

PUBLIC DISCLOSURE

JUNE 3, 2024

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**REPUBLIC STATE MORTGAGE CO.
MC62411**

**815 HAWTHORNE STREET
HOUSTON, TEXAS 77006**

**DIVISION OF BANKS
1000 WASHINGTON STREET
BOSTON, MA 02118**

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this mortgage lender. The rating assigned to this mortgage lender does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this mortgage lender.
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GENERAL INFORMATION

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **Republic State Mortgage Co. (Lender or Republic State)** 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 **June 3, 2024**.

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 Republic State'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 Republic State's community investment performance. These procedures utilize a single performance test, the Lending Test. This evaluation considered Republic State's lending for the period of January 1, 2022, through December 31, 2023. The data and applicable timeframes for the Lending 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 2022 and 2023 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.

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.
- 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.
- Republic State made use of flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI individuals, during the evaluation period.
- 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.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Republic State Mortgage Co. (Republic State or the Lender) has been licensed in Massachusetts as a mortgage lender and mortgage broker since 2015 and registered as a loan servicer in 2016. Republic State's main office is located in Houston, Texas. The Lender maintains a local branch in Peabody, Massachusetts. The Lender operates in numerous states and offers conventional, Federal Housing Administration (FHA), Department of Veterans Affairs (VA), and United States Department of Agriculture (USDA) loans. Applications are taken via the Lender's website or by telephone. All loans retained for servicing are subserviced by a third-party loan servicer.

During 2022 and 2023, Republic State originated 124 loans totaling approximately \$49 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)	1,620	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	19.1	0.7
Median Family Income	\$114,076	Median Housing Value				\$449,342
Households Below Poverty Level	10.6%	2023 Unemployment Rate				3.4%*
2022 HUD Adjusted Median Family Income	\$120,400	2023 HUD Adjusted Median Family Income				\$127,700

*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 \$120,400 in 2022 and increased to \$127,700 in 2023. 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 3.4 percent for 2023, a decrease from the 2022 annual average rate of 3.8 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. Republic State'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 Republic State.

Republic State's Lending Test performance was determined to be "**Satisfactory**".

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well Republic State is addressing credit needs throughout Massachusetts. The following table presents, by number, Republic State's 2022 and 2023 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 2022 and 2023 aggregate lending data (inclusive of Republic State).

Geographic Distribution of HMDA Loans by Census Tract					
Tract Income Level	Year	% of MA Owner-Occupied Housing Units	Aggregate Performance % of #	Republic State #	Republic State %
Low	2022	3.1	4.4	4	5.7
	2023		4.5	3	5.6
Moderate	2022	14.6	16.0	27	38.6
	2023		15.5	11	20.4
Middle	2022	43.1	42.0	27	38.6
	2023		40.8	28	51.8
Upper	2022	38.9	37.1	11	15.7
	2023		38.5	12	22.2
Not Available	2022	0.3	0.5	1	1.4
	2023		0.7	0	0.0
Total	2022	100.0	100.0	70	100.0
	2023		100.0	54	100.0

Source: 2020 US Census; 1/1/2022 - 12/31/2023 Lender HMDA Data, 2022 and 2023 HMDA Aggregate Data

The Lender's lending performance in low- and moderate-income census tracts was above that of the aggregate and the percentage of owner-occupied units in 2022 and 2023. Lending performance was found to be adequate.

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 Republic State's 2022 and 2023 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 2022 and 2023 aggregate lending data (inclusive of Republic State).

Distribution of HMDA Loans by Borrower Income					
Borrower Income Level	Year	% of MA Families	Aggregate Performance % of #	Republic State #	Republic State %
Low	2022	22.8	7.4	8	11.4
	2023		6.1	7	13.0
Moderate	2022	16.4	19.7	26	37.2
	2023		16.3	14	25.9
Middle	2022	19.8	23.0	22	31.4
	2023		22.1	22	40.7
Upper	2022	41.0	37.5	14	20.0
	2023		35.8	11	20.4
Not Available	2022	0.0	12.4	0	0.0
	2023		19.7	0	0.0
Total	2022	100.0	100.0	70	100.0
	2023		100.0	54	100.0

Source: 2020 US Census; 1/1/2022 - 12/31/2023 Lender HMDA Data, 2022 and 2023 HMDA Aggregate Data

The Lender's lending performance to low- and moderate-income borrowers surpassed that of the aggregate in both 2022 and 2023. Lending to moderate-income borrowers also exceeded the percentage of moderate-income families. While overall production decreased from 2022 to 2023, the Lender's percentage of lending to low-income borrowers increased. Lending performance was found to be adequate.

