

PUBLIC DISCLOSURE

JULY 12, 2023

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**PARAMOUNT RESIDENTIAL MORTGAGE GROUP, INC.
MC75243**

**1265 CORONA POINTE COURT, SUITE 301
CORONA, CALIFORNIA 92879**

**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 **Paramount Residential Mortgage Group, Inc. (Lender or Paramount Residential)** 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 **July 12, 2023**.

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 Paramount Residential'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 Paramount Residential's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Paramount Residential's lending and community development activities for the period of January 1, 2021, through December 31, 2022. 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 2021 and 2022 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 “Satisfactory”

Lending Test: “Satisfactory”

- The geographic distribution of the Lender’s loans reflects adequate 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.
- Paramount Residential 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 consequent loss of affordable housing units.
- Fair lending policies and practices are considered adequate.

Service Test: “Needs to Improve”

- The Lender provided limited community development services within the Commonwealth.
- Service delivery systems are accessible to geographies and individuals of different income levels in the Commonwealth.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Paramount Residential incorporated in California on July 24, 2001. The Division granted Paramount Residential a mortgage lender license on November 5, 2012, and a mortgage broker license on March 23, 2017. The Lender’s corporate office is located in Corona, California. Paramount Residential is a nationwide mortgage lender and licensed to originate and sell mortgage loans in 49 states and the District of Columbia. The Lender had five branches in Massachusetts during the period under review: Needham, Woburn, Revere (closed June 2021), Marlboro (closed September 2021) and Longmeadow (closed June 2022). The Lender’s business focuses on both retail and wholesale origination and underwriting of residential first mortgage loans. The Lender is an approved lender for Federal Housing Administration (FHA), Department of Veterans Affairs (VA), United States Department of Agriculture (USDA), and the Massachusetts Housing Finance Agency (MHFA) loan programs. Approved loans are funded through established warehouse lines of credit. During 2021 and 2022, Paramount Residential originated 783 loans totaling approximately \$301.3 million in Massachusetts. The majority of originated loans are sold with servicing rights released. For the loans that are sold with servicing rights retained, the Lender uses Cenlar FSB as its sub-servicer.

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)	1,620	10.5	19.1	37.0	30.0	3.4
Population by Geography	7,029,917	9.4	19.0	37.8	32.6	1.2
Owner-Occupied Housing by Geography	1,654,892	3.1	14.6	43.1	38.9	0.3
Family Distribution by Income Level	1,673,992	22.8	16.4	19.8	41.0	0.0
Distribution of Low and Moderate Income Families	655,582	15.8	27.3	37.1	19.2	0.7
Median Family Income	\$114,076	Median Housing Value				\$449,342
Households Below Poverty Level	10.6%	2022 Unemployment Rate				3.8%*
2021 HUD Adjusted Median Family Income	\$106,200	2022 HUD Adjusted Median Family Income				\$120,400

Source: 2020 US Census; * Bureau of Labor Statistics annual average

Based on the 2020 United States (US) Census, the Commonwealth’s population was above 7 million people with a total of 2.9 million housing units. Of the total housing units, almost 1.6

million or 56.8 percent are owner-occupied, 992,088 or 34.1 percent are rental-occupied, and 9.1 percent are vacant units.

According to the 2020 US Census data, there are 2.6 million households in the Commonwealth with a median household income of \$91,426. Nearly 40 percent of households are classified as LMI. Over ten 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 1.67 million. Of all family households, 22.8 percent were low-income, 16.4 percent were moderate-income, 19.8 percent were middle-income, and 41.0 percent were upper-income. The median family income according to the 2020 US Census data stood at \$114,076. The Department Housing and Urban Development (HUD) adjusted median family income was \$106,200 in 2021 and \$120,400 in 2022. The HUD adjusted median family income is updated yearly and takes into account inflation and other economic factors.

Massachusetts contains 1,620 Census tracts. Of these, 170 or 10.5 percent are low-income; 309 or 19.1 percent are moderate-income; 599 or 37.0 percent are middle-income; 486 or 30.0 percent are upper-income; and 56 or 3.4 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 \$449,342 according to the 2020 US Census. The unemployment rate for Massachusetts stood at 3.8 percent as of December 2022, a decrease from December 2021 when the rate was 5.5 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. Paramount Residential’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 Paramount Residential.

Paramount Residential’s Lending Test performance was determined to be “**Satisfactory**”.

