



MASSACHUSETTS COMMUNITY & BANKING COUNCIL

TO: Distribution

FROM: Kathy Schreck, Co-Chair, MCBC Mortgage Lending Committee
Elliot Schmiedl, Co-Chair, MCBC Mortgage Lending Committee

DATE: January 18, 2017

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, January 24, 2017 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 January 24th meeting by phone, please call 712-432-6333, participant passcode 183421#.

We look forward to seeing you on January 24th.

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 January 24, 2017

AGENDA

1. Minutes of the Meeting of December 6, 2016
2. Presentation by Denisha McDonald, Mandrell Company on real estate agent experience with First-Time Homebuyer process and workshops
3. Changing Patterns XXIII Data Presentation by Jim Campen
4. Other Business

MASSACHUSETTS COMMUNITY & BANKING COUNCIL

Mortgage Lending Committee
Meeting of December 6, 2016

Draft Minutes

Attending: Laura Anctil, Needham Bank
Jeremiah Battle, NCLC
Shane Bellavance, StonehamBank
Tom Callahan, MAHA
Jim Campen, Changing Patterns author (phone)
Valerie Clark, Patriot Bank (phone)
Jackie Cooper, FEA
Chip Coveney, Eastern Bank (phone)
Eddie Desir, Capitol One (phone)
Lisa Fiandaca, MassHousing
Maureen Flynn, COHIF (phone)
Donna Haynes, Leader Bank
Beyazmin Jimenez, CHAPA
Jeff Manning, FDIC
Maria Mulkeen, Hyams Foundation
Renee Owens, Blue Hills Bank (phone)
Elena Oxford, Santander (phone)
Dwan Packnett, Boston Home Center
Kathy Schreck, Marlborough Savings Bank (phone)
Jon Skarin, MBA (phone)
Karen Wiener, CHAPA
David Worsham, MHP
Sue Younis, FHLBBoston

The meeting began at 9:10 a.m. at Massachusetts Housing Partnership, 160 Federal Street, Boston and was chaired by Dana.

The meeting began with introductions.

1. Minutes of the Meeting of October 25, 2016

Dana noted the minutes of the meeting of October 25, 2016. A motion was made by Laura, seconded by Donna, to approve the minutes without changes. VOTE: The motion was approved.

2. Presentation on Early Insights from HUD's First-Time Homebuyer Education and Counseling Demonstration Study by Jonathan Spader, Senior Research Associate, Joint Center for Housing Studies at Harvard

John gave a presentation to the group (see attached). The full demonstration will take 6 years, but HUD was anxious to get early results, so they did this interim early insights. The study is seeking to answer 3 questions about first-time homebuyer education; 1) is it preparing buyers? 2) is it creating sustainable mortgages and homeownership? 3) is it resulting in increased financial preparedness and capability? The study consisted of a 2 year enrollment period in 28 cities resulting in 5800 participants earning up to 120% AMI. All are FTHBs and are enrolled at first contact. In Boston, NHS Southern Mass, NOAH, Urban Edge and Lawrence Community Works are participating.

There are 3 groups of participants; 1) Control receiving no services, 2) Remote education and 3) In-person service (given choice of in-person or remote). Early findings show that there was a positive impact on mortgage literacy, with confidence in decision making up, and stress in the process down.

Participants were not required to take counseling, but there was a small financial incentive of \$50 to do so. Follow-up tracking will take place at 12 months. 3 of the 10 largest lenders in the country are participating, but cannot share names. Anyone who was required to get counseling in order to get down payment assistance was screened out as ineligible up front. The full results will be released via HUD. More info and links to the report so far can be accessed at <http://housingperspectives.blogspot.com/2016/10/can-homebuyer-counseling-support.html>

3. Changing Patterns XXIII Updates

Dana noted that the report was complete and will be released shortly. The group discussed a form for this year, similar to last year. Lawrence Yum from NAR was suggested as a speaker.

4. MHP and MassHousing 9.30.16 Delinquency and Foreclosure Report

MHP and MassHousing shared their Delinquency and Foreclosure data from 9/30/16. The reports can be found [here](#).

5. Other Business

None.

The next meeting of the Mortgage Lending Committee will take place Tuesday, January 24th at 9 AM at Massachusetts Housing Partnership.

Early Insights: The First-Time Homebuyer Education and Counseling Demonstration

Jonathan Spader
December 6, 2016



JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY

Read the Full Report:

“The First-Time Homebuyer Education and Counseling Demonstration: Early Insights.”

