**Section 1055.APPENDIX A Ratings**

a) Ratings in general.

1) In assigning a rating, the Secretary evaluates a covered mortgage licensee's performance under the applicable performance criteria in this Part, in accordance with Sections 1055.210 and 1055.240, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.

2) A covered mortgage licensee's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The covered mortgage licensee's overall performance, however, must be consistent with safe and sound lending practices and generally with the appropriate rating profile as follows.

b) Covered mortgage licensees evaluated under the lending and service tests.

1) Lending performance rating. The Secretary assigns each covered mortgage licensee's lending performance one of the four following ratings.

A) Outstanding. The Secretary rates a covered mortgage licensee's performance "outstanding" if, in general, it demonstrates:

i) An excellent geographic distribution of loans in the State;

ii) An excellent distribution of loans among individuals of different income levels, given the product lines offered by the covered mortgage licensee;

iii) An excellent record of serving the mortgage credit needs of highly economically disadvantaged areas in the State and low-income individuals, including loans to assist existing low- and moderate-income residents to be able to acquire or remain in affordable housing in their neighborhoods at rates and terms that are reasonable considering the covered mortgage licensee's history with similarly situated borrowers, consistent with safe and sound operations;

iv) Extensive 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;

v) Mortgage products demonstrate an excellent suitability for low- and moderate-income individuals;

vi) It plays a leadership role in working with delinquent mortgage loan borrowers to facilitate a successful resolution of the delinquency, including a substantial number of loan modifications in a timely manner and which are effective in preventing subsequent defaults or foreclosures;

vii) There is no evidence of loans that show an undue concentration and a systematic pattern of lending, including early payment defaults, resulting in the loss of affordable housing units; and

viii) An excellent record relative to fair lending policies and practices.

B) Satisfactory. The Secretary rates a covered mortgage licensee's performance "satisfactory" if, in general, it demonstrates:

i) An adequate geographic distribution of loans in the State;

ii) An adequate distribution of loans among individuals of different income levels, given the product lines offered by the covered mortgage licensee;

iii) An adequate record of serving the mortgage credit needs of highly economically disadvantaged areas in the State and low-income individuals, including loans to assist existing low- and moderate-income residents to be able to acquire or remain in affordable housing in their neighborhoods at rates and terms that are reasonable considering the covered mortgage licensee's history with similarly situated borrowers consistent with safe and sound operations;

iv) 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;

v) Mortgage products demonstrate an adequate suitability for low- and moderate-income individuals;

vi) Its efforts are adequate in working with delinquent mortgage loan borrowers to facilitate a successful resolution of the delinquency, including an adequate number of loan modifications completed in a prompt manner and which are effective in preventing subsequent defaults or foreclosures;

vii) There is no evidence of loans that show an undue concentration and a systematic pattern of lending, including early payment defaults, resulting in the loss of affordable housing units; and

viii) An adequate record relative to fair lending policies and practices.

C) Needs to improve. The Secretary rates a covered mortgage licensee's performance "needs to improve" if, in general, it demonstrates:

i) A poor geographic distribution of loans, particularly to low- and moderate-income geographies, in the State;

ii) A poor distribution of loans among individuals of different income levels, given the product lines offered by the covered mortgage licensee;

iii) A poor record of serving the mortgage credit needs of highly economically disadvantaged areas in the State and low-income individuals, including loans to assist existing low- and moderate-income residents to be able to acquire or remain in affordable housing in their neighborhoods at rates and terms that are reasonable considering the covered mortgage licensee's history with similarly situated borrowers consistent with safe and sound operations;

iv) Little 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;

v) Mortgage products demonstrate a poor suitability for low- and moderate-income individuals;

vi) Its efforts are poor in working with delinquent mortgage loan borrowers to facilitate a successful resolution of the delinquency, including slow responses to requests for modification with few loan modifications completed or for which modifications are not effective in preventing subsequent defaults or foreclosures;

vii) There is possible evidence of loans that show an undue concentration and a systematic pattern of lending, including early payment defaults, resulting in the loss of affordable housing units; and

viii) A poor record relative to fair lending policies and practices.

