

PUBLIC DISCLOSURE

November 6, 2019

**CRA FOR MORTGAGE LENDERS
PERFORMANCE EVALUATION**

**WASHINGTON TRUST MORTGAGE COMPANY LLC
MC901927**

**23 BROAD STREET
WESTERLY, RHODE ISLAND 02891**

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

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

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **Washington Trust Mortgage Company LLC (Washington Trust or Lender)** pursuant to Massachusetts General Laws chapter 255E, section 8 and the Division of Banks' (Division) regulation 209 CMR 54.00, prepared by the Division, the Lender's supervisory agency, as of **November 6, 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 related to CRA.

The CRA examination included a comprehensive review and analysis, as applicable, of Washington Trust'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 Washington Trust's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Washington Trust'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 Service Test are discussed below.

The Lending Test evaluates a 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 2017 and 2018 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 2017 is provided as 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, 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 a mortgage lender's loan products by reviewing its 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 the Lender's 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 a 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 an adequate dispersion in LMI census tracts.
- The distribution of borrowers, given the demographics of Massachusetts, reflects a reasonable record of serving the credit needs among individuals of different income levels.
- Washington Trust 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.
- Fair lending policies are considered adequate.

Service Test: "Needs to Improve"

- Service delivery systems are reasonably accessible to geographies and individuals of different income levels in Massachusetts.
- Washington Trust had only one verifiable Community Development activity within Massachusetts during the review period.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Washington Trust was established in Rhode Island as a limited liability company on March 28, 2012, and registered as a foreign limited liability company in Massachusetts on April 17, 2012. The Lender is a wholly owned subsidiary of The Washington Trust Company of Westerly, a Rhode Island state chartered bank, which is in turn owned by Washington Trust Bancorp, Inc. On November 5, 2012, the Division granted Washington Trust a mortgage lender and mortgage broker license. The Lender is authorized to conduct business in Massachusetts, New Hampshire, and Rhode Island. Washington Trust currently maintains five residential mortgage lending locations; four located in eastern Massachusetts (Sharon, Burlington, Braintree, and Wellesley) and one in Connecticut (Glastonbury).

During the review period, Washington Trust originated 1,697 loans totaling approximately \$730.3 million within Massachusetts.

Demographic Information

The Division's regulation 209 CMR 54.00 requires mortgage lenders to be evaluated on their performance within Massachusetts. Demographic data is provided below to offer contextual overviews of the economic climate along with housing and population characteristics for Massachusetts.

2015 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			3.1%*
2017 HUD Adjusted Median Family Income	\$91,119		2018 HUD Adjusted Median Family Income			\$95,779

Source: 2015 ACS; *Bureau of Labor Statistics as of 12/31/2018

Based on the 2015 American Community Survey (2015 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 56.0 percent are owner occupied, 966,054 or 34.0 percent are rental units, and 9.8 percent are vacant units.

According to 2015 ACS data, there are 2.5 million households in Massachusetts with a median household income of \$74,527. Over 41 percent of households are now classified as LMI. Twelve percent of the total number of 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 2015 ACS was \$93,145. The Housing and Urban Development (HUD) adjusted median family income was \$91,119 in 2017 and increased to \$95,779 in 2018. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

Massachusetts 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 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 as of December 31, 2018, was 3.1 percent, which was a decrease from December 31, 2017, at which time it was 3.6 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 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 Washington Trust.

Washington Trust'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 Washington Trust is addressing the credit needs throughout Massachusetts' low-, moderate-, middle-, and upper-income census tracts. The table below shows the distribution of HMDA-reportable loans by census tract income level. Lending activity is compared with the percent of owner-occupied housing units based on the 2015 ACS demographics and Washington Trust's 2017 and 2018 home mortgage lending performance. This lending performance is compared to aggregate lending performance in 2017.

