

PUBLIC DISCLOSURE

JUNE 8, 2016

**CRA FOR MORTGAGE LENDERS
PERFORMANCE EVALUATION**

**NORWICH COMMERCIAL GROUP, INC.
D/B/A NORCOM MORTGAGE
ML71655**

**38 SECURITY DRIVE
AVON, CT 06001**

**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 **Norwich Commercial Group, Inc. d/b/a Norcom Mortgage (Norwich)** prepared by the Division, the mortgage lender's supervisory agency, as of June 8, 2016.

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 Norwich's community investment performance. These procedures utilize two performance tests: the Lending Test and Service Test. This evaluation considered Norwich's lending and community development activities for the period of January 1, 2014 through December 31, 2015. The data and applicable timeframes for the Lending Test and 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 2015 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

This mortgage lender is rated "Satisfactory"

Lending Test: "Satisfactory"

- The distribution of borrowers, given the demographics of Massachusetts, reflects an adequate record of servicing the credit needs among individuals of different levels, including those of low- and moderate-income.
- The geographic distribution of the mortgage lender's loan reflects an adequate dispersion in low- and moderate-income census tracts as it is reflective of distribution of owner occupied housing in those census tracts.
- Norwich 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: "Needs to Improve"

- Service delivery systems are reasonably accessible to geographies and individuals of different income levels in the Commonwealth and services do not vary in a way that inconveniences geographies or individuals, particularly low- and moderate-income geographies and low- and moderate-income individuals.
- Norwich provided limited number of community development services within the Commonwealth.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Norwich incorporated in the state of Connecticut on April 12, 1989, and registered in Massachusetts on June 30, 2006. The mortgage lender was granted a mortgage lender license by the Division of Banks on August 3, 2009. Norwich's main office is located at 38 Security Drive in Avon, Connecticut. Norwich is licensed in 24 states and the District of Columbia. The mortgage lender has branches in Connecticut, Massachusetts, Maine, and Rhode Island. There are four branches in Massachusetts.

Norwich's primary business is originating and selling of mortgage loans. In the Commonwealth of Massachusetts, the company does business as Norcom Mortgage. The Division granted a mortgage lender license on August 3, 2009. Norwich originates residential home mortgage loan and sells residential mortgage loans to the secondary market, with servicing rights released. Norwich 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), Fannie Mae My Community Mortgage loans, Freddie Mac Home Possible loans, and MassHousing loans.

The mortgage lender's business is primarily generated from realtor referrals and repeat business. The remaining business comes from approved and licensed third party brokers and correspondent lenders. Norwich has thirty eight mortgage loan officers licensed in Massachusetts at the time of this examination.

Underwriting of Massachusetts loans and major functions in the process are centralized. Approved loans are funded through an established warehouse line of credit and are generally sold, on a service released basis, to secondary market investors. During the period of 2014 and 2015, Norwich originated 1,016 loans totaling approximately \$223.6 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				4.2*
2014 HUD Adjusted Median Family Income	\$83,700	2015 HUD Adjusted Median Family Income				\$87,300

Source: 2010 US Census; *as of 05/31/2016

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 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 May 31, 2016, stood at 4.2 percent, which was a decrease from December 31, 2015, at which time it stood at 4.7 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

Norwich’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 Norwich’s lending.

Norwich’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. 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 Norwich) and the percentage of total families within the Commonwealth of Massachusetts within each respective group.

<i>Distribution of HMDA Loans by Borrower Income</i>						
Median Family Income Level	% of Families	2014 Norwich		2014 Aggregate Lending Data (% of #)	2015 Norwich	
		#	%		#	%
Low	22.2	45	9.6	5.0	53	9.7
Moderate	16.5	168	35.7	15.9	173	31.7
Middle	20.6	144	30.6	21.7	151	27.6
Upper	40.7	100	21.3	40.9	120	22.0
NA	0.0	13	2.8	16.5	49	9.0
Total	100.0	470	100.0	100.0	546	100.0

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

Norwich originated 470 loans in 2014 within the Commonwealth of Massachusetts. The mortgage lender’s originations to low- and moderate-income borrowers was higher than aggregate lending at that time. Lending to moderate-income borrowers was also above the demographic data. The mortgage lender’s originations increased in 2015, including an increase in loans to low- and moderate-income borrowers. The percentage of loans originated to low-income borrowers remained stable, while the percentage slightly decreased for moderate-income borrowers.

