

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**

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| <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 **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