Geographic Distribution of HMDA loans by Census Tract						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	3.4	4.8	30	3.5	11,965	3.4
2018	3.4	--	33	3.9	10,043	2.7
Moderate						
2017	13.8	15.9	114	13.3	37,073	10.4
2018	13.8	--	148	17.6	60,217	16.1
Middle						
2017	44.4	43.5	327	38.2	113,212	31.7
2018	44.4	--	282	33.5	102,033	27.3
Upper						
2017	38.3	35.7	383	44.7	194,033	54.3
2018	38.3	--	373	44.4	198,440	53.2
Not Available						
2017	0.1	0.1	2	0.3	707	0.2
2018	0.1	--	5	0.6	2,630	0.7
Totals						
2017	100.0	100.0	856	100.0	356,990	100.0
2018	100.0	--	841	100.0	373,363	100.0
<i>Source: 2017 & 2018 HMDA Data and 2015 ACS</i>						

Washington Trust's geographic distribution of loans in low-income tracts was below aggregate lending but slightly above the demographics in 2017. The Lender's geographic distribution of loans in moderate-income tracts was below aggregate lending and slightly below the demographics in 2017.

The Lender's geographic distribution of loans in LMI tracts improved in 2018, with lending in low-income tracts increasing from 3.5 percent in 2017 to 3.9 percent in 2018 and lending in moderate-income tracts increasing from 13.3 percent in 2017 to 17.6 percent in 2018. In 2018, the Lender's lending was above the demographics in both low- and moderate-income tracts. Overall, Washington Trust's geographic distribution of residential loans in LMI tracts is considered adequate.

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 Massachusetts' residents. The table below illustrates HMDA-reportable loan originations and purchases, categorized by borrower income level, that were reported by Washington Trust during 2017 and 2018, and compares this activity to the 2017 aggregate lending data and the percentage of families by income level within the assessment area using the 2015 ACS demographics.

Distribution of HMDA Loans by Borrower Income						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	23.3	5.2	26	3.0	5,142	1.4
2018	23.3	--	29	3.5	5,649	1.5
Moderate						
2017	16.4	17.6	123	14.4	29,184	8.2
2018	16.4	--	96	11.4	23,763	6.4
Middle						
2017	19.4	23.3	195	22.8	61,983	17.4
2018	19.4	--	187	22.2	61,727	16.5
Upper						
2017	40.9	40.8	512	59.8	260,681	73.0
2018	40.9	--	529	62.9	282,224	75.6
Not Available						
2017	0.0	13.0	0	0.0	0	0.0
2018	0.0	--	0	0.0	0	0.0
Totals						
2017	100.0	100.0	856	100.0	356,990	100.0
2018	100.0	--	841	100.0	373,363	100.0

Source: 2017 & 2018 HMDA Data and 2015 ACS

As shown in the above table, the Lender's lending to LMI borrowers in 2017 was below the Commonwealth's demographics as well as aggregate peer data. In 2018, Washington Trust's lending performance to low-income borrowers increased slightly from 2017 levels, while lending to moderate-income borrowers declined from 14.4 percent to 11.4 percent.

According to the 2015 ACS, 12% of families within the Commonwealth have incomes below the poverty level and would most likely not qualify for homeownership. In light of this, Washington Trust achieved a reasonable record of serving the mortgage credit needs among borrowers of different income levels based on the area's demographics.

III. *Innovative or Flexible Lending Practices*

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

Washington Trust offers the Freddie Mac Home Possible Mortgage Program, which is a low down-payment mortgage option for LMI borrowers with reduced mortgage insurance coverage levels. During the review period, 40 loans were originated for approximately \$11.1 million.

Washington Trust also offers the Fannie Mae Home Ready Program, which is a low down-payment mortgage designed to help serve the market of creditworthy LMI borrowers. During the examination period, the Lender originated 44 loans totaling approximately \$11.3 million.

Massachusetts Housing Finance Authority (MHFA) loans allow borrowers to buy homes with lower down-payments. To be eligible for these loans, a borrower must meet minimum income and loan limit requirements and restrictions. During the examination period, Washington Trust originated 38 loans totaling \$7.6 million.

