

**PUBLIC DISCLOSURE**

**July 9, 2015**

**CRA FOR MORTGAGE LENDERS  
PERFORMANCE EVALUATION**

**E MORTGAGE MANAGEMENT, LLC  
ML2926**

**3 EXECUTIVE CAMPUS  
CHERRY HILL, NJ 08002**

**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

Massachusetts General Laws chapter 255E, section 8 and the Division of Banks' (Division) regulation 209 CMR 54.00 *et seq.*, Mortgage Lender Community Investment (CRA), require the Division to use its authority when examining mortgage lenders subject to its supervision who have made 50 or more home mortgage loans in the last calendar year, to assess the mortgage lender's record of helping to meet the mortgage credit needs of the Commonwealth, including low- and moderate-income neighborhoods and individuals, consistent with the safe and sound operation of the mortgage lender. Upon conclusion of such examination, the Division must prepare a written evaluation of the mortgage lender's record of meeting the credit needs of the Commonwealth.

This document is an evaluation of the CRA performance of **E Mortgage Management, LLC** ("E Mortgage") prepared by the Division, the mortgage lender's supervisory agency, as of July 9, 2015.

## SCOPE OF EXAMINATION

An evaluation was conducted using examination procedures, as defined by CRA. 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 E Mortgage's:

- (a) Origination of loans and other efforts to assist low- and moderate-income residents, without distinction, to be able to acquire or to remain in affordable housing at rates and terms that are reasonable considering the lender's history with similarly-situated borrowers, 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 as in the judgement of the Commissioner reasonably bear upon the extent to which a mortgage lender is complying with the requirements of fair lending laws and helping meet the mortgage loan credit needs of communities in the Commonwealth.

CRA examination procedures were used to evaluate E Mortgage's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered E Mortgage's lending and community development activities for the period of January 1, 2013, through December 31, 2014. 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: lending to borrowers of different incomes, geographic distribution of loans, innovative and flexible lending practices, fair lending, and loss of affordable housing.

Home mortgage lending for 2013 and 2014 is presented in the geographic distribution, lending to borrowers of different incomes and the minority application flow tables. Comparative analysis of the mortgage lender's lending performance for the year of 2014 is provided as it 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 lenders required to report application

information pursuant to the Home Mortgage Disclosure Act (HMDA) which originated loans in the Commonwealth of 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, which 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 the 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 evaluated 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."**

- The distribution of borrowers, given the demographics of Massachusetts, reflects an adequate record of servicing the credit needs among individuals of different income levels, including those of low- and moderate-income.
- The geographic distribution of the mortgage lender's loans reflects an adequate dispersion in low- and moderate-income census tracts as it is reflective of the distribution of owner occupied housing in those census tracts.
- E Mortgage offers a limited number of flexible lending products, which are provided in a safe and sound manner to address the credit needs of low- and moderate-income individuals.
- Fair lending policies are considered reasonable. No complaints were received during the evaluation period.
- The mortgage lender provides an effective delivery of mortgage lending services throughout the Commonwealth.
- There were no community development services offered by E Mortgage during the examination period.

## **PERFORMANCE CONTEXT**

### **Description of Mortgage Lender**

E Mortgage Management, LLC was incorporated in the state of New Jersey in August 21, 2002, and was registered in Massachusetts on March 9, 2004. The mortgage lender was granted a Mortgage Lender license by the Division of Banks on November 9, 2004. E Mortgage's main office is located at 3 Executive Campus in Cherry Hill, New Jersey. E Mortgage is licensed in 21 states and has additional office locations in California, Connecticut, Florida, North Carolina, New Jersey, Pennsylvania, and Virginia.

E Mortgage offers a variety of mortgage loan products to meet the needs of the Commonwealth's borrowers which include, Fixed Rate and Adjustable Rate, Federal Housing Administration (FHA), Veterans' Administration (VA), United States Department of Agriculture (USDA), and HARP 2.0 loans. In addition to their retail business, the mortgage lender also receives applications from mortgage brokers.

Underwriting of Massachusetts loans and major functions in the loan process are centralized at the corporate office. Approved loans are funded through an established warehouse line of credit and are generally sold, on a servicing released basis, to secondary market investors.

During the period of 2013 and 2014, E Mortgage originated 301 loans totaling approximately \$80.6 million in the Commonwealth of Massachusetts.