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

II Geographic Distribution

The geographic distribution of loans was reviewed to assess how well Norwich 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 Norwich) and the percentage of owner-occupied housing units within the Commonwealth of Massachusetts within each respective group.

<i>Distribution of HMDA Loans by Income Category of the Census Tract</i>						
Census Tract Income Level	% Total Owner-Occ. Housing Units	2014 Norwich		2014 Aggregate Lending Data (% of #)	2015 Norwich	
		#	%		#	%
Low	3.1	24	5.1	3.5	26	4.7
Moderate	13.0	120	25.5	13.3	142	26.0
Middle	48.3	218	46.4	46.7	268	49.1
Upper	35.6	108	23.0	36.5	107	19.6
NA	0.00	0	0.00	0.0	3	0.6
Total	100.0	470	100.0	100.0	546	100.0

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

The percentage of lending in low- and moderate-income level geographies in 2014 was above both the area's owner occupied housing units in low- and moderate-level geographies, and aggregate lending data. Lending in low- and moderate-income geographies increased in 2015. The percentage of loans originated in low-income geographies decreased in 2015, while the percentage slightly increased for moderate-income borrowers.

The geographic distribution of residential mortgage loans reflects an adequate dispersion throughout low- and moderate-income level census tracts within the Commonwealth.

III. Innovative or Flexible Lending Practices

Norwich 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 geographic in the Commonwealth.

Norwich's flexible lending products include Fannie Mae My Community, Freddie Mac Home Possible, FHA, VA, USDA and Mass Housing. Norwich has delegated underwriting authority for Fannie Mae's agency affordable lending products. These products serve low- and moderate-income borrowers and geographies. The Fannie Mae My Community and Freddie Mac Home Possible loan products are a low-down payment mortgage option for low- and moderate-income

borrowers. Norwich originated 354 Fannie Mae My Community loans totaling \$ 82.8 million and 10 Freddie Mac Home Possible loans totaling \$2.2 million during the review period.

Norwich is a Housing and Urban Development direct endorsement mortgage lender of the Federal Housing Administration (FHA) insured mortgage. FHA products provide competitive interest rates and smaller down payment requirements for low- and moderate-income first time homebuyers and existing homeowners. During the review period, Norwich originated 405 FHA and FHA 203K loans totaling \$85.5 million. Of these 197 loans benefited low- and moderate-income individuals and 179 loans benefited low- and moderate-income geographies.

Norwich is also a Veterans Administration lender. The VA home Loan Guarantee Program is designed specifically for service members, veterans or their qualified surviving spouse. The program offers low closing cost, no down payment, and no private mortgage insurance. During the review period, the mortgage lender originated 85 VA loans totaling \$22.4 million. Of these, 29 loans benefited low- and moderate-income individuals and 18 loans benefited low- and 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. During the review period, the lender originated 121 USDA loans totaling \$21 million. Of these, 80 loans benefited low- and moderate-income individuals and 36 loans benefited low- and moderate-income geographies.

In addition, Norwich offers Mass Housing loans which allow borrowers to buy homes with lower down payments. To be eligible for a Mass Housing loan, a borrower must meet minimum income and loan limits. During the examination period, the lender originated 25 loans totaling \$5.9 million.

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

Norwich has an adequate record relative to fair lending policies and practices.

Fair lending is incorporated in company-wide policies and procedures and apply to all personnel. Employees periodically participate in corporate training and on-line courses regarding equal credit opportunity act, HMDA, and fair lending topics.

Norwich has second review process for denied loans. Norwich has a complaint policy in place which detail procedures, escalation, and tracking system for complaints. Senior management is responsible for ensuring that the mortgage lender is in compliance with current laws and regulations, and for making necessary changes and updates to policies and procedures.

Minority Application Flow

Norwich's Loan Application Registers for 2014 and 2015 were reviewed to determine if the application flow from the different racial and ethnic groups within the Commonwealth of Massachusetts was reflective of the area's demographics.

