

**PUBLIC DISCLOSURE**

**May 15, 2019**

**CRA FOR MORTGAGE LENDERS  
PERFORMANCE EVALUATION**

**VILLAGE MORTGAGE COMPANY  
MC6331**

**30 Tower Lane, 3<sup>rd</sup> & 4<sup>th</sup> Fl.  
Avon, CT 06001**

**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.

## GENERAL INFORMATION

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **Village Mortgage Company (the Lender or Village)** 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 **May 15, 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 mortgage 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 Village'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 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 Village's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Village's lending for the period of January 1, 2017 through December 31, 2017 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 five criteria: geographic distribution of loans, lending to borrowers of different incomes, innovative and flexible lending practices, fair lending, and loss of affordable housing.

Home mortgage lending for 2017 is presented in the geographic distribution, lending to borrowers of different incomes and minority application flow tables. Comparative analysis of the mortgage lender's lending performance for 2017 is provided as this is the most recent year for which aggregate 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 which 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 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 a reasonable dispersion in LMI census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects a good record of servicing the credit needs among individuals of different income levels.
- Village offers flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI individuals.
- The lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable. The Lender demonstrates the ability to work with delinquent borrowers to facilitate a resolution of delinquency.
- Fair lending policies are considered adequate.

### **Service Test: "Satisfactory"**

- Village provided a number of community development activities within the Commonwealth.
- Service delivery systems are reasonably accessible to geographies and individuals of different income levels in the Commonwealth.

## PERFORMANCE CONTEXT

### Description of Mortgage Lender

Village was incorporated in Connecticut on July 1, 1998, and registered in Massachusetts as a foreign corporation on May 6, 1999. The Division granted the Licensee a mortgage lender license on August 26, 1999. In addition, the Lender received a Third Party Loan Servicer Registration on January 7, 2014 and a mortgage broker license on November 29, 2017.. The Lender’s corporate headquarters is located at 30 Tower Lane, 3<sup>rd</sup> and 4<sup>th</sup> floors, in Avon, Connecticut. At the time of the examination, the Lender had seven Massachusetts branches. The Licensee originated loans using its wholesale and retail channels. During 2017, Village originated 641 loans totaling approximately \$164,408 million in Massachusetts.

### Demographic Information

The CRA regulation requires mortgage lenders to be evaluated on their performance within the Commonwealth. Demographic data is provided below to offer contextual overviews of 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)	1,478	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			3.5*
2017 HUD Adjusted Median Family Income		\$91,119				

*Source: 2015 ACS US Census; \*as of 12/31/2017*

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, 1.58 million or 56 percent are owner occupied, 966,054 or 34 percent are rental units, and 9.8 percent are vacant units.

According to the ACS data, there are 2.5 million households in the Commonwealth with a median of household income of \$74,527. Over 41 percent of households are now classified as LMI. Twelve percent of the total number households are living below the poverty level. Individuals in these categories may find it difficult 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 reported by the ACS data was \$93,145. The Housing and Urban Development (HUD) adjusted median family income was \$91,119 in 2017. The HUD

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 that is more than 120 percent of the area median income.

The median housing value for Massachusetts was \$358,764 according to the ACS. The unemployment rate for Massachusetts as of December 31, 2017, stood at 3.5 percent, which was an increase from December 31, 2016, at which time it stood at 3.1 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**

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 Village.

Village’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 Village is addressing the credit needs throughout the Commonwealth’s low-, moderate-, middle-, and upper-income census tracts. The table below shows the distribution of HMDA-reportable loans by census tract income level. The lending activity is compared with the percent of owner-occupied housing units based on the ACS. Census demographics and Village’s 2017 home mortgage lending performance comprised of loans originated and purchased by Village. This lending performance is compared to aggregate lending performance in 2017.

<b>Geographic Distribution of HMDA Loans by Census Tract</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2017	3.4	4.8	38	5.9	10,278	6.3
Moderate						
2017	13.8	15.9	157	24.5	36,281	22.1
Middle						
2017	44.4	43.5	301	47.0	74,961	45.6
Upper						
2017	38.3	35.7	144	22.5	42,363	25.8
Not Available						
2017	0.1	0.1	1	0.2	525	0.3
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>641</b>	<b>100.0</b>	<b>164,408</b>	<b>100.0</b>
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2017 Lender HMDA Data, 2017 HMDA Aggregate Data, "--" data not available.</i>						

As shown in the above table, lending to low- and moderate-income geographies during 2017 was above the demographics, as well as, above the performance of the aggregate data. The Lender’s overall lending performance to LMI borrowers is considered reasonable.

## II. Borrower Characteristics

The distribution of loans by borrower income levels was reviewed to determine the extent to which the mortgage lender is addressing the credit needs of the Commonwealth's residents. The table below illustrates HMDA-reportable loan originations and purchases, categorized by borrower income level, that were reported by Village during 2017, and compares this activity to the 2017 aggregate lending data and the percentage of families by income level within the assessment area using the ACS Census demographics.