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. Washington Trust does not routinely service mortgage loans for Massachusetts consumers; as such, it does not work directly with delinquent borrowers. Therefore, this review did not include an evaluation of loss mitigation and modification efforts. Lending practices and products did not show an undue concentration or 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 ECOA. The review included, but was not limited to, review of written policies and procedures and interviews with Washington Trust's personnel.

Washington Trust 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 Washington Trust'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, Washington Trust received 2,319 HMDA-reportable mortgage loan applications from within Massachusetts. Of these applications, 541 or 23.3 percent were received from racial minority applicants, and 398 or 73.6 percent resulted in originations. For the same period, Washington Trust received 46 or 2.0 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, and 34 or 74.0 percent were originated. This compares to the 73.2 percent overall ratio of mortgage loans originated by the Lender in Massachusetts during the review period, and the 72.3 percent originated by the aggregate group in 2017.

Demographic information for Massachusetts reveals the total racial and ethnic minority population stood at 25.7 percent of total population per the 2015 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 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 application flow as well as a comparison to aggregate lenders throughout Massachusetts. 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 Lender		2017 Aggregate Data	2018 Lender	
	#	%	% of #	#	%
American Indian/ Alaska Native	0	0.0	0.3	6	0.5
Asian	227	19.9	5.5	248	21.1
Black/ African American	22	1.9	4.1	14	1.2
Hawaiian/Pac Isl.	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.1	1	0.1
Joint Race (White/Minority)	15	1.3	1.4	8	0.7
Total Minority	264	23.1	11.5	277	23.6
White	477	41.8	67.0	454	38.5
Race Not Available	400	35.1	21.5	447	37.9
Total	1,141	100.0	100.0	1,178	100.0
ETHNICITY					
Hispanic or Latino	13	1.1	5.3	21	1.8
Not Hispanic or Latino	731	64.1	72.4	703	59.7
Joint (Hisp/Lat /Not Hisp/Lat)	6	0.5	1.1	6	0.5
Ethnicity Not Available	391	34.3	21.2	448	38
Total	1,141	100.0	100.0	1,178	100.0
<i>Source: 2017 & 2018 HMDA Data and 2015 ACS</i>					

In 2017, Washington Trust's applications from racial minorities were significantly higher than the aggregate's performance for racial minority applicants. For the same period, Washington Trust's performance was below the aggregate's performance for ethnic minority applicants of Hispanic origin. In 2018, Washington Trust demonstrated an increase in applications from both racial minority applicants and ethnic minority applicants.

VI. *Loss of Affordable Housing*

The review concentrated on the suitability and sustainability of mortgage loans originated by Washington Trust 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 of 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 Massachusetts or a broader regional area that includes Massachusetts.

Washington Trust's Service Test performance was determined to be **"Needs to Improve"** during the evaluation period.

Community Development Services

A community development service is a service that:

- (a) has as its primary purpose community development; and
- (b) is related to the provision of financial services, including technical services

The Commissioner evaluates community development services pursuant to the following criteria:

- (a) the extent to which the mortgage lender provides community development services; and
- (b) the innovativeness and responsiveness of community development services.

During the review period, Washington Trust had only one verifiable community development activity within Massachusetts. One of the Lender's licensed loan officers serves as a board member of the City of Chelsea's Affordable Housing Trust Fund. The Lender is in the process of implementing a plan to track and document community development initiatives within Massachusetts that assist LMI geographies and LMI individuals.

Management is directed to develop an active commitment in community development activities or investments throughout Massachusetts that meet the definition of community development under the CRA regulation.

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.

Washington Trust provides an adequate level of mortgage lending services to LMI geographies and individuals through origination transactions in Massachusetts. The Lender offers a variety of mortgage loan products including a wide array of conventional products, FHA, VA, and MHFA loans.

Consumers can apply for a loan in-person at a branch location, start an application on-line, or apply by telephone. There are four branches located in Massachusetts. Washington Trust generates its business in Massachusetts through referrals, repeat customers, and direct marketing.

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 Massachusetts.

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.