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well the Lender is addressing 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 2020 US Census demographics and is also compared to aggregate lending performance in 2021 and 2022.

Geographic Distribution of HMDA Loans by Census Tract					
Tract Income Level	Year	% of MA Owner-Occupied Housing Units	Aggregate Performance	Paramount Residential	Paramount Residential
			% of #	#	%
Low	2021	3.1	4.2	39	6.9
	2022		4.4	19	8.6
Moderate	2021	14.6	14.3	132	23.5
	2022		16.0	46	20.8
Middle	2021	43.1	42.7	265	47.2
	2022		42.0	110	49.8
Upper	2021	38.9	38.6	126	22.4
	2022		37.1	45	20.4
Not Available	2021	0.3	0.2	0	0
	2022		0.5	1	0.4
Total	2021	100.0	100.0	562	100.0
	2022		100.0	221	100.0

Source: 2020 US Census; 1/1/2021 - 12/31/2022 Lender HMDA Data, 2021 and 2022 HMDA Aggregate Data

Lending to low-income borrowers during 2021 and 2022 was above both the percentage of families and the aggregate. Lending to moderate-income borrowers during 2021 and 2022 was also above both the percentage of families and the aggregate. The Lender’s performance of lending to LMI borrowers is trending downward from 30.4 percent in 2021 to 29.4 percent in 2022.

Considering that over 80 percent of the area’s owner-occupied housing units are in middle- and upper-income level census tracts, Paramount Residential’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 Massachusetts’ residents. The table below illustrates HMDA-reportable loan originations and purchases, categorized by borrower income level that were reported by Paramount Residential during 2021 and 2022, and compares this activity to 2021 and 2022 aggregate lending data and the percentage of families by income level within Massachusetts using the 2020 US Census demographics.

Distribution of HMDA Loans by Borrower Income					
Borrower Income Level	Year	% of MA Families	Aggregate Performance	Paramount Residential	Paramount Residential
			% of #	#	%
Low	2021	22.8	5.9	54	9.6
	2022		7.4	19	8.6
Moderate	2021	16.4	17.8	164	29.2
	2022		19.7	73	33.0
Middle	2021	19.8	22.5	188	33.5
	2022		23.0	71	32.1
Upper	2021	41.0	39.9	152	27.0
	2022		37.5	57	25.8
Not Available	2021	0.0	13.9	4	0.7
	2022		12.4	1	0.5
Total	2021	100.0	100.0	562	100.0
	2022		100.0	221	100.0

Source: 2020 US Census; 1/1/2021 - 12/31/2022 Lender HMDA Data, 2021 and 2022 HMDA Aggregate Data

Lending to low-income borrowers during 2021 and 2022 was below the percentage of families and above the aggregate. Lending to moderate-income borrowers during 2021 and 2022 was above both the percentage of families and the aggregate. The Lender’s performance of lending to LMI borrowers is trending upward from 38.8 percent in 2021 to 41.6 percent in 2022.

According to the 2020 census data, over 10 percent of the households within the Commonwealth have incomes below the poverty threshold; and would most likely not qualify for the home ownership given high housing costs. The Lender’s overall lending performance to LMI borrowers is adequate at this time.

III. Innovative or Flexible Lending Practices

Paramount Residential 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.

Paramount Residential maintains HUD-approved Non-Supervised 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, Paramount Residential originated 134 FHA loans totaling \$57.2 million. Of these, 65 loans benefited low- to moderate-income borrowers, while 56 loans were originated in low- and moderate-income level geographies.

The Lender is also a 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 Paramount Residential, 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, Paramount Residential originated 15 VA loans totaling \$5.6 million. Nine of these loans benefited low- to moderate-income borrowers, while one was originated in low- and moderate-income level geographies.

Paramount Residential also offers loan products guaranteed by the 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, Paramount Residential originated three loans totaling approximately \$782 thousand. Of these, two loans benefited low- to moderate-income borrowers.

Paramount Residential also offers MHFA, also known as, 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 2021 and 2022, Paramount Residential originated three MassHousing loans with a total of \$903.9 thousand in dollar volume.

In addition, Paramount Residential offers several additional flexible loan programs, including FNMA HomeReady and FHLMC Home Possible loans. These programs are designed to extend to consumers certain benefits and flexible credit options, 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's Massachusetts loans closed under these flexible lending programs totaled \$14.0 million in volume.

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.

