

PUBLIC DISCLOSURE

SEPTEMBER 25, 2017

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**POLI MORTGAGE GROUP INC.
MC1979**

**780 DEDHAM ROAD, SUITE 500
CANTON MA. 02021**

**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, 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 **Poli Mortgage Group Inc. (the Lender or Poli Mortgage)** prepared by the Division, the Lender's supervisory agency, as of **September 25, 2017**.

SCOPE OF EXAMINATION

An evaluation was conducted using examination procedures, as defined by CRA guidelines. A review of the Division's records, as well as the mortgage lender's public CRA file, did not reveal any complaints.

The CRA examination included a comprehensive review and analysis, as applicable, of Poli 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 mortgage 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 Poli Mortgage's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Poli Mortgage's lending and community development activities for the period of January 2015 through December 2016. 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 2015 and 2016 is presented in the geographic distribution, lending to borrowers of different incomes and the Minority Application Flow tables. Comparative analysis of the Lender's lending performance for the year of 2015 is provided because 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 mortgage lenders which originated loans in the Commonwealth of Massachusetts. Home mortgage lending data for 2017 is referenced in the narrative to illustrate trends in Poli Mortgage's lending data.

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 “Needs to Improve”.

- The geographic distribution of the Lender’s loans reflects a poor dispersion of loans in low- and moderate-income level census tracts, as it is reflective of the distribution of owner occupied housing in those census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects a poor record of serving the credit needs among individuals of different income levels.
- Poli Mortgage exhibited limited use of innovative or flexible lending practices in a safe and sound manner to address the mortgage credit needs of low- and moderate-income individuals or geographies, including loans and other products to assist delinquent home mortgage borrowers to be able to remain in their homes.
- The Lender does not offer or participate in community development and consumer assistance programs within the Commonwealth, nor does it provide monetary investments or donations to promote homeownership opportunities for low and moderate-income consumers.
- Service delivery systems are reasonably accessible to geographies and individuals of different income levels in the Commonwealth; and mortgage lending services do not vary in a way that inconveniences geographies or individuals, particularly low- and moderate-income geographies and low- and moderate-income individuals.
- Lending practices and products do not show an undue concentration or a systematic pattern of providing non-sustainable mortgage loans.
- Fair lending policies and practices are considered reasonable.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Poli Mortgage was incorporated in the Commonwealth of Massachusetts in February 2001, and was granted a mortgage lender and mortgage broker license by the Division later on that same year. The Lender is licensed to provide mortgage lending services in 17 states along the eastern seaboard. Its office is located at 780 Dedham Street in Canton, Massachusetts.

The Lender offers a variety of mortgage loan products to meet the needs of the Commonwealth's borrowers. Poli Mortgage is an approved lender for the Federal Housing Administration, Veteran Administration, US Department of Agriculture, and offers a selection of MassHousing loans.

Loan processing is performed primarily at Poli Mortgage's main office, and underwriting is completed remotely through secured channels. Approved loans are funded through established warehouse lines of credit. Poli Mortgage's business development relies primarily on internet lead generators and social media promotions. Originated loans are closed in Lender's name and sold immediately to secondary market investors, with servicing rights released.

Demographic Information

The 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 the 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	19.2	17.8	24.4	38.6	0.0
Distribution of Low and Moderate Income Families Throughout AA Geographies	592,420	7.7	18.4	43.6	30.3	0.0
Median Family Income	\$86,272		Median Housing Value		373,206	
Households Below Poverty Level	11.1%		Unemployment Rate		3.9*	
2015 HUD Adjusted Median Family Income	\$87,300		2016 HUD Adjusted Median Family Income		\$86,904	
Source: 2010 US Census; *as of 09/30/2017						

Based on the 2010 Census, the Commonwealth's population stood at 6.55 million people with a total of 2.79 million housing units. Of the total housing units, 1.61 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 2.51 million households in the Commonwealth with a median household income of \$69,101. Nearly 40 percent of the households are now 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 1.60 million. Of all family households, 19.2 percent were low-income, 17.8 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 \$86,904 in 2016. 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 stood at 3.9 percent as of September 2017, which was an increase from September 2017 when the unemployment rate was at 3.3 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

The lending test evaluates a mortgage lender’s record of helping to meet the mortgage credit needs of the Commonwealth through its lending activities. Poli Mortgage’s lending efforts are rated under the six performance criteria: Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending Practices, Loss Mitigation Efforts, 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 Poli Mortgage.

Poli Mortgage’s Lending Test performance was determined to be “Needs to Improve” at this time.

I. Geographic Distribution

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

The following table presents, by number, Poli Mortgage’s 2015 and 2016 HMDA reportable loans in low-, moderate-, middle-, and upper-income geographies, in comparison to the percentage of owner-occupied housing units in each of the census tract income categories, and the 2015 aggregate data (inclusive of Poli Mortgage).

