

PUBLIC DISCLOSURE

September 22, 2014

**CRA FOR MORTGAGE LENDERS
PERFORMANCE EVALUATION**

**MEMBER ADVANTAGE MORTGAGE, LLC
ML1557**

**3330 BROADMOOR SE
SUITE B
GRAND RAPIDS, MI 49512**

**DIVISION OF BANKS
1000 WASHINGTON STREET
BOSTON, MA 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

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 **Member Advantage Mortgage, LLC (Member Advantage or the Lender)** prepared by the Division, the mortgage lender's supervisory agency, as of **September 22, 2014**.

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 Member Advantage'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, 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, 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.

CRA examination procedures were used to evaluate Member Advantage's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Member Advantage's lending and community development activities for the period of January 1, 2012 through December 31, 2013. 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 2012 and 2013 is presented in the geographic distribution, lending to borrowers of different incomes and the Minority Application Flow tables. Home mortgage lending data for year to date 2014 is illustrated in the mortgage lender's data, however, the mortgage lender's 2013 performance is weighted more heavily for purposes of assigning a rating. Comparative analysis is provided for the mortgage lender's 2013 lending performance 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 lenders required to report loan 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 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."

- The distribution of borrowers reflects, given the demographics of Massachusetts, an adequate record of serving the credit need among individuals of different income levels, including those of low- and moderate-income.
- The geographic distribution of the Lender's loans reflects a less than reasonable dispersion in low- and moderate-income census tracts as it is significantly below the performance of the aggregate and also below the distribution of owner occupied housing in those census tracts.
- Member Advantage offers 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 and practices are considered reasonable.
- Member Advantage provided an adequate level of Community Development Services in the Commonwealth during the examination period.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Member Advantage was granted a mortgage lender (ML1557) by the Division on November 6, 2007. The Lender's corporate office is located at 3330 Broadmoor SE in Grand Rapids, Michigan. The Lender is also licensed in 17 other states and the District of Columbia. As of the date of the examination Member Advantage had five branch locations within Massachusetts located at three UMass Five College Federal Credit Union locations in Hadley, Northampton and Worcester as well as two Worcester Credit Union locations in Worcester.

Member Advantage's business focuses on the retail origination and underwriting of conventional and FHA/VA loans. Member Advantage offers first residential mortgage loans to borrowers with good credit ratings. Member Advantage originates all business through a network of partner credit unions. Loan officers employed by Member Advantage at the partner credit unions submit applications electronically through Member Advantage's loan system. All underwriting and approvals are processed at the Lender's office in Grand Rapids, Michigan. Member Advantage is wholly-owned by CUSO Development Company, LLC.

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.

2010 CENSUS DEMOGRAPHIC INFORMATION						
Demographic Characteristics	Amount	Low %	Moderate %	Middle %	Upper %	N/A %
Geographies (Census Tracts)	1,474	10.8	20.0	40.7	27.1	1.4
Population by Geography	6,547,629	8.9	18.9	42.8	29.2	0.2
Owner-Occupied Housing by Geography	1,608,474	2.9	13.7	48.9	34.5	0.0
Family Distribution by Income Level	1,600,588	19.3	17.7	24.4	38.6	0.0
Distribution of Low and Moderate Income Families	592,420	7.7	18.4	43.6	30.3	0.0
Median Family Income (MFI)	\$86,272	Median Housing Value				373,206
Households Below Poverty Level	11.14%	Unemployment Rate				7.0%*
2012 HUD Adjusted MFI	\$87,891	2013 HUD Adjusted MFI				\$84,208

Source: 2010 US Census; *as of 12/31/2013

Based on the 2010 Census, the Commonwealth's population grew to just over 6.5 million people with a total of 2.7 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 with a median household income of \$69,101. Over 39 percent of the households are classified as low- and moderate-income. In addition, over 11 percent of the total number of households are living below the poverty level. Individuals in these categories may find it challenging to qualify for traditional mortgage loan products.

Households classified as "families" totaled slightly over 1.6 million. Of all family households, 19.3 percent were low-income, 17.7 percent were moderate-income, 24.4 percent were middle-income, and 38.6 percent were upper-income. The median family income according to the

2010 census was \$86,272. The Housing and Urban Development (HUD) adjusted median family income is \$87,891 in 2012 and \$84,208 in 2013. 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, 160 or 10.8 percent are low-income; 295 or 20.0 percent are moderate-income; 600 or 40.7 percent are middle-income; 399 or 27.1 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 income 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, 2013, stood at 7.0 percent which was an increase from December 31, 2012 at which time it stood at 6.7 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

Member Advantage's Lending Test performance was rated an overall "Satisfactory." Lending performance is rated under the five performance criteria: Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending Practices, 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 Member Advantage.

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.