Paramount Residential uses a third party to sub-service its retained servicing portfolio. The review of sub-servicer and investor score cards 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 Paramount Residential's personnel, and individual file review.

Paramount Residential 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 2021 and 2022, Paramount Residential received 1,061 HMDA-reportable mortgage loan applications from within Massachusetts. For these applications, the racial and ethnic identity was not specified in 24.9 percent of cases. Of the remaining applications, 143 or 13.5 percent were received from racial minority applicants, and 106 or 74.1 percent resulted in originations. For the review period, Paramount Residential received 323 or 30.4 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, and 247 or 76.5 percent were originated. This compares to a 73.8 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 minority population stood at 30.4 percent of the total population as of the 2020 US Census data. Racial minorities consisted of 7.0 percent Black; 7.3 percent Asian/Pacific Islander; 0.3 percent American Indian/Alaskan Native; 8.7 percent two or more minority races; and 7.1 percent identified as Other Race. Ethnic minorities consisted of 12.6 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	2021	2021		2022	2022	
	Aggregate Data	Paramount Residential		Aggregate Data	Paramount Residential	
	% of #	#	%	% of #	#	%
American Indian/ Alaska Native	0.3	2	0.3	0.3	0	0.0
Asian	6.6	30	4.1	6.6	26	7.9
Black/ African American	4.6	38	5.2	5.8	30	9.1
Hawaiian/Pacific Islander	0.1	0	0.0	0.2	1	0.3
2 or more Minority	0.1	0	0.0	0.2	0	0.0
Joint Race (White/Minority)	1.6	14	1.9	1.7	2	0.6
Total Minority	13.3	84	11.5	14.8	59	17.9
White	61.2	560	76.6	61.0	223	67.6
Race Not Available	25.5	87	11.9	24.2	48	14.5
Total	100.0	731	100	100.0	330	100.0
Ethnicity	% of #			% of #		
Hispanic or Latino	6.0	223	30.5	7.4	88	26.7
Joint (Hisp-Lat /Non-Hisp-Lat)	1.2	8	1.1	1.5	4	1.2
Total Hispanic or Latino	7.2	231	31.6	8.9	92	27.9
Not Hispanic or Latino	67.4	422	57.7	67.6	187	56.7
Ethnicity Not Available	25.4	78	10.7	23.5	51	15.4
Total	100.0	731	100.0	100.0	330	100.0

Source: 1/1/2021 - 12/31/2022 Lender HMDA Data, 2021 & 2022 HMDA Aggregate Data

In 2021, Paramount Residential’s performance was below the aggregate’s performance for Racial minority applicants and above Ethnic minority applicants of Hispanic origin. In 2022, Paramount Residential’s performance was above the aggregate’s performance for both Racial minority and Ethnic minority applicants of Hispanic origin. The Lender’s performance increased from 2021 to 2022 for racial minority applicants from 11.5 percent to 17.9 percent. The Lender’s performance decreased for Ethnic minority applicants from 31.6 percent to 27.9 percent.

VI. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Paramount Residential 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.

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.

Paramount Residential'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.

During the review period, Paramount Residential provided limited community development services within the Commonwealth. The Licensee, through its subservicer, Cenlar, participated in the Homeowners Assistance Fund (HAF). HAF is a federal assistance program established under the American Rescue Plan Act to mitigate financial hardships associated with the coronavirus pandemic. The program provided funds to eligible borrowers for the purpose of preventing mortgage delinquencies, defaults, foreclosures, and displacements of eligible homeowners. The Licensee also offers referrals to CredEvolv, a debt counseling service to assist prospective homeowners.

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.

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.

Paramount Residential provides mortgage lender services that are accessible to geographies and individuals of different income levels in Massachusetts. The Lender offers a variety of mortgage products such as FHA, VA, USDA, MHFA, Freddie Mac Home Possible, and Fannie Mae Home Ready. Applicants can apply for a mortgage over the telephone, at a branch, or online. During the examination period, the Revere and Marlboro branches were open in a moderate-income census

tract. The Woburn branch opened March 2021 in a moderate-income census tract. Business is derived through referrals from various sources. The Lender employs Massachusetts Loan Officers who are bilingual in different languages such as, Chinese, Creole, and French. During the examination period, the majority of originations were sold on the secondary market with servicing rights released with a smaller portion retained. The retained portfolio was subserviced by Cenlar.

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.

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.