

**PUBLIC DISCLOSURE**

**MARCH 4, 2020**

**MORTGAGE LENDER COMMUNITY INVESTMENT  
PERFORMANCE EVALUATION**

**UNITED SHORE FINANCIAL SERVICES LLC  
d/b/a UNITED WHOLESALE MORTGAGE  
ML3038**

**585 SOUTH BOULEVARD E  
PONTIAC MI, 48341**

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

<p><b>NOTE:</b> 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 **United Shore Financial Services, LLC d/b/a United Wholesale Mortgage (UWM or Lender)** pursuant to the 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 **March 4, 2020**.

## 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 mortgage lender's public CRA file, did not reveal any complaints.

The CRA examination included a comprehensive review and analysis, as applicable, of UWM'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 UWM's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered UWM's lending and community development activities for the period of January 2018 through December 2019. 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 2018 and 2019 is presented in the geographic distribution, lending to borrowers of different incomes and minority application flow tables. Comparative analysis of the Lender's lending performance for the year of 2018 is provided because it is the most recent year for which aggregate Home Mortgage Disclosure Act (HMDA) lending data is available. 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 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 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 satisfactory dispersion in low- and moderate-income level census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects a satisfactory record of serving the credit needs among individuals of different income levels.
- UWM 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 satisfactory.

### **Service Test: “Needs to Improve”**

- The Lender provides a limited level of community development services and qualified investments. The Lender’s service delivery systems are accessible to geographies and individuals of different income levels in the Commonwealth.

## **PERFORMANCE CONTEXT**

### **Description of Mortgage Lender**

UWM is a family owned and operated mortgage lending and mortgage servicing company, founded in Michigan in 1986. The company is licensed in all 50 states and the District of Columbia. In Massachusetts, the Lender is engaged primarily in wholesale residential mortgage lending. The Division first licensed UWM as a mortgage lender in November 2002.

The Lender offers a variety of mortgage loan products to meet the needs of the Commonwealth's borrowers. UWM is an approved lender for the Federal Housing Administration (FHA), Department of Veterans Affairs (VA), and US Department of Agriculture (USDA).

UWM's business development relies on business-to-business relationships that include diverse marketing strategies. Loan applications are received from a network of mortgage brokers or acquired from correspondent lenders. UWM underwrites all acquired accounts. Underwriting and all major functions in the loan process are performed at UWM's main office in Pontiac, Michigan. Approved loans are funded through established warehouse lines of credit and the majority of loans are sold to the secondary market with servicing rights retained.

### **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.

<b>MASSACHUSETTS DEMOGRAPHIC INFORMATION</b>						
<b>Demographic Characteristics</b>	<b>Amount</b>	<b>Low %</b>	<b>Moderate %</b>	<b>Middle %</b>	<b>Upper %</b>	<b>N/A %</b>
<b>Geographies (Census Tracts)</b>	1,478	12.2	19.1	37.5	29.2	2.0
<b>Population by Geography</b>	6,705,586	10.1	18.6	38.9	31.9	0.5
<b>Owner-Occupied Housing by Geography</b>	1,583,667	3.4	13.8	44.4	38.3	0.1
<b>Family Distribution by Income Level</b>	1,620,917	23.3	16.4	19.4	40.9	0.0
<b>Distribution of Low and Moderate Income Families</b>	643,491	17.8	25.8	37.6	18.7	0.1
<b>Median Family Income</b>	\$93,145		<b>Median Housing Value</b>		358,764	
<b>Households Below Poverty Level</b>	12.0%		<b>Unemployment Rate</b>		2.9*	
<b>2017 HUD Adjusted Median Family Income</b>	\$91,119		<b>2018 HUD Adjusted Median Family Income</b>		\$95,779	

Source: 2015 ACS

\*as of 08/31/2019

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 the households were classified as low- and moderate-income. Twelve percent of the total number of households are living below the poverty level.

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 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 contained 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 2.9 percent as of August 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 correlates to 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. UWM’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 UWM.