Member Advantage 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, by number, HMDA reportable loans to low, moderate, middle and upper-income borrowers in comparison to the aggregate and the percentage of total families within the Commonwealth in each respective income group.

Distribution of HMDA Loans by Borrower Income							
Median Family Income Level	% of Families	2012 Member Advantage		2012 Aggregate Lending Data	2013 Member Advantage		2013 Aggregate Lending Data
		#	%	(% of #)	#	%	(% of #)
Low	19.3	18	5.7	5.2	4	2.6	5.4
Moderate	17.8	56	17.6	15.7	34	22.2	15.9
Middle	24.4	92	28.9	23.2	42	27.5	22.9
Upper	38.5	152	47.8	42.6	73	47.7	43.7
NA*	0.0	0	0.0	13.3	0	0.0	12.1
Total	100.0	318	100.0	100.0	153	100.0	100.0

Source: 2012 & 2013 HMDA Data and 2010 U.S. Census

As shown in the above table, Member Advantage's 2013 lending to low-income borrowers was below aggregate lending while lending to moderate-income borrowers was above aggregate lending. When compared to the percentage of families in each respective income group, both the Lender's and the aggregate's lending to low-income borrowers was also below the demographics, while lending in moderate-income tracts is comparable to the demographics.

Member Advantage saw a significant decrease in lending within Massachusetts from 2012 to 2013, management stated the decline was due to decreases in both staff and market conditions. Member Advantage's lending in the first two quarters of 2014 was analyzed for trends and revealed lending to low- and moderate-income borrowers stood at 5.1 and 18.6 percent, respectively. Overall given the Lender's total business volume and the distribution of loans by borrower income, Member Advantage's performance shows an adequate record of serving the mortgage credit needs of borrowers of different income levels.

II Geographic Distribution

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

Member Advantage's distribution of lending in the Commonwealth when compared to the demographics and aggregate lending data was **less than reasonable**. The table below shows the distribution of HMDA-reportable loans by census tract income.

Distribution of HMDA Loans by Income Category of the Census Tract							
Census Tract Income Level	% Total Owner-Occupied Housing Units	2012 Member Advantage Mortgage		2012 Aggregate Lending Data	2013 Member Advantage Mortgage		2013 Aggregate Lending Data
		#	%	(% of #)	#	%	(% of #)
Low	2.9	3	0.9	2.1	0	0.0	2.8
Moderate	13.7	13	4.1	10.2	7	4.6	12.3
Middle	48.9	152	47.8	45.1	57	37.2	46.1
Upper	34.5	150	47.2	42.5	89	58.2	38.8
Total	100.0	318	100.0	100.0	153	100.0	100.0

Source 2012 & 2013 HMDA Data and 2010 U.S. Census

As reflected in the above table, the highest concentration of residential loans was originated in middle and upper-income census tracts, which is consistent with the aggregate as well as with the percentage of the area's owner-occupied housing units in middle and upper-income census tracts. Of the 153 loans originated in 2013, no loans were originated in low-income tracts and 4.6 percent were originated in moderate-income tracts. This percentage is below the aggregate lending percentage of 12.3 percent, as well as the percentage of owner occupied housing units moderate-income geographies at 13.7 percent. It should be noted there was an increase in lending to both low- and moderate-income borrowers during the first half of 2014; lending during that period increased to 1.7 percent in low-income tracts and 18.6 percent in moderate-income tracts.

III. Innovative or Flexible Lending Practices

Member Advantage offers 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.

Member Advantage offers a variety of flexible loan programs including the Home Affordable Refinance Program (HARP), Freddie Mac's Home Possible program and Fannie Mae's My Community program, in addition the Lender is an approved lender for the Federal Housing Administration (FHA) and Veterans Administration (VA) guaranteed mortgage products.

The FHA products offered by Member Advantage provide competitive interest rates and smaller down payments for low- and moderate-income first-time homebuyers and existing homeowners. During the review period, the Lender closed six FHA loans totaling \$1.5 million. Of the six FHA loans closed during the examination period, two were originated to low- or moderate-income borrowers or geographies in the Commonwealth.

Member Advantage also originated five loans totaling \$1.1 million through the VA Home Loan Guarantee Program which is designed specifically for the unique challenges facing service members and their families; however, none benefited borrowers categorized as low- or moderate-income. The program offers low closing costs, no down payment requirement, and no private mortgage insurance requirement.

IV. 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 mortgage lender personnel, and individual file review. No evidence of disparate treatment was identified.

Member Advantage has established an adequate record relative to fair lending policies and practices. The fair lending policies and procedures apply to all residential mortgage transactions, products types, and geographies.