### **Demographic Information**

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

<b>2010 CENSUS 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>
Geographies (Census Tracts)	1,474	11.1	19.1	40.6	27.9	1.3
Population by Geography	6,547,629	9.2	18.0	42.4	30.2	0.2
Owner-Occupied Housing by Geography	1,608,474	3.1	13.0	48.3	35.6	0.0
Family Distribution by Income Level	1,600,588	22.2	16.5	20.6	40.7	0.0
Distribution of Low and Moderate Income Families	619,565	15.7	25.9	40.9	17.5	0.0
Median Family Income	\$86,272	Median Housing Value				373,206
Households Below Poverty Level	11.1%	Unemployment Rate				4.9%*
2014 HUD Adjusted Median Family Income	\$83,495	2015 HUD Adjusted Median Family Income				\$88,102

Source: 2010 US Census; \*as of 12/31/2014

Based on the 2010 Census, the Commonwealth's population was above 6.5 million people with a total of 2.8 million housing units. Of the total housing units, 1.6 million or 57.7 percent are owner-occupied, 904,078 or 32.5 percent are rental-occupied, and 9.8 percent are vacant units. According to the 2010 Census there are 2.5 million households in the Commonwealth. The median household income was \$83,495 for 2014. In addition, over 39 percent of households are now classified as low- and moderate-income. Over

11 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 1.6 million. Of all family households, 22.2 percent were low-income, 16.5 percent were moderate-income, 20.6 percent were middle-income, and 40.7 percent were upper-income. The median family income reported by the 2010 Census was \$86,272. The Housing and Urban Development (HUD) adjusted median family income was \$83,495 in 2014. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth of Massachusetts contained 1,474 Census tracts. Of these, 164 or 11.1 percent are low-income; 281 or 19.0 percent are moderate-income; 598 or 40.6 percent are middle-income; 411 or 27.9 percent are upper-income; and 20 or 1.4 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 \$373,206 according to the 2010 Census. The unemployment rate for the Commonwealth of Massachusetts as of December 31, 2014, stood at 4.9 percent which was a decrease from December 31, 2013, at which time it stood at 6.2 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

E Mortgage’s lending efforts are rated under five performance criteria: Borrower Characteristics, Geographic Distribution, Innovative or Flexible Lending Practices, Fair Lending Policies and Procedures, and Loss of Affordable Housing. The following details the data compiled, reviewed and conclusions on E Mortgage’s lending.

E Mortgage’s Lending Test performance was determined to be “Satisfactory” at this time.

#### *I. 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.

E Mortgage achieved an adequate record of serving the mortgage credit needs among borrowers of different income levels based on the area’s demographics and a comparison to aggregate lending data in Massachusetts.

The following table shows the distribution of HMDA-reportable loans to low-, moderate-, middle- and upper-income borrowers in comparison to the aggregate data (exclusive of E Mortgage) and the percentage of total families within the Commonwealth within each respective group.

<i>Distribution of HMDA Loans by Borrower Income</i>							
<i>Median Family Income Level</i>	<i>2013 % of Families</i>	<i>2013 E Mortgage</i>		<i>2014 Aggregate Lending Data (% of #)</i>	<i>2014 % of Families</i>	<i>2014 E Mortgage</i>	
		<i>#</i>	<i>%</i>			<i>#</i>	<i>%</i>
<i>Low</i>	22.3	3	3.9	5.0	22.2	23	10.3
<i>Moderate</i>	16.7	9	11.5	15.9	16.5	44	19.7
<i>Middle</i>	20.8	14	18.0	21.7	20.6	51	22.9
<i>Upper</i>	40.2	50	64.1	40.8	40.7	105	47.1
<i>NA*</i>	0.0	2	2.5	16.6	0.0	0	0.0
<b><i>Total</i></b>	<b>100.0</b>	<b>78</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>223</b>	<b>100.0</b>

*Source: 2013 & 2014 HMDA Data and 2010 U.S. Census*

E Mortgage’s lending increased from 2013 to 2014 resulting in increased lending to both low- and moderate-income borrowers which was substantially above the aggregate in 2014. The percentage of lending to low- and moderate- income borrowers was also above the percentage of families in 2014. The lender made marked improvement in their lending to low- and moderate-income borrowers from the previous year.

