

PUBLIC DISCLOSURE

NOVEMBER 5, 2019

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**ROSS MORTGAGE COMPANY, INC.
MC2084**

**115 FLANDERS ROAD, SUITE 120
WESTBOROUGH, MA 01581**

**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 **Ross Mortgage Company, Inc. (Lender or Ross Mortgage)** 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 5, 2019**.

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 Ross Mortgage'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 Ross Mortgage's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Ross Mortgage's lending and community development activities for the period of January 1, 2017 through December 31, 2018. 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 data for 2017 and 2018 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 the year of 2017 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 that 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 effective dispersion in low- and moderate-income level census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects a strong record of serving the credit needs among individuals of different income levels.
- Ross Mortgage 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 procedures and practices are considered reasonable.

Service Test: “Satisfactory”

- The Lender provides a satisfactory level of community development services, and its service delivery systems are accessible to geographies and individuals of different income levels in the Commonwealth.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Ross Mortgage was incorporated in Massachusetts in 2001, and was licensed by the Division as a mortgage lender on May 30, 2003. In addition, the Lender has also held a mortgage broker license in the Commonwealth since February 14, 2002. At the time of the examination, Ross Mortgage held additional licenses in Connecticut, Maine, New Hampshire, Rhode Island, and Florida. In addition to its main office location in Westborough, the Lender maintains Massachusetts branch locations in Bolton, Leominster, Danvers, and Worcester.

All underwriting and major functions in the loan process are done at Ross Mortgage's main office. Approved loans are funded through established warehouse lines of credit and sold to the secondary market with servicing rights released. Ross Mortgage's business development relies primarily on professional referrals and repeat customers.

Demographic Information

The Division's regulation requires mortgage lenders to be evaluated on their performance within the Commonwealth. Demographic data is provided below to offer contextual overviews of the economic climate along with housing and population characteristics for Massachusetts.

MASSACHUSETTS DEMOGRAPHIC INFORMATION						
Demographic Characteristics	Amount	Low %	Moderate %	Middle %	Upper %	N/A %
Geographies (Census Tracts)	1,478	12.2	19.1	37.5	29.2	2.0
Population by Geography	6,705,586	10.1	18.6	38.9	31.9	0.5
Owner-Occupied Housing by Geography	1,583,667	3.4	13.8	44.4	38.3	0.1
Family Distribution by Income Level	1,620, 917	23.3	16.4	19.4	40.9	0.0
Distribution of Low and Moderate Income Families	643,491	17.8	25.8	37.6	18.7	0.1
Median Family Income		\$93,145	Median Housing Value		\$358,764	
Households Below Poverty Level		12.0%	Unemployment Rate		2.8%*	
2017 HUD Adjusted Median Family Income		\$91,119	2018 HUD Adjusted Median Family Income		\$95,779	

Source: 2015 ACS

*as of 09/30/2019

Based on the 2015 American Community Survey (ACS), the Commonwealth's population was above 6.7 million people with a total of 2.8 million housing units. Of the total housing units, almost 1.6 million or 56.4 percent are owner-occupied, 966,054 or 34.5 percent are rental-occupied, and 9.1 percent are vacant units.

According to the 2015 ACS data, there are 2.5 million households in the Commonwealth with a median household income of \$74,527. Over 41 percent of households are classified as low- and

moderate-income. Twelve percent of the total number of households are living below the poverty level. Individuals in these categories may find it challenging to qualify for traditional mortgage loan products.

Households classified as “families” totaled slightly over 1.62 million. Of all family households, 23.3 percent were low-income, 16.4 percent were moderate-income, 19.4 percent were middle-income, and 40.9 percent were upper-income. The median family income according to the 2015 ACS data stood at \$93,145. The Department of Housing and Urban Development (HUD) adjusted median family income was \$91,119 in 2017 and \$95,779 in 2018. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth contains 1,478 Census tracts. Of these, 181 or 12.2 percent are low-income; 282 or 19.1 percent are moderate-income; 555 or 37.5 percent are middle-income; 431 or 29.2 percent are upper-income; and 29 or 2.0 percent are NA or have no income designation. The tracts with no income designation are located in areas that contain no housing units and will not be included in this evaluation since they provide no lending opportunities. These areas are made up of correctional facilities, universities, military installations, and uninhabited locations such as the Boston Harbor Islands.

Low-income is defined as individual income that is less than 50 percent of the area median income. Moderate-income is defined as individual income that is at least 50 percent and less than 80 percent of the area median income. Middle-income is defined as individual income that is at least 80 percent and less than 120 percent of the area median income. Upper-income is defined as individual income that is more than 120 percent of the area median income.

