

PUBLIC DISCLOSURE

MAY 23, 2023

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**PHH MORTGAGE CORPORATION
d/b/a LIBERTY REVERSE MORTGAGE d/b/a MORTGAGE SERVICE CENTER
d/b/a PHH MORTGAGE SERVICES
ML2726**

**2000 MIDLANTIC DRIVE, SUITE 410-A
MT LAUREL, NJ 08054**

**DIVISION OF BANKS
1000 WASHINGTON STREET
BOSTON, MASSACHUSETTS 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.
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GENERAL INFORMATION

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **PHH Mortgage Corporation d/b/a Liberty Reverse Mortgage d/b/a Mortgage Service Center d/b/a PHH Mortgage Services (PHH Mortgage 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 **May 23, 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 related to CRA.

The CRA examination included a comprehensive review and analysis, as applicable, of PHH Mortgage'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 PHH Mortgage's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered PHH Mortgage'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 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 of the Commonwealth 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 LMI census tracts as compared to the distribution of owner-occupied housing in those census tracts.
- The distribution of borrowers, given the demographics of Massachusetts, reflects an adequate record of serving the credit needs among individuals of different income levels.
- PHH Mortgage exhibited the use of innovative or flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI level individuals.
- 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”

- On a limited basis, the Lender is engaged in providing community development services and qualified investments benefiting Massachusetts consumers.
- Service delivery systems are accessible to geographies and individuals of different income levels in the Commonwealth.

PERFORMANCE CONTEXT

Description of Mortgage Lender

PHH Mortgage has been licensed in Massachusetts as a mortgage lender since 1992 and has had servicing registration/licensure since 2005. At the time of the examination, the Lender had six branches authorized to conduct business in Massachusetts but none in were located in the Commonwealth. The Lender operates nationwide and originates, purchases, and sells residential mortgage loans on the secondary market with servicing rights retained. The Lender currently offers conventional, jumbo, Federal Housing Administration (FHA), Veterans Affairs (VA), and United States Department of Agriculture (USDA) loans. Applications are taken via the Lender's website, telephone, or in person.

During 2021 and 2022, PHH Mortgage originated 473 loans and purchased 2520 loans totaling approximately \$1.1 billion 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)	1,620	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, 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 of Housing and Urban Development (HUD) adjusted median family income was \$106,200 in 2021 and increased to \$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 data. The unemployment rate for Massachusetts stood at an annual average of 3.8 percent for 2022, a decrease from the 2021 annual average rate of 5.5 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 PHH Mortgage.

PHH Mortgage'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 PHH Mortgage is addressing credit needs throughout Massachusetts. The following table presents, by number, PHH Mortgage's 2021 and 2022 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 2021 and 2022 aggregate lending data (inclusive of PHH Mortgage).

Geographic Distribution of HMDA Loans by Census Tract					
Tract Income Level	Year	% of MA Owner-Occupied Housing Units	Aggregate Performance % of #	PHH Mortgage #	PHH Mortgage %
Low	2021	3.1	4.2	53	2.60
	2022		4.4	31	3.24
Moderate	2021	14.6	14.3	225	11.05
	2022		16.0	169	17.66
Middle	2021	43.1	42.7	963	47.30
	2022		42.0	433	45.25
Upper	2021	38.9	38.6	795	39.05
	2022		37.1	318	33.23
Not Available	2021	0.3	0.2	0	0.0
	2022		0.5	6	0.62
Total	2021	100.0	100.0	2036	100.0
	2022		100.0	957	100.0

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

As shown in the above table, PHH Mortgage's lending to low-income geographies during 2021 and 2022 was below the aggregate percentages for both years as well as below the demographics of

owner-occupied housing units for 2021. Lending to moderate-income geographies was below the aggregate for 2021 but increased to above for 2022, with similar performance in relation to the demographics of owner-occupied housing units. Data for 2022 showed an improvement in LMI census tract lending, as PHH Mortgage demonstrated an increase in the percentage of loans made in low- and moderate-income census tracts while overall lending volume decreased from 2021 to 2022. The Lender's lending performance is considered adequate at this time.

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 PHH Mortgage's 2021 and 2022 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 2021 and 2022 aggregate lending data (inclusive of PHH Mortgage).

Distribution of HMDA Loans by Borrower Income					
Borrower Income Level	Year	% of MA Families	Aggregate Performance % of #	PHH Mortgage #	PHH Mortgage %
Low	2021	22.8	5.9	120	5.90
	2022		7.4	107	11.18
Moderate	2021	16.4	17.8	52	2.55
	2022		19.7	34	3.55
Middle	2021	19.8	22.5	33	1.62
	2022		23.0	29	3.03
Upper	2021	41.0	39.9	58	2.85
	2022		37.5	38	3.97
Not Available	2021	0.0	13.9	1,773	87.08
	2022		12.4	749	78.27
Total	2021	100.0	100.0	2036	100.0
	2022		100.0	957	100.0

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

PHH Mortgage purchased and originated a total of 2,993 loans in 2021 and 2022, of which 2,520, or 84.2%, are purchased loans. Purchased loans do not capture borrower income information, as reflected in the table by the 87.08 and 78.27 percent whose income level is labeled "Not Available."

The remaining originations with documented income show the Lender's lending to low-income borrowers is equal to the aggregate for 2021 and above the aggregate for 2022. However, lending to moderate-income borrowers was significantly below the aggregate percentage. From 2021 to 2022, the Lender's performance of lending to LMI borrowers improved from 8.45% to 14.73%

overall, largely driven by PHH Mortgage's performance with low-income borrowers. Taking into consideration that the majority of the Lender's loans do not capture borrower income information, overall lending performance to LMI borrowers is adequate at this time.

