

PUBLIC DISCLOSURE

October 20, 2015

**CRA FOR MORTGAGE LENDERS
PERFORMANCE EVALUATION**

**FREEDOM MORTGAGE CORPORATION
ML2767**

**907 PLEASANT VALLEY AVENUE, SUITE 3
MT. LAUREL, NJ 08054**

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

<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

Massachusetts General Law 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 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 **Freedom Mortgage Corporation** ("**Freedom Mortgage**" or "**Lender**") prepared by the Division, the mortgage lender's supervisory agency, as of October 20, 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.

- (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 Freedom Mortgage's community investment performance. These procedures utilize two performance tests: the Lending Test and Service Test. This evaluation considered Freedom Mortgage's lending and community development activities for the period of January 1, 2014, through June 30, 2015. 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 2014 and the first two quarters of 2015 (YTD2015) 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 HMDA reporting lenders 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 product 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 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 system 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

FREEDOM MORTGAGE CRA RATING: "Needs to Improve"

CRA for Mortgage Lenders requires that certain categories of serious violations of consumer protection laws and regulations be considered in determining a final CRA rating. Freedom Mortgage was found to be noncompliant with requirements to collect and service loans of Massachusetts borrowers. Thus, impacting the overall CRA rating.

Lending Test is rated: "Satisfactory"

- The geographic distribution of the Lender's loan reflects a reasonable dispersion in low- and moderate-income census tracts as it is reflective of the distribution of owner occupied housing in those census tracts. Note, due to a significant portion of HMDA reportable loans without borrower income information, an analysis of loans by distribution of income of Commonwealth borrowers, could not be completed.
- Freedom Mortgage 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 are considered adequate.

Service Test is rated: "Needs to Improve"

- There were no Community Development services offered by Freedom Mortgage during the examination period.

This "Needs to Improve" rating is based upon the Commissioner's authority pursuant to the Division's regulation 209 CMR 54.25(3) which provides:

Evidence of discriminatory or other illegal credit practices adversely affects the Commissioner's evaluation of mortgage lender's performance. In determining the effect on the mortgage lender's assigned rating, the Commissioner considers the nature and extent of the evidence, the policies and procedures that the mortgage lender has in place to prevent discriminatory or other illegal credit practices, any corrective action that the mortgage lender has taken or has committed to take, particularly voluntary corrective action resulting from self-assessment, the mortgage lender's compliance with written policies and directives with regard to fair lending, and other relevant information.

The examination noted non-compliance with applicable Massachusetts and federal statutes, rules, and regulations governing the conduct and licensing of those engaged in the business of a mortgage lender, mortgage broker, and loan servicer.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Freedom Mortgage Corporation was incorporated in the state of New Jersey in March 20, 1990, and was registered in Massachusetts on March 2, 1994. The mortgage lender was granted a Mortgage Lender License by the Division of Banks on March 14, 2000. Freedom Mortgage's main office is located at 907 Pleasant Valley Avenue, Suite 3, Mount Laurel, New Jersey. Freedom Mortgage is licensed in 50 states and as well as the District of Columbia and Puerto Rico. The Lender has branches located in Arizona, California, Connecticut, Delaware, Florida, Indiana, New Jersey, New York, Maryland, Pennsylvania, and Rhode Island. Freedom Mortgage's business includes residential first mortgages and the lender operates a retail and wholesale channel. Both channels have access to the same product line. In addition, Freedom Mortgage purchases a substantial quantity of loans. Freedom 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 State Department of Agriculture (USDA), HARP 2.0 loans, and FNMA My Community.

Underwriting of Massachusetts loans and major functions in the loan process are decentralized at various loan production centers according to their lending channel. Approved loans are funded through an established warehouse line of credit and are generally sold, on the servicing released basis, to secondary market investors.

During the period of 2014 and the first two quarters of 2015, Freedom Mortgage purchased and originated 2,581 loans totaling approximately \$712.6 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.

2010 CENSUS DEMOGRAPHIC INFORMATION						
Demographic Characteristics	Amount	Low %	Moderate %	Middle %	Upper %	N/A %
Geographies (Census Tracts)	1,474	11.1	19.0	40.6	27.9	1.4
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				5.3*
2014 HUD Adjusted Median Family Income	\$83,700	2015 HUD Adjusted Median Family Income				\$87,300

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 with a median of 69,101. 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 \$83,700 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, 2015, stood at 4.7 percent which was a decrease from December 31, 2014, at which time it stood at 5.3 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

Freedom 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 Freedom Mortgage’s lending.

