



MASSACHUSETTS COMMUNITY & BANKING COUNCIL

TO: Distribution

FROM: Kathy Schreck, Co-Chair, MCBC Mortgage Lending Committee
Kelly Maloy, Co-Chair, MCBC Mortgage Lending Committee

DATE: April 12, 2016

RE: Next MCBC Mortgage Lending Committee Meeting

You are invited to attend the next meeting of the Massachusetts Community & Banking Council's (MCBC) Mortgage Lending Committee. The meeting will be held on **Tuesday, April 19, 2015 at 9 a.m. at the offices of Massachusetts Housing Partnership, 160 Federal Street, Boston, MA 02110.**

An agenda for the meeting is enclosed, along with minutes of the last meeting.

If you wish to participate in the April 19th meeting by phone, please call 712-432-6333, participant passcode 183421#.

We look forward to seeing you on April 19th.

Next Committee Meeting: June 7, 2016

MCBC MORTGAGE LENDING COMMITTEE

MISSION: MCBC's Mortgage Lending Committee brings together financial institutions, housing advocates, public officials and others to work to expand home ownership opportunities for low- and moderate-income homebuyers and to sustain home ownership in low- and moderate-income neighborhoods.

Meeting of April 19, 2016

AGENDA

1. Minutes of the Meeting of March 8, 2016
2. Presentation on Appraisals
 - a. Steve Sousa, Executive Vice President, MBREA|The Association for Valuation Professionals™
 - b. Rich Goulet, MRA
3. CRA for Mortgage Lenders Report Update
4. 12/31/15 MHP and MassHousing Delinquency Reports
5. Next Meeting Agenda Topic Discussion
6. Other Business

MASSACHUSETTS COMMUNITY & BANKING COUNCIL

Mortgage Lending Committee
Meeting of March 8, 2016

Draft Minutes

Attending: Laura Anctil, Needham Bank
Jeremiah Battle, NCLC
Steven Burman, Navicore Solutions
Tom Callahan, MAHA
Jim Campen, Changing Patterns
Jorge Colon, ABCDC
Rob Consalvo, Boston Home Center
Jackie Cooper
Chip Coveney, Eastern Bank (phone)
Maritza Crossen, CHAPA
Lisa Fiandaca, MassHousing
Aida Franquiz, Boston Private Bank & Trust Co. (phone)
Avi Glaser, Community Teamwork
Janelle Hardiman, Division of Banks
Donna Haynes, Leader Bank
Paul Horwitz, FDIC
Rob Kerwin, Mortgage Master
Dana LeWinter, MCBC
Kelly Maloy, MHP
Stephen Morrison, Cambridge Trust Company
Maria Mulkeen, Hyams Foundation (phone)
Renee Owens, Blue Hills Bank (phone)
Jon Skarin, MMBA (phone)
Beverly Somerville, Dedham Savings (phone)
Debbie Sousa, MMBA (phone)
David Taglieri, Santander
Lisa Tortorella, Capital One (phone)
Ramya Varanasi, MHP
Susan Younis, FHLBBoston
(add phone participants)

The meeting began at 9:00 a.m. at Massachusetts Housing Partnership, 160 Federal Street, Boston and was chaired by Kelly Maloy.

The meeting began with introductions.

1. Minutes of the Meeting of January 19, 2016

Kelly noted the minutes of the meeting of January 19, 2016. A motion was made by Kelly and seconded by Tom to approve the minutes without changes. VOTE: The motion was approved.

2. Discussion of Challenges and Strategies Identified at Changing Patterns Forum

Dana presented a summary of the data, challenges and strategies identified at the Changing Patterns XXII Forum (see attached PowerPoint). The Solutions were broken down into the following:

- Education
 - Greater access to Financial Ed earlier
 - Emphasize face to face counseling
 - Bring realtors to the table earlier
- Increased Access to Products
 - Increase Down Payment Assistance
 - Statewide IDA Funding
 - Increase reach of ONE Mortgage
 - Seed \$ for Down Payment Assistance targeted to purchase in neighborhoods that will decrease segregation (Ohio Example)
- Fair Housing
 - Fair Lending Hotline for lenders with questions about process
 - Research on buyer behavior
 - Increase discrimination testing
 - Positive reinforcement for banks
- Lending Practices
 - Increase bank involvement after denials
 - Engage younger populations in connecting with lenders
 - Encourage lenders to count source of income differently (i.e. part time employment)
 - Lenders should refer to FTHB Ed groups upon every denial
 - Increase lender diversity to reflect community
- New Lending Products
 - Bank Matched IDA Funding
 - Equity Building Products
 - Products for LMLs who cannot offer ONE or MassHousing
 - Capital Accounts at Banks for borrowers who miss one payment
- External Issues
 - Student Loan Reform
 - More affordable unit production
 - Multi-family zoning to encourage affordable unit production