It should also be noted that a significant portion of originations are from the FHA Home Equity Conversion Mortgage (HECM) product, which is typically marketed to elderly fixed income borrowers. A higher percentage of originations for low-income borrowers is expected for reverse lenders compared to the aggregate data, which reflects originations for the mortgage industry and all mortgage products as a whole. Income is not a driving factor in the approval process for reverse mortgage loans, as the ability to repay requirement is focused on the borrowers' ability to pay property taxes and homeowners insurance. As a result, the income verified and reported for reverse mortgage loans may not reflect the total household income.

III. Innovative or Flexible Lending Practices

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

PHH's primary FHA product offering is the HUD-insured HECM loan, which is the only reverse mortgage loan insured by the U.S. Federal Government and only available through HUD-approved lenders. The HECM enables borrowers, age 62 or older, to convert a portion of their home equity into a line of credit or receive a lump sum cash-out. The amount available for withdrawal varies by borrower and depends on several factors, including the customer's age, property appraised value, and current interest rates. During the review period, PHH originated and purchased 308 FHA loans totaling \$104 million. Of these 308 loans, 86 were located in low-and moderate-income geographies. Based on the income reported, it appears that 215 benefited low-and moderate-income individuals. However, as noted previously, the income verified and reported for reverse mortgage loans may not reflect the total household income to accurately determine if all loans benefited low- and moderate-income individuals.

During the evaluation period, PHH Mortgage also originated products through the VA Home Loan Program to qualifying veterans. The VA Home Loan Program offers veterans flexible terms such as low or no down payments and no monthly insurance premiums. During 2021 and 2022, PHH Mortgage originated and purchased 24 VA loans in Massachusetts. One of these was made to a low-income borrower, while six loans were made in low- or moderate-income census tracts.

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.

PHH Mortgage services its retained servicing portfolio in-house. The Lender has an internal loss mitigation department which works with delinquent homeowners to facilitate a resolution of the delinquency. The number of mortgage loan foreclosures, modifications and/or repurchases in the Lender's portfolio does not appear disproportionate. 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 PHH Mortgage's personnel, and individual file review.

PHH Mortgage 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 PHH Mortgage's HMDA data to determine whether the mortgage application flow from various racial and ethnic groups was consistent with the area demographics.

During 2021, PHH Mortgage received 2,544 HMDA-reportable mortgage loan applications from within the Commonwealth. Of these applications, 107 or 4.21 percent were received from racial minority applicants. For the same period, PHH Mortgage received 55 or 2.16 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin. This compares to the 13.3 percent of mortgage loans originated by the aggregate in Massachusetts to racial minorities and 7.2 percent to ethnic minorities in 2021.

During 2022, PHH Mortgage received 1,322 HMDA-reportable mortgage loan applications from within the Commonwealth. Of these applications, 73 or 5.54 percent were received from racial minority applicants. For the same period, PHH Mortgage received 56 or 4.24 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin. This compares to the 14.8 percent of mortgage loans originated by the aggregate in Massachusetts to racial minorities and 8.9 percent to ethnic minorities in 2022.

Demographic information for Massachusetts reveals the total racial minority population stood at 30.4 percent of 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 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	2021 Aggregate Data	2021 PHH Mortgage		2022 Aggregate Data	2022 PHH Mortgage	
	% of #	#	%	% of #	#	%
American Indian/ Alaska Native	0.3	6	0.24	0.3	3	0.23
Asian	6.6	27	1.06	6.6	10	0.76
Black/ African American	4.6	62	2.44	5.8	49	3.71
Hawaiian/Pacific Islander	0.1	1	0.04	0.2	1	0.08
2 or more Minority	0.1	1	0.04	0.2	1	0.08
Joint Race (White/Minority)	1.6	10	0.39	1.7	9	0.68
Total Minority	13.3	107	4.21	14.8	73	5.54
White	61.2	593	23.31	61.0	447	33.81
Race Not Available	25.5	1,844	72.48	24.2	802	60.65
Total	100.0	2,544	100.0	100.0	1,322	100.0
Ethnicity	% of #			% of #		
Hispanic or Latino	6.0	44	1.73	7.4	49	3.71
Joint (Hisp-Lat /Non-Hisp-Lat)	1.2	11	0.43	1.5	7	0.53
Total Hispanic or Latino	7.2	55	2.16	8.9	56	4.24
Not Hispanic or Latino	67.4	674	26.49	67.6	493	37.29
Ethnicity Not Available	25.4	1,815	71.35	23.5	773	58.47
Total	100.0	2,544	100.0	100.0	1,322	100.0

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

PHH Mortgage's performance was below the aggregate for racial minorities in 2021 and 2022 as well as below the aggregate for ethnic minorities for the same time period. While overall loan volume decreased from 2021 to 2022, the percentage of applications from racial and ethnic minority applicants increased, especially from ethnic minority applicants.

VI. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by PHH Mortgage 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.

PHH Mortgage'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, PHH Mortgage provided a good level of qualified community development services in Massachusetts, albeit on a limited basis. PHH Mortgage collaborated with local housing counseling agencies Cambridge Credit Counseling and HomeFree-USA to provide eight borrower outreach events in Massachusetts.

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 by the institution, and (3) the responsiveness of the institution's community development grants to the area's needs.

During the review period, PHH Mortgage's outreach division assisted borrowers with the Massachusetts Homeowner Assistance Fund (HAF), which to date has received 268 applications and applied \$1.7 million in HAF funds to homeowners' loans. HAF assistance has also assisted reverse mortgage homeowners with financial assistance in the amount of \$89,000.

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.

PHH Mortgage 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, PHH Mortgage provided mortgage lending services through its branches, the internet and over the telephone. Overall, the Lender provides an adequate delivery of mortgage lending services throughout the Commonwealth.

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.