpoint’s lending to low- and moderate-income geographies during 2020 was below that of the aggregate. Aggregate percentages also decreased from 2019 to 2020 in those tracts. The Lender’s lending performance is considered adequate at this time.

II. Borrower Characteristics

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

Distribution of HMDA Loans by Borrower Income						
Borrower Income Level	% of MA Families	Aggregate Performance % of #	Northpoint #	Northpoint %	Northpoint \$(000s)	Northpoint %
Low						
2019	23.3	6.0	35	6.7	6,629	4.5
2020	23.3	5.0	61	5.5	11,888	3.5
Moderate						
2019	16.4	18.2	149	28.5	32,721	22.1
2020	16.4	17.3	234	21.3	56,822	16.9
Middle						
2019	19.4	22.8	137	26.2	37,721	25.2
2020	19.4	23.2	305	27.8	88,668	26.4
Upper						
2019	40.9	39.8	202	38.6	71,399	48.2
2020	40.9	42.6	497	45.2	178,455	53.1
Not Available						
2019	0.0	13.2	0	0.0	0	0.0
2020	0.0	11.9	2	0.2	306	0.1
Totals						
2019	100.0	100.0	523	100.0	148,128	100.0
2020	100.0	100.0	1,099	100.0	336,139	100.0
<i>Source: 2015 ACS Census; 1/1/2019 - 12/31/2020 Lender HMDA Data, 2019 & 2020 HMDA Aggregate Data.</i>						

As shown in the above table, Northpoint’s lending to low-income and moderate-income borrowers during 2019 and 2020 was above that of the aggregate. Similar to the aggregate’s performance, the overall percentage of lending decreased to low- and moderate-income borrowers in 2020. However, data for 2020

showed an increase in volume of loans made in low- and moderate-income census tracts. The Lender's overall lending performance to low- and moderate-income borrowers is considered adequate at this time.

III. Innovative or Flexible Lending Practices

Northpoint originated flexible lending products, which were provided in a safe and sound manner to address the credit needs of LMI individuals and geographies.

During the examination period, Northpoint offered products insured by HUD through its FHA programs. Examples of FHA products that may have helped low- and moderate-income families included high-LTV offerings, including 97% LTV options, 3.5% down payment purchase, and streamline refinance transactions. During 2019 and 2020, Northpoint closed 175 FHA loans. Of these, 89 or 51% were made to low- and moderate-income borrowers and 58 or 33% were made in low- or moderate-income census tracts.

During the evaluation period, Northpoint also originated products through the VA Home Loan Program to qualifying veterans. VA Home Loan Program offers veterans flexible terms such as low or no down payments and no monthly insurance premiums. During 2019 and 2020, Northpoint originated 39 VA loans. Twenty-one of these or 54% were made to low- and moderate-income borrowers and 5 or 13% were made in low- or moderate-income census tracts.

Additionally, Northpoint originated loans through the USDA's rural development housing programs. These programs assist low-income applicants obtain decent, safe, and sanitary housing in eligible rural areas. During 2019 and 2020, Northpoint originated 14 USDA loans. Seven of these or 50% were made to low- and moderate-income borrowers and 2 or 14% were made in a low- or moderate-income census tracts.

During the evaluation period, Northpoint originated MassHousing loans as well. MassHousing is an independent, quasi-public agency charged with providing financing for affordable housing in Massachusetts and provides flexible options targeted to LMI areas and borrowers. During 2019 and 2020, Northpoint originated 23 MassHousing loans totaling approximately \$4.4 million dollars.

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.

Northpoint does not service a portfolio of loans in Massachusetts as it does not retain servicing rights on any loans. As Northpoint does not service mortgage loans for Massachusetts consumers, it would not work with delinquent borrowers; therefore, this review did not include an evaluation of loan mitigation and modification efforts.

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 Northpoint’s personnel, and individual file review.

Northpoint has established an adequate record relative to fair lending policies and procedural practices. No evidence of discriminatory or other illegal credit practices was identified.

Minority Application Flow

Examiners reviewed Northpoint’s HMDA data to determine whether the mortgage application flow from various racial and ethnic groups was consistent with the area demographics. During 2019, Northpoint received 683 HMDA-reportable mortgage loan applications from within the Commonwealth. Of these applications, 91 or 13.4 percent were received from racial minority applicants. For the same period, Northpoint received 56 or 8.2 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin. This compares to the 11.9 percent of mortgage loans originated by the aggregate in Massachusetts to racial minorities and 6.9 percent to ethnic minorities in 2019.

During 2020, Northpoint received 1,325 HMDA-reportable mortgage loan applications from within the Commonwealth. Of these applications, 151 or 11.4 percent were received from racial minority applicants. For the same period, Northpoint received 94 or 7.1 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin. This compares to the 12.2 percent of mortgage loans originated by the aggregate in Massachusetts to racial minorities and 6.3 percent to ethnic minorities in 2020.

Demographic information for Massachusetts reveals the total racial and ethnic minority population stood at 25.7 percent of total population as of the 2015 ACS data. 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 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 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 Northpoint		2019 Aggregate Data	2020 Northpoint		2020 Aggregate Data
	#	%	% of #	#	%	% of #
American Indian/ Alaska Native	0	0.0	0.2	1	0.1	0.2
Asian	43	6.3	5.8	82	6.2	6.5
Black/ African American	34	5.0	4.2	44	3.3	3.6

Hawaiian/Pac Isl.	0	0.0	0.2	0	0.0	0.1
2 or more Minority	0	0.0	0.1	0	0.0	0.1
Joint Race (White/Minority)	14	2.1	1.4	24	1.8	1.6
Total Minority	91	13.4	11.9	151	11.4	12.1
White	569	83.3	65.6	1,117	84.3	65.2
Race Not Available	23	3.3	22.5	57	4.3	22.7
Total	683	100.0	100.0	1,325	100.0	100.0
ETHNICITY						
Hispanic or Latino	44	6.4	5.8	78	5.9	5.1
Not Hispanic or Latino	611	89.5	70.3	1,170	88.3	70.2
Joint (Hisp/Lat /Not Hisp/Lat)	12	1.8	1.1	16	1.2	1.1
Ethnicity Not Available	16	2.3	22.8	61	4.6	23.6
Total	683	100.0	100.0	1,325	100.0	100.0

Source: 1/1/2019 - 12/31/2020 Lender HMDA Data, 2019 & 2020 HMDA Aggregate Data

Northpoint's performance was above that of the aggregate for racial and ethnic minorities in 2019. It was below the aggregate's performance for racial minority applicants in 2020 and above the aggregate's performance for ethnic minority applicants in 2020. While overall loan volume increased in 2020, performance to racial minority applicants decreased in 2020.

VI. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Northpoint by considering 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 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.

Northpoint'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, Northpoint provided qualified community development services in Massachusetts. Northpoint's staff participated in multiple lending education seminars in Massachusetts both in person and virtual post 2020. In addition, a member of Northpoint's senior management is on the board of the Massachusetts Mortgage Bankers Association as well as the Central Massachusetts Mortgage Review Board.

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.

Northpoint provides an adequate level of mortgage lending services to LMI geographies and individuals through home purchase and refinance transactions in Massachusetts. During the examination period, Northpoint provided mortgage lending services through its Massachusetts retail branches. Overall, the Lender provides an adequate delivery of mortgage lending services throughout the Commonwealth. Applications could be taken in person, over the telephone, or through Northpoint's website.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 255E, Section 8, and the Division's regulation 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.