The group then spent time highlighting the ideas they would like to focus on and identifying additional suggestions. The group agreed to find 2-3 areas that are within our control to focus on. These included:

- 1) Assisting FSS and Voucher Holders in moving into Homeownership: Increase ratio of FSS to assist in process: Partner with Housing Authorities to reach this population
- 2) Encourage lenders to work with denials through a referral program: Create a pilot program of this type
- 3) Appraisal concerns: Are denials in minority neighborhoods due to undervaluation of property due to unfamiliarity with community, non-local appraisers? What is the process if borrowers feel appraisal is too low?
- 4) Role of Realtors
- 5) Assistance in filing legitimate complaints with process when they emerge: Create a resource or a format to assist? Create a page on MCBC site?
- 6) IDA: Federal IDA income limits are too low to purchase in MA
- 7) Merge MassHousing Down Payment Assistance with Matched Savings and Targeted Neighborhood program
- 8) Education: Better promotion of MyMassMortgage and better outreach about programs, even for those over-income: get to folks earlier, can there be a campaign on this?
- 9) VA loans should not be categorized as high-cost loans, pull this data out separately in future reports
- 10) Emphasize financial institutions who offer full suite of products: make sure borrowers know there may be better products out there for them, and acknowledge those that offer wide range of products
- 11) Fair Housing Testing: Lender self-testing or FHCGB
- 12) Promotion of good lenders with awards and highlighting new products

The group agreed to focus on the Appraisal issue at the upcoming meeting in April.

3. CRA for Mortgage Lenders Report Update

Dana noted that the report is close to complete and made a presentation (see attached). Suggestions included looking at Federal Bank of Kansas City for templates. Debbie also noted that she is seeking volunteers to assist in sharing best practices and developing trainings.

4. Other Business

Debbie noted the Affordable Housing Summit on March 14th.

The meeting was adjourned at 10:45 AM.

The next meeting of the Mortgage Lending Committee will take place Tuesday, June 7th at 9 AM at Massachusetts Housing Partnership.



MASSACHUSETTS COMMUNITY & BANKING COUNCIL



CHANGING PATTERNS XXII
MORTGAGE LENDING IN 2014:
KEY FINDINGS AND FOLLOW-UP

MEL KING INSTITUTE INNOVATION FORUM
JANUARY 26, 2016

FOLLOW-UP CONVERSATION MARCH 8, 2016

People of color are underserved by mortgage lenders (HP loans; Table 4).

Boston			
Borrower Race/ Ethnicity	% of households	% of all loans	% of conventional loans
Black	21.0%	5.6%	3.6%
Latino	13.7%	4.8%	4.0%
Greater Boston			
Borrower Race/ Ethnicity	% of households	% of all loans	% of conventional loans
Black	7.3%	2.8%	2.0%
Latino	6.8%	4.5%	3.2%

The share of all home-purchase loans in going to Black and Latino homebuyers has been falling in recent years (Table 5)

	City of Boston		Greater Boston	
	Blacks	Latinos	Blacks	Latinos
2004	11.4%	8.2%	4.5%	6.7%
2005	14.3%	9.7%	5.8%	8.5%
2006	14.6%	8.4%	5.8%	7.1%
2007	11.8%	6.7%	4.5%	4.8%
2008	10.2%	5.7%	3.6%	4.3%
2009	8.9%	5.6%	3.2%	4.3%
2010	8.4%	5.4%	3.3%	4.1%
2011	7.2%	5.0%	3.0%	3.9%
2012	5.6%	4.6%	2.7%	3.7%
2013	5.2%	3.9%	2.5%	3.6%
2014	5.6%	4.8%	2.8%	4.5%

People of color who do get home-purchase loans disproportionately receive costlier government-backed loans (GBLs -- mainly FHA, also VA & USDA)(Table 4)

Boston: % of All Loans that were Government-Backed

Borrower Race/Ethnicity	% GBLs	Disparity Ratio
Black	39.5%	8.2
Latino	22.8%	4.8
White	4.8%	

Greater Boston: % of All Loans that were Government-Backed

Borrower Race/Ethnicity	% GBLs	Disparity Ratio
Black	36.3%	4.2
Latino	36.5%	4.2
White	8.6%	

Total home-purchase lending to blacks and Latinos is highly concentrated in a few cities, absent in many others (Table 19)

- Five cities account for 47% of total home-purchase loans to blacks , but for only 12% of all loans.
 - Brockton, Boston, Randolph, Springfield, and Worcester
- Seven cities account for 42% of total home-purchase loans to Latinos, but for only 14% to all loans.
 - Lawrence, Springfield, Boston, Lynn, Worcester, Methuen and Revere
- In 86 of the 351 cities and towns in MA, not a single loan was made to a black or a Latino homebuyer.