## II. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well E Mortgage is addressing the credit needs throughout the Commonwealth of Massachusetts' low-, moderate-, middle-, and upper-income census tracts.

E Mortgage's distribution of lending is considered adequate when compared to the demographics and aggregate lending data for the time period of January 1, 2013 through December 31, 2014.

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 Census demographics and E Mortgage's 2013 and 2014 home mortgage lending performance is compared to aggregate lending performance in each year.

<i>Distribution of HMDA Loans by Income Category of the Census Tract</i>							
<i>Census Tract Income Level</i>	<i>2013 % Total Owner-Occ. Housing Units</i>	<i>2013 E Mortgage</i>		<i>2014 Aggregate Lending Data (% of #)</i>	<i>2014 % Total Owner-Occ. Housing Units</i>	<i>2014 E Mortgage</i>	
		<i>#</i>	<i>%</i>			<i>#</i>	<i>%</i>
<i>Low</i>	3.1	3	3.9	3.5	3.1	6	2.7
<i>Moderate</i>	13.1	10	12.8	13.3	13.1	29	13.0
<i>Middle</i>	48.2	37	47.4	46.7	48.3	109	48.9
<i>Upper</i>	35.6	28	35.9	36.4	35.6	79	35.4
<i>NA</i>	0.0	0	0.0	0.1	0.0	0	0.0
<i>Total</i>	<b>100.0</b>	<b>78</b>	<b>100.0</b>	100.0	<b>100.0</b>	<b>223</b>	<b>100.0</b>

Source 2013 & 2014 HMDA Data and 2010 U.S. Census

Although E Mortgage increased their overall lending from 2013 to 2014, lending to low- and moderate-income borrowers remained comparable to the previous year. E Mortgage's lending to low-income borrowers was below the aggregate and lending to moderate-income borrowers was slightly below the aggregate in 2014. The percentage of lending in low- and moderate-income census tracts was comparable to the percentage of total owner-occupied housing units during 2014.

The highest percentage of originations were in the middle- and upper-income census tracts for both years examined. Since over 80 percent of the total owner-occupied housing units are located in middle- and upper- income census tracts, it is reasonable to find the majority of originations occurring within these specified census tracts.

## III. Innovative or Flexible Lending Practices

E Mortgage offers a limited number 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 in the Commonwealth.

E Mortgage is a Housing and Urban Development direct endorsement mortgage lender of Federal Housing Administration (FHA) insured mortgages. FHA products provide competitive interest rates and smaller down payment for low- and moderate-income first time homebuyers and existing homeowners. During the



review period E Mortgage originated 14 FHA loans totaling \$3.9 million. Of these, one loan benefited a low-income individual and one loan was originated in a moderate census tract.

E Mortgage is also a Veterans Administration authorized lender. The VA home Loan Guarantee Program is designed specifically for service members, veterans or their qualified surviving spouses. The program offers low closing costs, no down payment, and no private mortgage insurance. During the review period, E Mortgage originated one VA loan totaling \$258,000. No loans originated benefited low- to moderate-income individuals or geographies.

The USDA Rural Housing Program is an innovative loan program for eligible homebuyers in rural-designated areas. For home purchase transactions, the program offers fixed interest rates and 100 percent financing with no down-payment required. E Mortgage also offers the USDA program, although did not originate any loans within the period examined.

#### ***IV. Fair Lending***

The Division examines a mortgage lender's fair lending policies and procedure 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 Lending Act and the Equal Credit Opportunity Act. The review included, but was not limited to, review of written policies and procedure, interviews with E Mortgage's personnel, and individual file review. No evidence of disparate treatment was identified.

E Mortgage has established a reasonable record relative to fair lending policies and practices.

Fair lending is incorporated in E Mortgage's company-wide policies and procedures and apply to all personnel. Employees regularly participate in on-line courses regarding fair lending, equal credit Opportunity act, and HMDA as well as agency and investor required trainings.

#### ***Minority Application Flow***

E Mortgage's Loan Application Registers for 2013 and 2014 were reviewed to determine if the application flow from the different racial and ethnic groups within the Commonwealth was reflective of the area's demographics.