<b>Distribution of HMDA Loans by Borrower Income</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2017	23.3	5.2	60	9.4	8,792	5.3
Moderate						
2017	16.4	17.6	220	34.3	46,768	28.4
Middle						
2017	19.4	23.3	214	33.4	60,156	36.6
Upper						
2017	40.9	40.8	146	22.8	48,370	29.4
Not Available						
2017	0.0	13.0	1	0.2	322	0.2
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>641</b>	<b>100.0</b>	<b>164,408</b>	<b>100.0</b>
<i>Source: 2015 ACS Census ; 1/1/2017 - 12/31/2017 Lender HMDA Data, 2017 HMDA Aggregate Data, "--" data not available</i>						

As shown in the above table, lending to low- and moderate income borrowers during 2017 was above the aggregate data. The Lender's overall lending performance to LMI borrowers is considered good at this time.

## III. Innovative or Flexible Lending Practices

Village originated flexible lending products, which were provided in a safe and sound manner to address the credit needs of LMI individuals and geographies. During the exam period, Village offered products insured by HUD through its FHA programs. Examples of products which may have helped low- and moderate-income families included high-LTV offerings, including 97% LTV FHA options, 3.5% down FHA purchase, and streamline refinance transactions. During 2017, Village closed 251 FHA loans in Massachusetts totaling approximately \$63 million; 131 or 52 percent of these loans were made to LMI borrowers, and 110 or 44 percent were made in LMI geographies.

## 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, and the extent to which such modifications are effective in preventing subsequent defaults or foreclosures.



Village services a portfolio of loans in Massachusetts. During the exam period, the majority of originations were sold on the secondary market with servicing rights retained. Village also purchases loans for servicing. Lending and servicing practices did not show an undue concentration or systematic pattern of lending resulting in mortgage loans that were not sustainable. In addition, Village's servicing department provides assistance to delinquent borrowers by offering various options to resolve the delinquency.

## **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 ECOA. The review included, but was not limited to, written policies and procedures, and interviews with mortgage lender personnel.

Village has established an adequate record relative to fair lending policies and practices. No evidence of discriminatory or other illegal credit practices was identified.

### Minority Application Flow

Examiners reviewed Village's HMDA data to determine whether the mortgage application flow from various racial and ethnic groups was consistent with the area demographics. During 2017, Village received 840 HMDA-reportable mortgage loan applications from within the Commonwealth. Of these applications, 108 or 12.9 percent were received from racial minority applicants, and 69 or 64 percent resulted in originations. For the same period, Village received 88 or 10.5 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, and 72 or 82 percent were originated. This compares to the 76.3 percent overall ratio of mortgage loans originated by the Lender in Massachusetts, and the 71.4 percent approved by the aggregate group.

Demographic information for Massachusetts reveals the total racial and ethnic minority population stood at 25.7 percent of total population per the ACS. 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 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 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.

<b>MINORITY APPLICATION FLOW</b>			
<b>RACE</b>	<b>2017 Lender</b>		<b>2017 Aggregate Data</b>
	<b>#</b>	<b>%</b>	<b>% of #</b>
American Indian/ Alaska Native	3	0.4	0.3
Asian	15	1.8	5.5
Black/ African American	76	9.1	4.1
Hawaiian/Pac Isl.	1	0.1	0.2
2 or more Minority	1	0.1	0.1
Joint Race (White/Minority)	12	1.4	1.5
<b>Total Minority</b>	<b>108</b>	<b>12.9</b>	<b>11.7</b>
White	667	79.4	67.4
Race Not Available	65	7.7	20.9
<b>Total</b>	<b>840</b>	<b>100.0</b>	<b>100.00</b>
<b>ETHNICITY</b>			
Hispanic or Latino	77	9.2	5.3
Not Hispanic or Latino	689	82.0	72.9
Joint (Hisp/Lat /Not Hisp/Lat)	11	1.3	1.1
Ethnicity Not Available	63	7.5	20.7
<b>Total</b>	<b>840</b>	<b>100.0</b>	<b>100.0</b>

Source: 2015 ACS Census ; 1/1/2017 - 12/31/2017 Lender HMDA Data, 2017 HMDA Aggregate Data, "--" data not available

In 2017, Village's performance was above the aggregate's performance for racial and ethnic minority applicants.

## VI. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Village by taking into account 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.

Village'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.

Village provides qualified community development services to homeowners in Massachusetts.

Village provides loan modifications and other resolutions to help families avoid foreclosure. Village completed loan modifications for Massachusetts homeowners having difficulty affording their monthly mortgage payments.

Village is involved in borrower outreach events, including homebuyer workshops, as well as, various financial literacy events. During the examination review period, Village participated in nine financial literacy events throughout Massachusetts.

### **Mortgage Lending Services**

The Commissioner evaluates the availability and effectiveness of a mortgage lender's systems for delivering mortgage lending services to LMI geographies and individuals.

Village provides an adequate level of mortgage lending services to LMI geographies and individuals through home purchases, refinance transactions, and mortgage loan servicing in Massachusetts. During the examination period, Village provided mortgage lending services by internet, telephone, solicitation, and direct mail and offered a toll-free number so that customers had a free and convenient way to contact the Lender.

The Lender's Low Income Financing Effort (L.I.F.E) initiative is an effort to actively seek low- and moderate-income and minority borrowers for suitable loan products. The goals of the program are to

promote, increase, and protect homeownership, and revitalize communities. In the fall of 2018, Village employees participated in a L.I.F.E. campaign that involved dropping cards that included their toll-free number and a hyperlink to information on their website in various public places.

As described above, lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable. 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 209 CMR 54.00, the Mortgage Lender Community Investment (CRA) regulation, requires 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.