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

#### *I. Geographic Distribution*

The geographic distribution of loans was reviewed to assess how well UWM is addressing the credit needs throughout Massachusetts. The following table presents, by number, UWM’s 2018 and 2019 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 2018 aggregate lending data (inclusive of UWM).

<b>Distribution of HMDA Loans by Income Level Category of the Census Tract</b>						
<b>Census Tract Income Level</b>	<b>Total Owner- Occupied Housing Units</b>	<b>2018 UWM</b>		<b>2018 Aggregate Lending Data</b>	<b>2019 UWM</b>	
		<b>#</b>	<b>%</b>	<b>% of #</b>	<b>#</b>	<b>%</b>
<b>Low</b>	3.4	153	4.97	4.54	378	6.22
<b>Moderate</b>	13.8	549	17.82	15.05	1,070	17.61
<b>Middle</b>	44.4	1,425	46.27	43.17	2,696	44.38
<b>Upper</b>	38.3	951	30.88	37.07	1,928	31.74
<b>N/A</b>		2	0.06	0.17	3	0.05
<b>Total</b>	<b>100.0</b>	<b>3,080</b>	<b>100.00</b>	<b>100.00</b>	<b>6,075</b>	<b>100.00</b>

*Source: 2018 & 2019 HMDA LAR and 2015 ACS Data.*

As reflected in the above table, of the total loans originated in 2018 and 2019, 22.79 and 23.83 percent respectively, were in the low- and moderate-income level census tracts. The percentages were favorably 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.

Considering that over 80 percent of the area’s owner-occupied housing units are in middle- and upper-income level census tracts, UWM’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 UWM's 2018 and 2019 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 2018 aggregate lending data (inclusive of UWM).

Distribution of HMDA Loans by Borrower Income						
Median Family Income Level	% of Families	2018 UWM		2018 Aggregate Lending Data	2019 UWM	
		#	%	% of #	#	%
<b>Low</b>	23.3	210	6.82	6.80	594	9.78
<b>Moderate</b>	16.4	846	27.47	19.67	1,720	28.31
<b>Middle</b>	19.4	978	31.75	25.26	1,858	30.58
<b>Upper</b>	40.9	1,046	33.96	44.24	1,903	31.33
<b>Total</b>	<b>100.0</b>	<b>3,080</b>	<b>100.00</b>	<b>100.00</b>	<b>6,075</b>	<b>100.00</b>

Source: 2018 & 2019 HMDA LAR and 2015 ACS Data.

As shown in the above table, lending to low-income borrowers in 2018 and 2019 was in-line with the aggregate data. UWM's lending to moderate-income borrowers during that same period was above the aggregate data and demographics. The Lender's overall lending performance of lending to low- and moderate-income borrowers is satisfactory.

## III. Innovative or Flexible Lending Practices

UWM 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.

UWM is a HUD approved Direct Endorsement Lender 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. Since 2009, UWM also offers HUD insured Home Equity Conversion Mortgage products. During the review period, UWM originated 1,512 FHA loans totaling \$488 million. Of these, 811 loans benefited low- to moderate-income borrowers, while 622 loans were originated in low- and moderate-income level geographies.

The Lender is 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 UWM, 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, UWM originated 335 VA loans totaling over \$118 million. Of these, 174 loans



benefited low- to moderate-income borrowers, while 53 loans were originated in low- and moderate-income level geographies.

UWM also offers loan products guaranteed by the USDA. The 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 which 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, UWM originated 38 loans totaling approximately \$9 million. Of these, 20 loans benefited low- to moderate-income borrowers, while 6 loans were originated in low- and moderate-income level geographies.

UWM offers variety of additional loan programs, including the FNMA HomeReady, FHLMC HomeOne, and FHLMC Home Possible product offerings. 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 the mortgage lenders to confidently serve a market of creditworthy low- to moderate-income borrowers. During the review period, the Lender closed nearly 2000 Massachusetts loans under these flexible lending programs totaled approximately \$543 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.

UWM uses third parties to sub-service its retained servicing portfolio. The review of sub-servicer records revealed that the current overall default rates and levels of loan modifications or foreclosures do not exceed industry averages.