During 2014, E Mortgage received 318 HMDA-reportable applications from within the Commonwealth of Massachusetts. Of the 21 racial minority applications received in 2014, 14 or 66.7 percent resulted in originations and none resulted in a denial. In regard to 19 applicants of Hispanic origin, 8 or 42.1 percent resulted in originations and 1 or 5.3 percent resulted in a denial. E Mortgage's origination of racial minority applicants at 66.7 percent is above the aggregate of 64 percent. The origination of ethnic minority applicants at 42.1 percent is below the aggregate origination rate of 60.9 percent.

Demographic information for Massachusetts reveals the total ethnic and racial minority population stood at 23.9 percent of the total population as of the 2010 Census. This portion of the population is comprised of 9.6 percent Hispanic or Latino. Racial minorities consisted of 6.0 percent Black; 5.3 percent Asian/Pacific Islander; .2 percent American Indian/Alaskan Native; and 2.8 percent identified as Other Race.

Refer to the table below for information on the mortgage lender's minority application flow as well as a comparison to aggregate lenders in the Commonwealth of Massachusetts. The comparison of

this data assists in deriving reasonable expectations for the rate of applications the mortgage lender received from minority applicants.

MINORITY APPLICATION FLOW					
RACE	2013 E Mortgage		2014 Aggregate Data	2014 E Mortgage	
	#	%	% of #	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	0.2	0	0.0
<i>Asian</i>	6	3.7	4.8	7	2.2
<i>Black/ African American</i>	6	3.7	3.1	8	2.5
<i>Hawaiian/Pac Isl.</i>	0	0.0	0.1	1	0.3
<i>2 or more Minority</i>	1	0.6	0.1	0	0.0
<i>Joint Race (White/Minority)</i>	2	1.2	1.2	5	1.6
<b>Total Minority</b>	<b>15</b>	<b>9.2</b>	<b>9.5</b>	<b>21</b>	<b>6.6</b>
<i>White</i>	147	89.6	67.7	290	91.2
<i>Race Not Available</i>	2	1.2	22.8	7	2.2
<b>Total</b>	<b>164</b>	<b>100.0</b>	<b>100.0</b>	<b>318</b>	<b>100.0</b>
ETHNICITY					
<i>Hispanic or Latino</i>	6	3.7	3.8	17	5.3
<i>Not Hispanic or Latino</i>	157	95.7	72.6	295	92.8
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	0	0.0	1.0	2	0.6
<i>Ethnicity Not Available</i>	1	0.6	22.6	4	1.3
<b>Total</b>	<b>164</b>	<b>100.0</b>	<b>100.0</b>	<b>318</b>	<b>100.0</b>

Source: 2010 U.S. Census Data, 2013 & 2014 HMDA Data

In 2014, E Mortgage's performance was below the aggregate's performance for racial minorities and above ethnic minorities. While the number of applications received from racial minorities increased from 2013 to 2014, the overall percentage decreased during that time.

## V. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by E Mortgage by taking into account delinquency and default rates of the mortgage lender and those of the overall marketplace. Information provided by the mortgage lender was reviewed as were statistics available on delinquency and default rates for mortgage loans. Additionally, individual mortgage loans were tracked for their status through local Registries of Deeds and other available sources including public records of foreclosure filings.

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. Further, delinquency rates were found to be consistent with 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.

E Mortgage's Service Test performance was determined to be "Needs to Improve" during the evaluation period.

### **Mortgage Lending Services**

E Mortgage provides an effective delivery of mortgage lending services that are accessible to geographies and individuals of different income levels in the Commonwealth. Customers can apply for a mortgage over the phone or on the E Mortgage web site. Currently, E Mortgage does not maintain a retail branch presence within the Commonwealth of Massachusetts. The absence of retail branches may be an obstacle for some applicants.

Business development relies primarily on direct mail marketing in Massachusetts.

E Mortgage also offers FHA, VA, and USDA loan products, but have originated minimal loans to low- and moderate income individuals and geographies.

The Lender does not regularly service mortgage loans, therefore, it would not work directly with delinquent borrowers. This review would not include an evaluation of loan mitigation and modification efforts as the mortgage lender would not be accountable for such action. Lending practice and products did not show an undue concentration or systematic pattern of lending resulting in mortgage loans that were not sustainable.

### **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 exam period, E Mortgage did not participate in any community development services within the Commonwealth of 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.