

PUBLIC DISCLOSURE

FEBRUARY 20, 2018

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**MORTGAGE EQUITY PARTNERS LLC
MC1936**

**220 BROADWAY, SUITE 205
LYNNFIELD MA. 01940**

**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

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **Mortgage Equity Partners LLC (the Lender or Equity Partners)** pursuant to the Massachusetts General Laws chapter 255E, section 8 and the Division of Banks' (Division) regulation 209 CMR 54.00, prepared by the Division, the Lender's supervisory agency, as of **February 20, 2018**.

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 Equity Partners':

- (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 Equity Partners' community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Equity Partners' lending and community development activities for the period of January 2015 through February 2018. 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 2016 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. Interim home mortgage lending data for 2017 is referenced in the narrative to illustrate trends in Equity Partners' lending performance.

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 RATING

This institution is rated **Satisfactory**.

The Lending Test is rated High Satisfactory.

- The geographic distribution of the Lender's loans reflects a good dispersion in low- and moderate-income level census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects, a good record of serving the credit needs among individuals of different income levels.
- The Lender makes use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low and moderate-income level individuals.
- Lending practices and products do not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable, resulting in the loss of affordable housing units.
- Fair lending policies and practices are considered adequate.

The Service Test is rated Needs to Improve.

- The Lender provides no qualified community development services.
- 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.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Equity Partners was established in the Commonwealth of Massachusetts in 2001, and was granted a license by the Division in 2004. The main office is located in Lynnfield, with additional branch offices in Newton, Marblehead and Haverhill. In addition to Massachusetts, the Equity Partners is licensed to conduct business in New Hampshire and Florida.

The Lender offers a variety of mortgage loan products to meet the needs of the Commonwealth's borrowers. Equity Partners is an approved lender for the Federal Housing Administration (FHA), Veteran Administration (VA), US Department of Agriculture (USDA), and offers a selection of Massachusetts Housing Finance Agency (MassHousing) loans.

All underwriting and major functions in the loan process are conducted at Equity Partners' main office in Lynnfield. Approved loans are funded through established warehouse lines of credit. Equity Partners' business development relies primarily on professional relationship referrals and repeat customers. Originated loans are closed in Lender's name and sold immediately to secondary market investors, with servicing rights both, released and retained.

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 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			3.5*
2015 HUD Adjusted Median Family Income		\$87,300	2016 HUD Adjusted Median Family Income			\$86,904

Source: 2010 US Census

*as of 12/31/2017

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 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 3.5 percent as of December 2017, which was a decrease from December 2016 when the unemployment rate was at 3.8 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. Equity Partners' 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 Equity Partners.

Equity Partners' Lending Test performance was determined to be "High Satisfactory".

I. Geographic Distribution

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

The following table presents, by number, Equity Partners' 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 2016 aggregate lending data (inclusive of Equity Partners).

Distribution of HMDA Loans by Income Level Category of the Census Tract						
Census Tract Income Level	Total Owner-Occupied Housing Units	2015 Equity Partners		2016 Aggregate Lending Data	2016 Equity Partners	
		#	%	% of #	#	%
Low	3.1	54	13.2	3.5	48	11.7
Moderate	13.0	76	18.6	12.9	70	17.1
Middle	48.3	181	44.4	47.0	193	47.2
Upper	35.6	97	23.8	36.6	98	24.0
Total	100.0	408	100.0	100.0	409	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 during 2015 and 2016, 31.8 percent and 28.8 percent respectively, were in the low- and moderate-income census tracts. The percentages in each category were above the percentage of the area's owner occupied housing units in low- and moderate-income census tracts, as well as the aggregate lending data percentages.

Overall, the geographic distribution of residential mortgage loans reflects good dispersion throughout low- and moderate-income level geographies within the Commonwealth, and a preliminary review of the interim data for 2017 confirms this consistent, positive trend, as it indicates that 28.9 percent of 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 Equity Partners' 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 2016 aggregate lending data (inclusive of Equity Partners).

Distribution of HMDA Loans by Borrower Income Level						
Median Family Income Level	% of Families	2015 Equity Partners		2016 Aggregate Lending Data	2016 Equity Partners	
		#	%	% of #	#	%
Low	22.2	33	8.1	4.2	39	9.5
Moderate	16.5	125	30.6	14.9	114	27.9
Middle	20.6	128	31.4	22.5	119	29.1
Upper	40.7	103	25.2	44.4	115	28.1
N/A	0.0	19	4.7	14.0	22	5.4
Total	100.0	2,838	100.0	100.0	3,745	100.0

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

As shown in the above table, lending to low-income borrowers during the review period was above the performance of the aggregate data. Equity Partners' lending to moderate-income borrowers during that same period exceeded at twice the rate the percentage of moderate-income families, as well as the performance of the aggregate data.

The high housing costs throughout Massachusetts can restrict the ability of low-income mortgage loan applicants to qualify for residential loans, which may constraint the opportunities to lend to these consumers.