Distribution of HMDA Loans by Income Level Category of the Census Tract						
Census Tract Income Level	Total Owner- Occupied Housing Units	2015 Poli Mortgage		2015 Aggregate Data	2016 Poli Mortgage	
		#	%	% of #	#	%
Low	3.1	8	1.3	3.6	19	2.2
Moderate	13.0	40	6.6	12.9	68	7.8
Middle	48.3	246	40.6	46.5	330	37.9
Upper	35.6	312	51.5	37.0	453	52.1
N/A		0	0.0	0.0	0	0.0
Total	100.0	606	100.0	100.0	870	100.0

Source: 2015 & 2016 HMDA LAR Data and 2010 U.S. Census Data.

As reflected in the above table, of the total loans originated in 2015, 7.9 percent were in low- and moderate-income census tracts. The percentages in each category were below aggregate lending and the percentage owner occupied housing units in low- and moderate-income census tracts. In 2016, the Lender’s performance of lending in low- and moderate-income census tracts improved to 10.0 percent, but still remained well below the demographics.

Overall, the geographic distribution of residential mortgage loans reflects a poor dispersion throughout low- and moderate-income level geographies within the Commonwealth. A preliminary review of the interim data for 2017 lending noted similar trends, confirming this position. The data indicates that 9.4 percent of the loans were originated in low- and moderate-income census tracts.

II. Borrower Characteristics

The distribution of loans by borrower income levels was reviewed to determine the extent to which the Lender is addressing the credit needs of the Commonwealth's residents.

The following table shows Poli Mortgage's 2015 and 2016, HMDA-reportable loans to low-, moderate-, middle-, and upper-income borrowers in comparison to the percentage of total families within the Commonwealth in each respective income group, and the 2015 aggregate data (inclusive of Poli Mortgage).

Distribution of HMDA Loans by Borrower Income Level						
Median Family Income Level	% of Families	2015 Poli Mortgage		2015 Aggregate Data	2016 Poli Mortgage	
		#	%	% of #	#	%
Low	22.2	8	1.3	4.8	3	0.3
Moderate	16.5	66	10.9	15.8	67	7.7
Middle	20.6	151	24.9	21.4	184	21.2
Upper	40.7	365	60.2	39.1	607	69.8
N/A	0.0	16	2.7	18.9	9	1.0
Total	100.0	606	100.0	100.0	870	100.0

Source: 2015 & 2016 HMDA LAR Data and 2010 U.S. Census Data.

As shown in the above table, lending to low- and moderate-income borrowers during 2015 and 2016 was well below the percentage of low- and moderate-income families, as well as below the performance of aggregate data.

The Lender's overall lending performance to low- and moderate-income borrowers is considered poor. This also is supported by a preliminary review of the interim data for 2017 which indicates that 10.5 percent of loans were originated to low- and moderate-income individuals.

III. Innovative or Flexible Lending Practices

Poli Mortgage offers several 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.

Poli Mortgage became a Housing and Urban Development approved Non-Supervised FHA Loan Correspondent (Direct Endorsement Lender) in 2003. FHA products provide competitive interest rates, smaller down payments for low- and moderate-income first time homebuyers and existing homeowners. During the review period, Poli Mortgage originated 70 FHA loans totaling over \$20 million. Of these, 13 loans benefited low- to moderate-income borrowers, while 10 loans were originated in low- and moderate-income geographies.

The Lender became Veterans Administration's Automatic Approval Agent in 2002. The VA Home Loan Guarantee Program offers low closing cost, no down payment requirement, and no private mortgage insurance requirement. During the review period, Poli Mortgage originated 17 VA loans totaling \$6 million. Of these, none benefited low- to moderate-income borrowers or geographies.

Poli Mortgage offers USDA loan products. The Rural Housing Program provides 100% financing for eligible homebuyers in rural-designated areas. This program is for home purchase transactions which offers fixed rates, and does not require a down payment. Low income requirements do apply and the property must be located in a rural development designated area. During the review period, Poli Mortgage originated three loans totaling \$683,000. None of these loans benefited low- to moderate-income borrowers or geographies.

Poli Mortgage also offers Massachusetts Housing Finance Agency (MassHousing) products. MassHousing is a self-supporting not-for-profit public agency that provides financing for low- and moderate-income homebuyers and homeowners, and for developers and owners of affordable rental housing. The agency sells bonds to fund its programs, which include the 'My Community' program. During 2015 and 2016, Poli Mortgage originated three MassHousing loans with a total of \$1 million in dollar volume.

Poli Mortgage offers loans under FNMA 'DU Refi Plus' program that offers certain benefits to the borrowers. These benefits generally include at least one of the following: reduced monthly mortgage principal and interest payment, more stable mortgage product, reduction in the interest rate, reduction in the amortization term. During 2015 and 2016, the Lender originated four loans aggregating \$1 million under this program.

IV. Loss Mitigation Efforts

The Division reviews mortgage lender's efforts to work with delinquent home mortgage loan borrowers to facilitate a resolution of the delinquency, including the number of loan modifications, the timeliness of such modifications, and the extent to which such modifications are effective in preventing subsequent defaults or foreclosures.