Home-purchase lending to blacks and Latinos in Boston is highly concentrated in some neighborhoods, absent in others (Table 8)

- 5 neighborhoods account for 89.9% of total home-purchase loans to blacks , but for only 28.9% of all loans.
 - Dorchester, Hyde Park, Mattapan, Roslindale, Roxbury
- 3 neighborhoods account for 52.1% of total home-purchase loans to Latinos, but for only 23.2% of all loans.
 - Dorchester, Hyde Park, East Boston
- In 7 of the 20 neighborhoods in Boston, not a single loan was made to a black homebuyer.
- In 2 of the 20 neighborhoods in Boston, not a single loan was made to a Latino homebuyer.

People of color have much higher denial rates for home purchase loans (Table 20)

Denial Rates by Race/Ethnicity for conventional home-purchase loans

	Denial Rate			Denial Rate Disparity Ratio	
	Blacks	Latinos	Whites	Black/White	Latino/White
Boston	21.1%	13.2%	5.9%	3.61	2.26
Greater Boston	16.6%	12.0%	5.9%	2.80	2.02

Even among people in same income category, blacks and Latinos have much higher denial rates (Table 21)

Denial Rates by Race & Income of Applicant for Conventional Home Purchase Loans in Greater Boston

	Denial Rate			Denial Rate Ratio	
Income (\$000)	Black	Latino	White	Black/White	Latino/White
31-50	28.1%	21.8%	12.4%	2.27	1.77
51-70	20.2%	11.3%	8.2%	2.47	1.38
71-90	15.4%	15.5%	6.2%	2.48	2.49
91-120	11.9%	5.3%	4.6%	2.61	1.17
Over 120	8.7%	5.9%	4.6%	1.89	1.27
Total	16.6%	12.0%	5.9%	2.80	2.02

- Denial Rate Disparity Ratios have shown no trend during the 2004-2014 period (Table 22)

Denial Rate Disparity Ratio in Greater Boston		
	Black/White	Latino/White
2004	2.84	2.33
2005	2.50	2.18
2006	2.92	2.54
2007	3.28	3.06
2008	2.69	2.43
2009	2.37	2.25
2010	2.16	2.01
2011	2.70	2.55
2012	2.61	2.33
2013	2.84	2.18
2014	2.98	2.08

Independent Mortgage Companies (Licensed Mortgage Lenders), the lenders covered by the state's unique-in-the-nation CRA for Mortgage Lenders regulation and oversight, account for a substantial share of lending (Tables 24 & 29)

- They made 44% of home-purchase loans in Boston, 43% in Greater Boston
- They included 6 of the top 10 lenders, and 14 of the top 30 lenders in Greater Boston

Implementation of the state’s CRA for Mortgage Lenders regulation seems to had a positive impact on the relative performance of LMLs for the second straight year (Table 27).

Shares of Conventional Loans by Major Type of Lender in Greater Boston

	Black Borrowers	Latino Borrowers	Low- & Mod Income (LMI) Borrowers	LMI Census Tracts	LMI Census Tracts >75% Minority
MA Banks & Credit Unions	2.2%	3.4%	19.0%	13.7%	1.5%
Licensed Mortgage Lenders	1.6%	2.6%	17.0%	13.4%	1.1%
Out-of-State Banks	1.2%	2.2%	9.6%	8.6%	0.7%

There is a stunning difference in the income levels of predominantly minority neighborhoods and predominantly white neighborhoods in Massachusetts (Table 17)

Number of Census Tracts in Massachusetts, 2014					
	Low Income	Moderate Income	Middle Income	Upper Income	Total
> 75% Minority	66	28	4	0	98
50%-75% Minority	45	58	14	0	117
25%-50% Minority	36	127	83	33	279
> 75% White	9	80	499	364	952
Total	156	293	600	397	1,446

Key Thoughts from Panelists



- More Testing Needed to find discrimination
- New HMMA data requirements will help
- Need to bring realtors to the table
- Need to hold banks feet to the fire
- FinTech will have a big impact, puts power in hands of buyers
- Need more positive reinforcement for banks doing well

Group Break-out Session Solution Ideas



- **Education**
 - Greater access to Financial Ed earlier
 - Emphasize face to face counseling
 - Bring realtors to the table earlier
- **Increased Access to Products**
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Group Break-out Session Solution Ideas