D) Substantial noncompliance. The Secretary rates a covered mortgage licensee's performance as being in "substantial noncompliance" if, in general, it demonstrates:

i) A very poor geographic distribution of loans, particularly to low- and moderate-income geographies, in the State;

ii) A very poor distribution of loans among individuals of different income levels given the product lines offered by the covered mortgage licensee;

iii) A very poor record of serving the mortgage credit needs of highly economically disadvantaged areas in the State and low-income individuals, including loans to assist existing low- and moderate-income residents to be able to acquire or remain in affordable housing in their neighborhoods, at rates and terms that are reasonable considering the covered mortgage licensee's history with similarly situated borrowers consistent with safe and sound operations;

iv) No 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;

v) Mortgage products are unsuitable for low- and moderate-income individuals;

vi) It fails to work with delinquent mortgage loan borrowers to facilitate a successful resolution of the delinquency, including no response to requests for loan modifications or modifications which are ineffective in preventing subsequent defaults or foreclosures;

vii) Origination of loans that show an undue concentration and a systematic pattern of lending, including early payment defaults, resulting in the loss of affordable housing units; and

viii) A very poor record relative to fair lending policies and practices.

2) Service performance rating. The Secretary assigns each covered mortgage licensee's service performance one of the four following ratings.

A) Outstanding. The Secretary rates a covered mortgage licensee's service performance "outstanding" if, in general, the covered mortgage licensee demonstrates:

i) It is a leader in providing community development services;

ii) Its service delivery systems are readily accessible to geographies and individuals of different income levels in the State;

iii) To the extent changes have been made, its record of opening and closing additional full-service offices has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals; and

iv) Its services (including, where appropriate, business hours) are tailored to the convenience and needs of the State, particularly low- and moderate-income geographies or low- and moderate-income individuals.

B) Satisfactory. The Secretary rates a covered mortgage licensee's service performance "satisfactory" if, in general, the covered mortgage licensee demonstrates:

i) It provides an adequate level of community development services;

ii) Its service delivery systems are reasonably accessible to geographies and individuals of different income levels in the State;

iii) To the extent changes have been made, its record of opening and closing additional full-service offices has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals; and

iv) Its services (including, where appropriate, business hours) do not vary in a way that inconveniences geographies or individuals, particularly low- and moderate-income geographies and low- and moderate-income individuals.

C) Needs to improve. The Secretary rates a covered mortgage licensee's service performance "needs to improve" if, in general, the covered mortgage licensee demonstrates:

i) It provides a limited level of community development services;

ii) Its service delivery systems are unreasonably inaccessible to portions of the State, particularly to low- and moderate-income geographies or to low- and moderate-income individuals;

iii) To the extent changes have been made, its record of opening and closing additional full-service offices has adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate- income individuals; and

iv) Its services (including, where appropriate, business hours) vary in a way that inconveniences geographies or individuals, particularly low- and moderate-income geographies or low- and moderate-income individuals.

D) Substantial noncompliance. The Secretary rates a covered mortgage licensee's service performance as being in "substantial noncompliance" if, in general, the covered mortgage licensee demonstrates:

i) It provides few, if any, community development services;

ii) Its service delivery systems are unreasonably inaccessible to significant portions of the State, particularly to low- and moderate-income geographies or to low- and moderate-income individuals;

iii) To the extent changes have been made, its record of opening and closing additional full-service offices has significantly adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals; and

iv) Its services (including, where appropriate, business hours) vary in a way that significantly inconveniences geographies or individuals, particularly low- and moderate-income geographies or low- and moderate-income individuals.

3) Other eligible criteria for an outstanding rating. A covered mortgage licensee that achieves at least a "satisfactory" rating under both the lending and service tests may warrant consideration for an overall rating of "outstanding". In assessing whether a covered mortgage licensee's performance is "outstanding", the Secretary will also consider the covered mortgage licensee's performance in making qualified investments and community development loans to the extent authorized under law.