III. Innovative or Flexible Lending Practices

Republic State offers flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI individuals or geographies.

Republic State 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 LMI first-time homebuyers and existing homeowners. During the review period, Republic State originated 24 FHA loans totaling approximately \$11.3 million. Of these, 13 loans or 54% benefited low- to moderate-income borrowers, while 12 loans or 50% 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 Republic State, 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, Republic State originated 0 VA loans in Massachusetts.

Republic State 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, Republic State originated 0 USDA loans in Massachusetts.

During the exam period, Republic State also originated MassHousing Loans. 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 2022 and 2023, Republic State originated 17 MassHousing loans totaling approximately \$5 million dollars. This represents approximately 14% of Republic State's overall lending volume during the review period.

IV. Loss Mitigation Efforts

The Division reviews a mortgage lender's efforts to work with delinquent home mortgage loan borrowers to facilitate a resolution of the delinquency, including the number of loan modifications, the timeliness of such modifications, and the extent to which such modifications are effective in preventing subsequent defaults or foreclosures.

Although Republic State retains the servicing rights for a portfolio of loans in Massachusetts, it utilizes a third-party servicer to service these loans. As such, this review does 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 Republic State's personnel, and individual file review.

Republic State 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 2022 and 2023, Republic State received 164 HMDA-reportable mortgage loan applications from within Massachusetts. For these applications, the racial and ethnic identity was not specified in approximately 2 percent of cases. Of the remaining applications, 43 or 26 percent were received from racial minority applicants, and 33 or 77 percent resulted in originations. For the review period, Republic State received 19 or 12 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, and 13 or 68 percent were originated.

This compares to the 81 percent overall ratio of mortgage loans originated by the Lender in Massachusetts in 2022 and the 58.3 percent approval ratio by the aggregate group in 2022. In 2023, the Lender originated 69 percent of applications, and the aggregate group originated 53.2 percent.

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 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	2022 Aggregate Data	2022 Republic State		2023 Aggregate Data	2023 Republic State	
	% of #	#	%	% of #	#	%
American Indian/ Alaska Native	0.3	0	0.0	0.3	0	0.0
Asian	6.6	2	2.3	6.5	2	2.5
Black/ African American	5.8	19	22.1	5.9	17	21.8
Hawaiian/Pacific Islander	0.2	0	0.0	0.2	0	0.0
2 or more Minority	0.2	0	0.0	0.2	0	0.0
Joint Race (White/Minority)	1.7	2	2.3	1.7	1	1.3
Total Minority	14.8	23	26.7	14.8	20	25.6
White	61.0	62	72.1	57.3	58	74.4
Race Not Available	24.2	1	1.2	27.9	0	0.0
Total	100.0	86	100.00	100.0	78	100.0
Ethnicity	% of #	#	%	% of #	#	%
Hispanic or Latino	7.4	11	12.8	7.6	4	5.1
Joint (Hisp-Lat /Non-Hisp-Lat)	1.5	2	2.3	1.5	2	2.6
Total Hispanic or Latino	8.9	13	15.1	9.1	6	7.7
Not Hispanic or Latino	67.6	72	83.7	63.8	71	91.0
Ethnicity Not Available	23.5	1	1.2	27.1	1	1.3
Total	100.0	86	100.0	100.0	78	100.0

Source: 1/1/2022 - 12/31/2023 Lender HMDA Data, 2022 & 2023 HMDA Aggregate Data

The rate of application's received by the Lender from racial minorities surpasses that of the aggregate in both 2022 and 2023 and is primarily made up of Black applicants. The rate of applications received by the Lender from ethnic minorities was above that of the aggregate in 2022 but fell below in 2023.

VI. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Republic State 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.

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.