As Poli Mortgage does not service mortgage loans, it would not work directly with delinquent borrowers. Therefore, this review does not include an evaluation of loan mitigation and modification efforts as the Lender would not be accountable for such action.

Investor score cards for portfolios delivered by the Lender indicate delinquency rates of approximately one percent. Lending practices and products do not show an undue concentration or a systematic pattern of providing non-sustainable mortgage loans.

V. *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 Poli Mortgage's personnel, and individual file review.

Poli Mortgage has established a reasonable record relative to Fair Lending policies and practices. No evidence of disparate treatment was identified.

Fair lending is incorporated in Poli Mortgage's company-wide policies and procedures that apply to all employees. Fair lending training is designed and delivered by outside counsel, and distributed to all personnel on annual basis. In addition, employees are instructed not to engage in any inappropriate conduct, take any action based upon prohibited basis, or steer consumers to loan products unsuitable for their needs.

Senior management is responsible for ensuring that the Lender is in compliance with current laws and regulations, and for making necessary changes and updates to policies and procedures.

Minority Application Flow

Examiners reviewed Lender's HMDA data to determine whether the mortgage application flow from various racial and ethnic groups was consistent with the area demographics.

During 2015 and 2016 Poli Mortgage had received 1,721 HMDA-reportable mortgage loan applications from within the Commonwealth of Massachusetts. The racial and ethnic identity was not specified in approximately four percent of cases. Of the remaining applications, 443 or 25.7 percent were received from racial minority applicants, predominantly of Asian origin, and 377 or 85.1 percent resulted in originations. For the period, Poli Mortgage received 62 or 3.6 percent of HMDA reportable applications from ethnic groups of Hispanic or Latino origin, and 54 or 87.1 percent were originated. This compares to 85.8 percent overall ratio of mortgage loans originated by the Lender in Massachusetts, and the 72.7 percent approval ratio for the aggregate group.

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 segment of the population is comprised of 9.6 percent Hispanic or Latino ethnicities. At 14.3 percent, racial minorities consisted of 6.0 percent Black; 5.3 percent Asian/Pacific Islander; 0.2 percent American Indian/Alaskan Native; and 2.8 percent self-identified as Other Race.

Refer to the following table for information on the mortgage lenders' minority loan application flow as well as a comparison to aggregate lending data 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	2015 Poli Mortgage		2015 Aggregate Data	2016 Poli Mortgage	
	#	%	% of #	#	%
American Indian/ Alaska Native	1	0.1	0.2	1	0.1
Asian	134	18.4	4.8	240	24.2
Black/ African American	13	1.8	3.3	11	1.1
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.1	1	0.1
Joint Race (White/Minority)	21	2.9	1.3	21	2.1
Total Minority	169	23.2	9.8	274	27.6
White	532	73.1	67.6	674	67.9
Race Not Available	27	3.7	22.6	45	4.5
Total	728	100.0	100.0	993	100.0
ETHNICITY					
Hispanic or Latino	16	2.2	4.1	15	1.5
Joint (Hisp-Lat /Not Hisp-Lat)	10	1.4	1.0	21	2.1
Total Hispanic or Latino	26	3.6	5.1	36	3.6
Not Hispanic or Latino	676	92.8	72.6	918	92.5
Ethnicity Not Available	26	3.6	22.3	39	3.9
Total	728	100.0	100.0	993	100.0
<i>Source: PCI Corporation CRA Wiz, Data Source: 2000 U.S. Census Data, 2015 & 2016 HMDA Data</i>					

In both 2015 and 2016, Poli Mortgage's overall racial minority application flow was above the population demographics derived from the census data and the aggregate data. The ethnic minority flow was lower than the demographic data and the performance of the aggregate.

VI. *Loss of Affordable Housing*

This review concentrated on the suitability and sustainability of mortgage loans originated by Poli Mortgage by taking into account delinquency and default rates of the mortgage 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.

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.

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.

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

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.

Poli Mortgage does not currently engage in any qualified community development services.

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

Mortgage Lending Services

The Commissioner evaluates the availability and effectiveness of a mortgage lender's systems for delivering mortgage lending services to low- and moderate-income geographies and individuals.

Poli Mortgage provides reasonable delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in the Commonwealth. Business development relies primarily on internet application conduits and social media promotions. Customers can also apply to Poli Mortgage for a mortgage loan over the telephone and via the company's website.

Poli Mortgage offers loans under FHLMC 'Open Access' program designed to assist borrowers who are making timely mortgage payments, but have been unable to refinance due to declining property values. No loans were originated under this program during 2015 and 2016.

The Lender also participated the Community First program, which assists in reducing closing costs to members of the military, first responders, school system employees and medical industry personnel. The Community First program was implemented in the end of 2016, and to date, Poli Mortgage originated 14 transactions under the program.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 255E, Section 8, and 209 CMR 54.00, the CRA regulation, requires all mortgage lenders to take the following actions within 30 business days of receipt of the CRA evaluation:

- 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. In connection with this, 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.