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

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

Distribution of HMDA Loans by Borrower Income						
Median Family Income Level	% of Families	2014 Freedom Mortgage		2014 Aggregate Lending Data (% of #)	YTD 2015 Freedom Mortgage	
		#	%		#	%
Low	22.2	18	1.5	5.0	5	0.4
Moderate	16.5	68	5.5	16.0	35	2.6
Middle	20.6	111	9.0	21.8	42	3.1
Upper	40.7	123	10.0	41.0	37	2.7
NA*	0.0	908	74.0	16.2	1,234	91.2
Total	100.0	1,228	100.0	100.0	1,353	100.0

*Source: 2014 & 2015 HMDA Data and 2010 U.S. Census; *NA: includes purchased loans and streamline products*

Freedom Mortgage purchased and originated a total of 1,228 loans in 2014 of which 737, the majority, are purchased loans. Also of the 491 loans originated by the Lender in 2014, 171 were streamline loan products. Both purchased and streamline loan products do not capture borrower income information as reflected in the table by the 74 percent of “NA*”. A similar trend of loan distribution continued in YTD 2015 with 91.2 percent income “NA*”. Due to the significant number of loans with no borrower income information an analysis of distribution of loans by borrower income levels to determine the extent to which the Lender is addressing the credit needs of the Commonwealth’s residents cannot be completed.

II. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well Freedom Mortgage is addressing the credit needs throughout the Commonwealth of Massachusetts' low-, moderate-, middle-, and upper-income census tracts. The following table shows the distribution of HMDA-reported loans by census tract income level in comparison to the aggregate data (exclusive of Freedom Mortgage) and the percentage of owner-occupied housing units within the Commonwealth of Massachusetts within each respective group.

Distribution of HMDA Loans by Income Category of the Census Tract						
Census Tract Income Level	% Total Owner-Occ. Housing Units	2014 Freedom Mortgage		2014 Aggregate Lending Data (% of #)	YTD 2015 Freedom Mortgage	
		#	%		#	%
Low	3.1	61	5.0	3.5	47	3.5
Moderate	13.0	199	16.2	13.3	210	15.5
Middle	48.3	635	51.7	46.6	719	53.1
Upper	35.6	333	27.1	36.5	377	27.9
NA	0.00	0.00	0.00	0.1	0.00	0.00
Total	100.0	1,228	100.0	100.0	1,353	100.0

Source 2014 & 2015 HMDA Data and 2010 U.S. Census

Freedom Mortgage's geographic distribution of loans was comparable to the distribution of owner-occupied housing units and the performance of the 2014 aggregate distribution of loans in the Commonwealth. The percentage of lending in low- and moderate-income tracts decreased slightly in YTD 2015. Freedom Mortgage's geographic distribution is considered reasonable.

III. Innovative or Flexible Lending Practices

Freedom Mortgage 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 in the Commonwealth.

Freedom Mortgage has delegated underwriting authority for Fannie Mae's Agency Affordable Lending Products. The products serve low- and moderate-income borrower and geographies. Products include FNMA My Community Program, First Time Homebuyers Program, and HARP 2.0.

Freedom Mortgage also offers FreddieMac Home Possible Mortgage Program, which is another low down-payment mortgage option for low- to moderate-income borrowers with reduced mortgage insurance coverage levels at a fixed rate.

Freedom Mortgage is a Housing and Urban Development direct endorsement mortgage lender of the Federal housing Administration (FHA) insured mortgages. FHA products provide competitive

interest rates and smaller down payment requirements for low- and moderate-income first time homebuyers and existing homeowners. The Lender also originates FHA 203K loans and participates in the FHA Back to Work Program. During the review period Freedom Mortgage originated 410 FHA loans totaling \$94.7 million. Of these, 60 loans benefited low- or moderate-income individuals and 95 loans benefited low- or moderate-income geographies.

Freedom 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, Freedom Mortgage originated 407 VA loans totaling \$109.1 million. Of these 26 loans benefited a low- or moderate-income individuals and 56 loans benefited low- or moderate-income 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. Freedom Mortgage did not originate USDA loans in the Commonwealth of Massachusetts during the examination period.

IV. Fair Lending

The Division examines a 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 Lending Act and Equal Credit Opportunity Act. The review included, but was not limited to, review of written policies and procedures, interviews with Freedom Mortgage's personnel and individual file review. No evidence of disparate treatment was identified.

Freedom Mortgage has established an adequate record relative to fair lending policies and practices. Fair lending is incorporated in Freedom Mortgage company-wide policies and procedures and apply to all personnel. Freedom Mortgage provides training to all employees annually. Employees regularly participate in corporate training and on-line courses regarding fair lending, equal credit opportunity act, and HMDA as well as agency and investor required trainings. Freedom Mortgage also requires a second review for all denied loans. Freedom Mortgage has a complaint policy in place which detail procedures, escalation, and tracking system for complaints.