The median housing value for Massachusetts was \$358,764 according to the 2015 ACS. The unemployment rate for Massachusetts stood at 2.8 percent as of September 2019, a decrease from June 2019 when the unemployment rate was at 3.0 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. Ross Mortgage’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 Ross Mortgage.

Ross Mortgage’s Lending Test performance was determined to be “**Satisfactory**”.

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well Ross Mortgage is addressing the credit needs throughout Massachusetts. The following table presents, by number, Ross Mortgage’s 2017 and 2018 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 2017 aggregate lending data (inclusive of Ross Mortgage).

Distribution of HMDA Loans by Income Level Category of the Census Tract						
Census Tract Income Level	Total Owner-Occupied Housing Units	2017 Ross Mortgage		2017 Aggregate Lending Data	2018 Ross Mortgage	
		#	%	% of #	#	%
Low	3.4	11	6.15	4.84	26	8.39
Moderate	13.8	28	15.64	15.86	71	22.90
Middle	44.4	97	54.19	43.50	140	45.16
Upper	38.3	43	24.02	35.65	73	23.55
N/A	0.1	0	0.00	0.15	0	0.00
Total	100.0	179	100.00	100.00	310	100.00

Source: 2017 & 2018 HMDA LAR Data and 2015 ACS.

As reflected in the above table, of the total loans originated by Ross Mortgage in 2017 and 2018, 21.79 and 31.29 percent, respectively, were in the low- and moderate-income level census tracts. The 2017 percentages were comparable to the percentage of the area’s owner-occupied housing units in low- and moderate-income level census tracts, as well as the aggregate percentages. The Lender’s 2018 percentages exceeded both parameters.

Considering that over 80 percent of the area’s owner-occupied housing units are in middle- and upper-income level census tracts, Ross Mortgage’s overall geographic distribution of residential mortgage loans reflects a satisfactory dispersion throughout low- and moderate-income level geographies within the Commonwealth.

II. Borrower Characteristics

The distribution of loans by borrower income levels was reviewed to determine the extent to which the Lender is addressing the credit needs of the Commonwealth’s residents. The following table shows Ross Mortgage’s 2017 and 2018 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 2017 aggregate lending data (inclusive of Ross Mortgage).

Distribution of HMDA Loans by Borrower Income						
Median Family Income Level	% of Families	2017 Ross Mortgage		2017 Aggregate Lending Data	2018 Ross Mortgage	
	%	#	%	% of #	#	%
Low	23.3	16	8.94	5.24	30	9.68
Moderate	16.4	49	27.37	17.63	90	29.03
Middle	19.4	55	30.73	23.35	108	34.84
Upper	40.9	59	32.96	40.75	82	26.45
N/A	0.0	0	0.00	13.03	0	0.00
Total	100.0	179	100.00	100.00	310	100.00

Source: 2017 & 2018 HMDA LAR Data and 2015 ACS.

As shown in the above table, lending to low-income borrowers in 2017 and 2018 was above the aggregate peer data. Ross Mortgage’s lending to moderate-income borrowers during that same period was above the aggregate data and the demographic level. The Lender’s overall lending performance of lending to low- and moderate-income borrowers is considered to be strong.

III. Innovative or Flexible Lending Practices

Ross Mortgage 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.

Since 2005, Ross Mortgage has maintained HUD-approved Direct Endorsement Lender status for Federal Housing Administration (FHA) loans. 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, Ross Mortgage originated 120 FHA loans totaling over \$32 million. Of these, 69 loans benefited low- to moderate-income borrowers, while 45 loans were originated in low- and moderate-income level geographies.

The Lender has been a Department of Veterans Affairs’ (VA) Automatic Approval Agent since 2005. The VA Home Loan Guarantee Program is designed specifically for the unique challenges facing service members and their families. Through VA-approved lenders like Ross Mortgage, 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, Ross Mortgage originated 12 VA loans totaling nearly \$4 million. Of these, eight loans benefited low- to moderate-income borrowers, while three loans were originated in low- and moderate-income level geographies.

As of 2010, Ross Mortgage also offers loan products guaranteed by the US Department of Agriculture (USDA). The USDA Rural Housing Program is an innovative loan program that provides 100% financing for eligible homebuyers in rural-designated areas. This program is for

home purchase transactions and offers fixed rates, as well as not requiring 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, Ross Mortgage originated four loans totaling approximately \$1 million. Of these, one loan benefited low- to moderate-income borrowers, while none were originated in low- and moderate-income level geographies.