The Lender's overall lending performance to low- and moderate-income borrowers is good. This is further supported by a preliminary review of the interim data for 2017 that indicates that 39.2 percent of loans were originated to low- and moderate-income individuals.

III. Innovative or Flexible Lending Practices

The Lender offers a variety of flexible lending products, which are provided in a safe and sound manner to address the credit needs of low and moderate-income individuals or geographies.

Equity Partners became a Housing and Urban Development (HUD) approved FHA Loan Correspondent in 2013. FHA products provide competitive interest rates, smaller down payments for low- and moderate income first time homebuyers and existing homeowners. During the review period, Equity Partners originated 340 FHA loans totaling \$95 million. Of these, 176 loans or 51 percent, benefited low- or moderate-income borrowers, while 161 loans or 47 percent, were originated in low- or moderate-income level geographies.

Since 2014, Equity Partners also offer loan products guaranteed by the USDA. The USDA 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 apply and the property must be located in a rural development designated area. During the review period, Equity Partners originated 3 loans totaling \$568,000. Two of these loans benefited low- or moderate-income borrowers, and one loan was originated in a moderate-income level geography.

Equity Partners offer the 'Home Possible' and 'Home Ready' programs which also provide flexible credit terms and options for creditworthy low- to moderate-income consumers. In 2015 and 2016, Equity Partners originated 12 loans under these programs in Massachusetts, with a total volume of nearly \$4 million.

The Lender became a VA Automatic Approval Agent in 2017. The VA Home Loan Guarantee Program is designed specifically for the unique challenges facing service members and their families. Through VA-approved lenders like Equity Partners, the program offers low closing cost, no down payment requirement, and no private mortgage insurance requirement. The Lender also began offering MassHousing products during 2017. MassHousing is a self-supporting not-for-profit public agency that provides financing for homebuyers and homeowners, and for developers and owners of affordable rental housing. These new products will be reviewed during the next CRA examination.

IV. Loss Mitigation Efforts

The Division reviews a 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

For the review period, Equity Partners did not service mortgage loans, and would not work directly with delinquent borrowers. Retained servicing portfolio was only established in mid-2017 and is sub-serviced by a third party, and shows no delinquencies. The review of investor score cards revealed overall default rates of below one percent.

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 Equity Partners' personnel, and individual file review. No evidence of disparate treatment was identified.

Equity Partners has established an adequate record relative to fair lending policies and practices.

Fair lending is incorporated in Equity Partners' company-wide policies and procedures that apply to all employees and fair lending training is distributed to all personnel on an annual basis. The

Lender conducts targeted periodic reviews and annual audits for compliance with regulatory requirements, including Fair Lending.

Minority Application Flow

The Division reviewed the 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 Equity Partners received 1,134 HMDA-reportable mortgage loan applications from within the Commonwealth of Massachusetts. The racial and ethnic identity was not specified in approximately five percent of applications. Of the remaining applications, 116 or 10.2 percent were received from racial minority applicants, and 80 or 69.0 percent resulted in originations. For the same period, Equity Partners received 251 or 22.1 percent of HMDA reportable applications from ethnic groups of Hispanic or Latino origin, of which 163 or 64.9 percent were originated. This compares to 72.0 percent overall ratio of mortgage loans originated by the Lender in Massachusetts, and the 70.8 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 Equity Partners		2016 Aggregate Data	2016 Equity Partners	
	#	%	% of #	#	%
American Indian/ Alaska Native	0	0.0	0.2	7	1.2
Asian	9	1.6	5.4	20	3.4
Black/ African American	20	3.7	3.6	48	8.2
Hawaiian/Pacific Islander	1	0.2	0.2	1	0.2
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	5	0.9	1.3	5	0.9
Total Minority	35	6.4	10.8	81	13.9
White	461	84.0	68.9	485	82.9
Race Not Available	53	9.6	20.3	19	3.2
Total	549	100.0	100.0	585	100.0
ETHNICITY					
Hispanic or Latino	110	20.0	4.5	125	21.4
Joint (Hisp-Lat /Not Hisp-Lat)	6	1.1	1.1	10	1.7
Total Hispanic or Latino	116	21.1	5.6	135	23.1
Not Hispanic or Latino	403	73.4	74.5	435	74.3
Ethnicity Not Available	30	5.5	19.9	15	2.6
Total	549	100.0	100.0	585	100.0

Source: PCI Corporation CRA Wiz, Data Source: 2000 U.S. Census Data, 2015 & 2016 HMDA Data

In 2016, the Lender's overall racial minority application flow was comparable with the population demographics derived from the census data. The Lender's performance was above the rate of racial minority applications received by the aggregate. For both years, the ethnic minority flow was above the demographic data and the performance of the aggregate. A preliminary review of the interim data for 2017 indicates continuation of these minority application flow trends.

VI. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Equity Partners 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.

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. Furthermore, at less than one percent, overall 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.

Equity Partners 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.

The Lender 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.

Equity Partners 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 past clients and professional relationships. Customers can also apply to Equity Partners for a mortgage loan over the telephone and via the company's website.

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.