#### ***V. Fair Lending***

The Division examines a mortgage lender's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. The mortgage 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 UWM's personnel, and individual file review. No evidence of disparate treatment was identified.

UWM has established a satisfactory record relative to CRA and fair lending procedures and practices. Fair lending training is delivered to all personnel on at least an annual basis. In addition, employees are instructed not to engage in any inappropriate conduct, take any action based upon prohibited basis, or steer consumers to loan products unsuitable for their needs. Senior management is responsible for ensuring that the Lender is in compliance with current laws and regulations, and for making necessary changes and updates to policies and procedures. UWM

utilizes its internal review team, as well as external vendors, to conduct targeted periodic reviews and annual audits for compliance with all regulatory standards, including CRA and fair lending.

### 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 2018 and 2019, UWM had received 10,746 HMDA-reportable mortgage loan applications from within the Commonwealth. The racial and ethnic identity was not specified in approximately 12 percent of cases. Of the remaining applications, 1,811 or 16.85 percent were received from racial minority applicants, and 1,489 or 82.22 percent resulted in originations. For the review period, UWM received 1,480 or 13.77 percent of HMDA reportable applications from ethnic groups of Hispanic or Latino origin, and 1,198 or 80.94 percent were originated. This compares to 85.19 percent overall ratio of mortgage loans originated by the Lender in Massachusetts, and the 56.31 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 population.

Refer to the following table for information on the mortgage 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	2018 UWM		2018 Aggregate Data	2019 UWM	
	#	%	% of #	#	%
American Indian/ Alaska Native	5	0.14	0.32	5	0.07
Asian	315	8.48	5.90	760	10.81
Black/ African American	192	5.17	4.43	400	5.69
Hawaiian/Pacific Islander	3	0.08	0.21	13	0.19
2 or more Minority	2	0.05	0.13	1	0.01
Joint Race (White/Minority)	56	1.51	1.38	59	0.84
<b>Total Minority</b>	<b>573</b>	<b>15.43</b>	<b>12.37</b>	<b>1,238</b>	<b>17.61</b>
White	2,844	76.55	66.35	4,757	67.66
Race Not Available	298	8.02	21.28	1,036	14.73
<b>Total</b>	<b>3,715</b>	<b>100.00</b>	<b>100.00</b>	<b>7,031</b>	<b>100.00</b>
<b>ETHNICITY</b>					
Hispanic or Latino	511	13.76	5.82	865	12.30
Joint (Hisp-Lat /Not Hisp-Lat)	39	1.05	1.13	65	0.92
<b>Total Hispanic or Latino</b>	<b>550</b>	<b>14.81</b>	<b>6.95</b>	<b>930</b>	<b>13.22</b>
Not Hispanic or Latino	2,851	76.74	71.37	5,027	71.50
Ethnicity Not Available	314	8.45	21.68	1,074	15.28

<b>Total</b>	<b>3,715</b>	<b>100.00</b>	<b>100.00</b>	<b>7,031</b>	<b>100.00</b>
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*Source: 2018 & 2019 HMDA LAR and 2015 ACS Data.*

In 2018 and 2019, UWM’s overall racial and ethnic minority application flow was generally comparable or above the ACS data, and has exceeded the aggregate performance, resulting in a satisfactory position.

***VI. Loss of Affordable Housing***

This review concentrated on the suitability and sustainability of mortgage loans originated by UWM by taking into account delinquency and default rates of the mortgage 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 at or below the 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.

UWM'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 examination period of 2018 and 2019, UWM has not performed any community development services within the Commonwealth.

Management is encouraged to employ a strong and pro-active commitment to community outreach activities that meet the definition of community development under the CRA 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.

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

During the examination period, UWM provided donations to support the efforts of Urban Edge Housing Corporation's community development across the city of Boston, and Homes for Our Troops mission for veterans.

Management is encouraged to capture and properly document investments and donations promoting financial literacy education, homeownership counselling, and other initiatives targeted to low- and moderate-income consumers throughout the Commonwealth.

## **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.

UWM provides satisfactory delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in the Commonwealth. 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 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.