Fair lending is further enforced through a variety of online and in-house training courses which all employees including management are required to take annually. All employees are provided with training in fair lending issues appropriate to their job description and responsibilities. All loans are monitored for compliance, by monthly quality control audits which review samples of loan files pre- and post-closing. Member Advantage conducts internal reviews of fair lending practices which include an analysis of lending data and denials. In addition all denied loans receive a secondary review before a final decision is made.

MINORITY APPLICATION FLOW

For 2012 and 2013 Member Advantage received 671 HMDA-reportable loan applications from within the Commonwealth of Massachusetts. Of these applications, 66 or 9.8 percent were received from minority applicants. Member Advantage received 32 or 4.8 percent of HMDA reportable applications from ethnic groups of Hispanic origin within its assessment area.

Demographic information for Massachusetts reveals the total ethnic and racial minority population stood at 23.8 percent of the total population as of the 2010 Census. This segment of the population is comprised of 9.59 percent Hispanic or Latino. Racial minorities consisted of 5.98 percent Black; 5.33 percent Asian/Pacific Islander; 0.16 percent American Indian/Alaskan Native; and 2.81 percent identified as Other Race.

Refer to the following table for information on the mortgage lender's minority application flow as well as a comparison to aggregate lenders throughout 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	2012 Member Advantage		2012 Aggregate Data	2013 Member Advantage		2013 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.1	3	1.3	0.2
Asian	17	3.9	4.8	8	3.4	4.8
Black/ African American	7	1.6	1.7	11	4.7	2.4
Hawaiian/Pac Isl.	0	0.0	0.1	0	0.0	0.1
2 or more Minority	0	0.0	0.1	1	0.4	0.0
Joint Race (White/Minority)	13	3.0	1.2	6	2.6	1.2
Total Minority	37	8.5	8.0	29	12.4	8.7
White	360	82.4	69.5	182	77.8	69.5
Race Not Available	40	9.1	22.5	23	9.8	21.8
Total	437	100.0	100.0	234	100.0	100.0
ETHNICITY						
Hispanic or Latino	13	3.0	2.1	6	2.6	2.8
Not Hispanic or Latino	373	85.3	74.7	202	86.3	74.7
Joint (Hisp/Lat /Not Hisp/Lat)	9	2.1	0.8	4	1.7	0.9
Ethnicity Not Available	42	9.6	22.4	22	9.4	21.6
Total	437	100.0	100.0	234	100.0	100.0

Source: 2012 & 2013 HMDA Data and 2010 U.S. Census Data

In 2012 and 2013, Member Advantage's performance was above the aggregate's performance for racial minorities and ethnic minority applicants at 12.4 and 4.3 percent, respectively. Overall, the minority application flow is considered good.

V. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Member Advantage 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.

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. 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.

Member Advantage's Service Test performance was determined to be "Satisfactory" during the evaluation period.

Mortgage Lending Services

Member Advantage provides an adequate level of mortgage lending services to low- and moderate-income geographies and borrowers through home purchase and refinance transactions in Massachusetts. Member Advantage generates applications through their retail business. Customers can apply to Member Advantage for a mortgage online or at one of their five Massachusetts branches located within UMass Five Federal Credit Union and Worcester Credit Union.

Member Advantage offers a variety of loan programs. Conventional products include the Home Affordable Refinance Program (HARP), Freddie Mac's Home Possible program and Fannie Mae's My Community program. The Lender also offers guaranteed mortgage products such as Federal Housing Administration (FHA) and Veterans Administration (VA) loans. Through its partnership with UMass Five Federal Credit Union, Member Advantage offers a specialized purchase loan program called the Medical Residency Program which is available to residents of the UMass Medical School and UMass Memorial Health Care system. This loan program provides specialized underwriting for borrowers in good credit standing, including no PMI, five percent minimum down-payments, fully gift down payment and closing costs, higher debt-to-income ratios and deferred student loans are not included in debt-to-income ratios.

As Member Advantage does not routinely service mortgage loans, it would not work directly with delinquent borrowers. Therefore, 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 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 mortgage lender provides an effective delivery of mortgage lending services throughout the Commonwealth.

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..

Member Advantage offers monthly Homebuying 101 seminars at the UMass Five College Federal Credit Union branch in Worcester, with consistent attendance. These classes are conducted by a Member Advantage loan officer who assists first-time homebuyers in understanding their financial options and the process of buying a home. Seminars are conveniently provided during lunch time for employees at the UMass Medical facility.

Qualified Investments

A Qualified Investment for the purposes of this MLCI evaluation is a lawful investment, deposit, membership share, or grant that has as its primary purpose community development. The evaluation considers (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.

In addition to monthly financial literacy seminars conducted during the examination period, Member Advantage also made \$4,000 in donations to organizations that meet the definition of Community Development. In 2013 Member Advantage made a donation to Project Bread and the Walk for Hunger. Project Bread promotes sustainable and reliable access to healthy food for those in need within 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.