Minority Application Flow

Freedom Mortgage's Loan Application Registers for 2014 and YTD2015 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, Freedom Mortgage received 932 HMDA-reportable applications from within the Commonwealth of Massachusetts. Of these applications, 129 or 13.8 percent were received from minority applicants, of which 62 or 48 percent resulted in originations and 16 or 12.4 percent were denied. Freedom Mortgage received 76 or 8.1 percent of HMDA reportable applications from ethnic groups of Hispanic origin, of which 32 or 42 percent resulted in originations and 10 or 13

percent were denied. Aggregate application data from 2014 shows 21 percent of applications from racial minorities and 22.7 percent of applications from ethnic minorities were denied.

During 2015, Freedom Mortgage received 1,204 HMDA-reportable applications from within the Commonwealth of Massachusetts. Of these applications, 155 or 12.9 percent were received from minority applicants, of which 56 or 36 percent resulted in origination and 8 or 5.2 percent were denied. Freedom Mortgage received 92 or 7.6 percent of HMDA reportable application from ethnic groups of Hispanic origin, of which 29 or 31.5 percent resulted in originations and 6 or 6.5 percent were denied.

Refer to the following table for information on the Lender’s minority application flow as well as a comparison to aggregate lenders throughout the Commonwealth of Massachusetts. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Lender received for minority applicants.

MINORITY APPLICATION FLOW					
RACE	2014 Freedom Mortgage		2014 Aggregate Data	YTD 2015 Freedom Mortgage	
	#	%	% of #	#	%
American Indian/ Alaska Native	3	0.3	0.2	6	0.5
Asian	19	2.1	4.8	31	2.6
Black/ African American	86	9.2	3.1	101	8.4
Hawaiian/Pac Isl.	3	0.3	0.1	3	0.2
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	18	1.9	1.2	14	1.2
Total Minority	129	13.8	9.5	155	12.9
White	719	77.2	67.9	901	74.8
Race Not Available*	84	9.0	22.6	148	12.3
Total	932	100.0	100.0	1,204	100.0
ETHNICITY					
Hispanic or Latino	60	6.5	3.8	70	5.8
Not Hispanic or Latino	782	83.9	72.8	997	82.8
Joint (Hisp/Lat /Not Hisp/Lat)	16	1.7	1.0	22	1.8
Ethnicity Not Available*	74	7.9	22.4	115	9.6
Total	932	100.0	100.0	1,204	100.0

Source: 2010 U.S. Census Data, 2014 & 2015 HMDA Data; *includes streamline products

Demographic information for Massachusetts reveals the total ethnic and racial minority population stood at 23.9 percent of total population as of the 2010 Census. This portion of the population is comprised 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. Ethnic minorities consisted of 9.6 percent Hispanic or Latino. Freedom Mortgage received a higher percentage of applications from racial and ethnic minorities during 2014 than the aggregate.

V. Loss of Affordable Housing

The review concentrated on the suitability and sustainability of mortgage loans originated by Freedom Mortgage 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. 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 of a systematic pattern of lending, including a pattern of early payment defaults resulting in the loss of affordable housing units. Furthermore, delinquency rates were found to be consistent with industry averages.

SERVICE TEST

The Service Test evaluates a Lender's record of helping to meet the mortgage credit needs in the Commonwealth by analyzing both the availability and effectiveness of a 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.

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

Mortgage Lending Services

Notwithstanding the Lender's ability to provide mortgage lending services that are accessible to geographies and individuals of different income levels in the Commonwealth, Freedom Mortgage did not demonstrate compliance with the requirements necessary to collect and service loans of Massachusetts borrowers, including modification review services and contacting delinquent borrowers.

The Lender offers a range of mortgage products including conventional, FHA, VA, and USDA loans. However, Freedom Mortgage does not maintain a retail branch in the Commonwealth of Massachusetts and the absence of retail branches may be an obstacle for some applicants.

Business development relies on a variety of delivery systems. Third party originations by brokers and correspondents are done via Freedom's wholesale channel. The remainder of originations are derived from Freedom's retail platform. The lender also utilizes direct lending opportunities from existing customers as well as internet, call campaigns, and branches where available.

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;
- (b) the innovativeness and responsiveness of community development services.

During the prior CRA examination, Freedom Mortgage was strongly encouraged to increase its community development activity within the Commonwealth. The Lender continues to not engage in any qualified community development services within the Commonwealth.

Freedom Mortgage's management is directed to develop an active commitment and participate in community development services within the Commonwealth of Massachusetts that meet the definition under the CRA regulation.

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.