- **Fair Housing**
 - Fair Lending Hotline for lenders with questions about process
 - Research on buyer behavior
 - Increase discrimination testing
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- **Lending Practices**
 - Increase bank involvement after denials
 - Engage younger populations in connecting with lenders
 - Encourage lenders to count source of income differently (i.e. part time employment)
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- **New Lending Products**
 - Bank Matched IDA Funding
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- **External Issues**
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Next Steps



- Pick Several Suggested Solutions for MCBC to Focus On
- Identify Partners who can be recruited for additional suggested solutions
- Identify Longer Term research and partners to seek out
- Highlight additional focus needed for next year's Changing Patterns Report



MASSACHUSETTS COMMUNITY & BANKING COUNCIL



QUESTIONS

To view report, supplemental tables, and
prior year reports:

www.mcbc.info

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MASSACHUSETTS COMMUNITY & BANKING COUNCIL



MLCI TASK FORCE REPORT

MORTGAGE LENDING COMMITTEE MEETING

MARCH 8, 2016

CO-CHAIRS:

TOM CALLAHAN, MAHA

DEBBIE SOUSA, MMBA

Committee



- Tom Callahan, MAHA, Co-Chair
- Debbie Sousa, MMBA, Co-Chair
- Don Bianchi, MACDC
- Jim Campen, Changing Patterns
- Ian Dalley, Allston Brighton CDC
- Aida Franquiz, Boston Private Bank & Trust Co.
- Robert Kerwin, Mortgage Master
- Dana LeWinter, MCBC
- Doug Smith, Mortgage Network
- Kathy Tullberg, Former MCBC Manager

Mission



MCBC's Mortgage Lending Committee shall establish a Task Force to assess the impact of the CRA for Mortgage Companies law. This Task Force will investigate the law's impact by interviewing relevant parties, collect and analyze relevant data, and undertake other activities that it deems relevant. The Task Force shall keep the whole Committee informed of its progress and shall provide a written report for review and discussion by the Mortgage Lending Committee. The MLCI Task Force, if applicable, will make recommendations for improvements to the MLCI Examination process which could include additional resources, training and guidance made available to mortgage lenders and/or other suggested improvements or changes to the current laws and/or regulations governing MLCI Examinations.

Recommendations to Licensed Mortgage Lenders (LMLs)

- Increase Lending to LMI Households and in LMI Communities
- Emphasize Fair Lending
- Establish Written Policies and Procedures
- Set Annual Goals for LMI Lending and Perform Regular Self-assessment
- Define Performance Context
- Create and Foster Partnerships with Community Organizations

Recommendations to Licensed Mortgage Lenders (LMs)

- Offer Government-backed Loan (GBL) and/or MassHousing Products Government-backed Loans, or GBLs, are loans made by private lenders that are insured or guaranteed by the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), or the Department of Agriculture (USDA).
- Document Efforts
- Make Proactive Efforts in Areas of High Impact
- Learn From Best Practices

Recommendations to Division of Banks



- **Provide Greater Clarity Overall**
 - Boilerplate language expanded
 - Build on Q&As
 - Page on website that indicates the relationship between the ratings on individual tests and overall ratings.
- **Provide Clarity in Specific Areas**
 - Difference among community development services, mortgage lending services, and qualified investments
 - What qualifies a product as Innovative and Flexible
 - What counts as mortgage services
 - How the assessment area is defined
- **Ensure Timely Pace of Exams**

Recommendations to Community Organizations

- Develop a better understanding of what types of programs, services, and investments are positively evaluated under the CRA for Mortgage Lenders regulation
- Reach out to LMLs to form productive relationships
- Comment to the DOB on their positive and negative experiences with LMLs

Recommendations to MMBA and MCBC

- Trainings: Topics that should be covered in trainings include:
 - How LMLs can improve their Lending Test rating
 - How to gather accurate HMMDA data
 - Fair Lending
 - Defining Community Development Services versus Qualified Investments
 - Helping LMLs set goals and self-assess
 - Helping LMLs understand how to document efforts and investments
 - Clarifying Fair Lending components and helping LMLs to establish written policies and procedures

Recommendations to MMBA and MCBC

- **Documentation and Additional Guidance**
 - Donations and services documentation templates
 - Checklist to determine the impact of donations
 - List of best practices by other lenders
 - LML specific excerpt of FAQs and other materials provided by regulators
 - Links of website to useful organizations and community groups
- **Ongoing Coordination**

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QUESTIONS AND
DISCUSSION