Ross Mortgage offers additional loan programs, including the Fannie Mae (FNMA) HomeReady and Freddie Mac (FHLMC) Home Possible programs. These programs are designed to extend to consumers certain benefits and flexible credit options in order to help them meet their home buying, refinance, or renovation needs. In addition these programs help mortgage lenders 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 approximately \$9 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.

As Ross Mortgage does not routinely service mortgage loans, it would not work directly with delinquent borrowers. Therefore, this review does not include an evaluation of loan mitigation and modification efforts as the Lender would not be accountable for such action. The review of investor score cards revealed minimal default rates.

For the review period, lending practices and products do not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable.

V. Fair Lending

The Division examines a mortgage lender's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. The Lender's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. The review included, but was not limited to, review of written policies and procedures, interviews with Ross Mortgage's personnel, and individual file review.

Ross Mortgage has established an adequate record relative to fair lending procedures and 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 2017 and 2018, Ross Mortgage received 623 HMDA-reportable mortgage loan applications from within Massachusetts. For these applications, racial identity was not identified in 6.26 percent of applicants and ethnic identity was not specified in 9.63 percent of cases. Of the remaining applications, 94 or 15.09 percent were received from racial minority applicants, and 69 or 73.40 percent resulted in originations. For the review period, Ross Mortgage received 61 or 9.79 percent of HMDA reportable applications from ethnic groups of Hispanic or Latino origin, and 51 or 73.91 percent were originated. This compares to 78.49 percent overall ratio of mortgage loans originated by the Lender in Massachusetts, and the 72.3 percent approval ratio for the aggregate group.

Demographic information for Massachusetts reveals the total racial and ethnic minority population stood at 25.7 percent of the total population as of the 2015 ACS. At 15.2 percent, racial minorities consisted of 6.5 percent Black; 6.0 percent Asian/Pacific Islander; 0.1 percent American Indian/Alaskan Native; and 2.6 percent self-identified as Other Race. Ethnic minorities consisted of 10.5 percent Hispanic or Latino.

Refer to the following table for information on the Lender’s minority loan application flow as well as a comparison to aggregate lending data throughout the Commonwealth. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Lender received from minority applicants.

MINORITY APPLICATION FLOW					
RACE	2017 Ross Mortgage		2017 Aggregate Data	2018 Ross Mortgage	
	#	%	% of #	#	%
American Indian/ Alaska Native	0	0.00	0.25	0	0.00
Asian	6	2.68	5.46	41	10.27
Black/ African American	16	7.14	4.14	19	4.76
Hawaiian/Pacific Islander	0	0.00	0.15	0	0.00
2 or more Minority	0	0.00	0.08	0	0.00
Joint Race (White/Minority)	2	0.89	1.44	10	2.51
Total Minority	24	10.71	11.52	70	17.54
White	188	83.93	66.95	302	75.69
Race Not Available	12	5.36	21.53	27	6.77
Total	224	100.00	100.00	399	100.00
ETHNICITY					
Hispanic or Latino	16	7.14	5.28	31	7.77
Joint (Hisp-Lat /Not Hisp-Lat)	5	2.23	1.13	9	2.26
Total Hispanic or Latino	21	9.37	6.41	40	10.03
Not Hispanic or Latino	194	86.61	72.38	308	77.19
Ethnicity Not Available	9	4.02	21.21	51	12.78
Total	224	100.00	100.00	399	100.00

Source: 2017 & 2018 HMDA LAR Data and 2015 ACS.

In 2017 and 2018, Ross Mortgage’s overall racial minority application flow was in-line with the ACS demographic data and the aggregate lending data. The ethnic minority flow reflected similar levels of performance.

VI. Loss of Affordable Housing

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

Ross Mortgage's Service Test performance was determined to be "**Satisfactory**".

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 examination period, Ross Mortgage hosted or co-sponsored approximately ten homebuyer seminars for the general public, usually in conjunction with real estate agents. In addition, the Lender runs a weekly radio podcast that covers various topics regarding real estate business and homeownership.

Management is encouraged to continue its strong focus and pro-active commitment in community development activities that meet the definition of community development under the CRA regulation, and maintain proper documentation to evidence such activities.

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.

Ross Mortgage provides effective delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in the Commonwealth. Business development relies primarily on personal and professional relationships. Customers can apply for a mortgage loan in person, over the telephone, and via the company's website.

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.

In addition to the flexible mortgage loan products listed previously, Ross Mortgage also offers Massachusetts Housing Finance Agency (MassHousing) products that are brokered through Fidelity Bank. MassHousing is a self-supporting non-profit public agency that provides financing for homebuyers, homeowners, and for developers and owners of affordable rental housing. The agency sells bonds to fund its credit programs.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 255E, Section 8, and 209 CMR 54.00, the CRA regulation, 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.