During 2014 and 2015 Norwich received 1,466 HMDA-reportable applications from within the Commonwealth of Massachusetts. Of these applications 172 or 11.7 percent were received from racial minority applicants, of which 123 or 71.5 percent resulted in originations. Norwich received 149 or 10.2 percent HMDA-reportable applications from ethnic groups of Hispanic origin, of which 108 or 72.4 percent resulted in originations. This compares to 83.1 percent overall ratio of mortgage loans originated by the Norwich in Massachusetts, and the 71.5 percent approval ratio for the aggregate.

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; 0.2 percent American Indian/Alaskan Native; and 2.8 percent identified as Other Race. Ethnic minorities consisted of 9.6 percent Hispanic or Latino.

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	2014 Norwich		2014 Aggregate Data	2015 Norwich	
	#	%	% of #	#	%
American Indian/ Alaska Native	2	0.3	0.2	0	0.0
Asian	15	2.2	4.8	11	1.4
Black/ African American	46	6.8	3.1	85	10.8
Hawaiian/Pac Isl.	0	0.0	0.1	2	0.2
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	4	0.6	1.2	7	0.9
Total Minority	67	9.9	9.5	105	13.3
White	579	85.4	67.6	594	75.4
Race Not Available	32	4.7	22.9	89	11.3
Total	678	100.0	100.0	788	100.0
ETHNICITY					
Hispanic or Latino	67	9.9	3.8	64	8.1
Not Hispanic or Latino	574	84.6	72.6	624	79.3
Joint (Hisp/Lat /Not Hisp/Lat)	8	1.2	1.0	10	1.3
Ethnicity Not Available	29	4.3	22.6	89	11.3
Total	678	100.0	100.0	788	100.0

Source: 2010 U.S. Census Data, 2014 & 2015 HMDA Data

Norwich's performance was higher for both racial minority applications and ethnic minorities as compared to the 2014 aggregate. Overall, the mortgage lender's performance in this area is considered reasonable.

V. Loss of Affordable Housing

The review concentrated on the suitability and sustainability of mortgage loans originated by Norwich 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 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 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.

Norwich's Service Test performance was determined to be "**Needs to Improve**" at this time.

Mortgage Lending Services

The mortgage lender provides an effective delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in the Commonwealth. Norwich offers a variety of mortgage products including conventional, FHA, VA, USDA, Home Possible, My Community, and MassHousing loans. Customers can apply for a mortgage over the phone, over the internet, or at one of the four retail branches in Massachusetts. Two of these branches are located in low- and moderate census tracts. Business development relies on multiple delivery systems. In the retail channel, Norwich originates mortgages through its licensed loan officers. The mortgage lender also utilizes limited advertising in local markets. The remaining business comes from approved and licensed third party mortgage brokers and correspondent lenders.

As the mortgage lender does not routinely service mortgage loans for Massachusetts consumers, it would not work directly with delinquent borrowers. Therefore, this review did not include an evaluation of loan mitigation and modification efforts as the lender would not be accountable for such action. Lending practices and products did not show an undue concentration or systematic pattern of lending resulting in mortgage loans that were not sustainable.

Overall, the lender provides an effective delivery of mortgage lending services throughout the Commonwealth and services do not vary in a way that inconveniences geographies or individuals, particularly low- and moderate-income geographies and low- and moderate-income individuals.

Community Development Services

A community development service is a service that:

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

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

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

During the review period Norwich hosted a “Lunch and Learn” program which was open to the public. Program topics included education on homeownership, how credit scores are calculated and credit repair. Additionally, Norwich has within its division Norcom Cares which focuses on charitable contributions on a national and local level.

Although Norwich is involved in philanthropic community service activities in New England, the mortgage lender engage in limited amount of qualified community development services providing financial services in Massachusetts during the examination period.

Management is encouraged to employ a strong focus and a pro-active commitment in community development activities or investments that meet the definition of community development under the CRA regulation throughout the Commonwealth. Activities may include, but not necessarily limited to: financial literacy education initiatives targeted to low and moderate-income individuals; and foreclosure prevention counseling and/or providing technical assistance to community organizations in a leadership capacity.

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.