<https://www.huduser.gov/portal/publications/first-homebuyer-early-insights.html>



JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY

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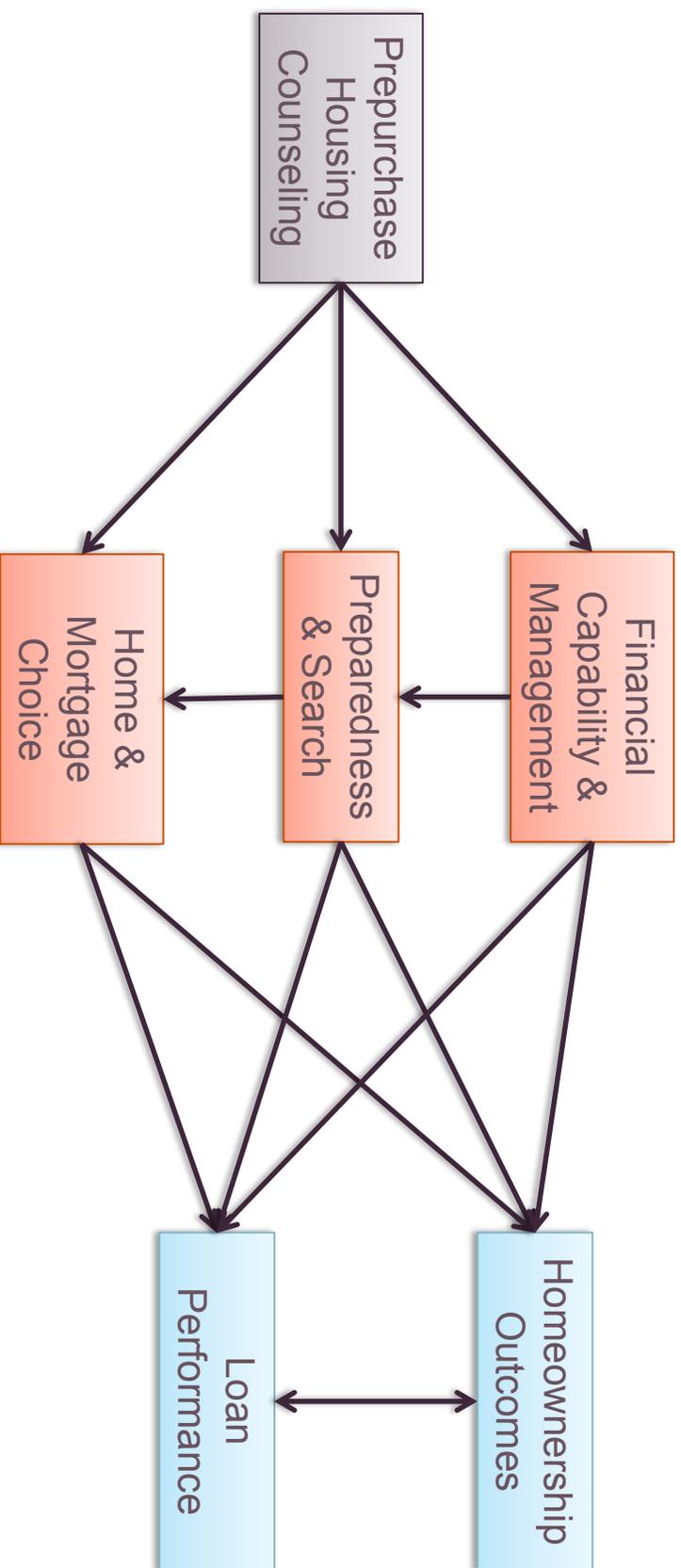
Research Questions

To what extent does pre-purchase counseling improve participants' ...

- Homeownership preparedness or the intensity of their search activities?
 - Home/mortgage search, credit quality, decision to buy, timing of purchase/origination, location/attributes/cost of purchased home
- Mortgage and homeownership outcomes?
 - Budgeting, savings/reserves, mortgage terms/conditions, loan performance, homeownership exit, distress response, refinancing, equity accumulation
- Financial capability and financial management behaviors?
 - Non-housing assets and debts, mortgage literacy, financial capability



Logic Model



Confirmatory Outcome: Ever 60 day delinquency

Outcomes: Financial Capability & Management

- Better Financial Management
 - Maintains budget discipline
 - Builds a savings cushion
 - Manages non-housing debts
- Improved Credit Profile
 - Maintains/improves credit score profile
 - Manages credit report information
- Improved Financial Capability
 - Demonstrates mortgage literacy
 - Demonstrates general financial capability



Outcomes: Preparedness & Search

- **Makes Better Housing Decisions**
 - Qualified buyers purchase a home / Marginal buyers defer home purchase
 - Shops around for a house
 - Selects an affordable home
 - Works with an independent home inspector
 - Budgets for the full cost of housing
- **Obtains Appropriate Financing**
 - Comparison shops for mortgage products
 - Obtains appropriate mortgage product and price



Outcomes: Homeownership Outcomes & Loan Performance

- Improved Homeownership Outcomes
 - Maintains homeownership
 - Builds equity
 - Appropriately refinances; Avoids predatory products
 - Budgets for home maintenance and maintains home
- Improved Loan Performance
 - Makes scheduled mortgage payments
 - Avoids delinquency and default
- Avoids Foreclosure in the Event of Distress
 - Contacts the lender early in the process; Contacts housing counselor
 - Prioritizes mortgage payments

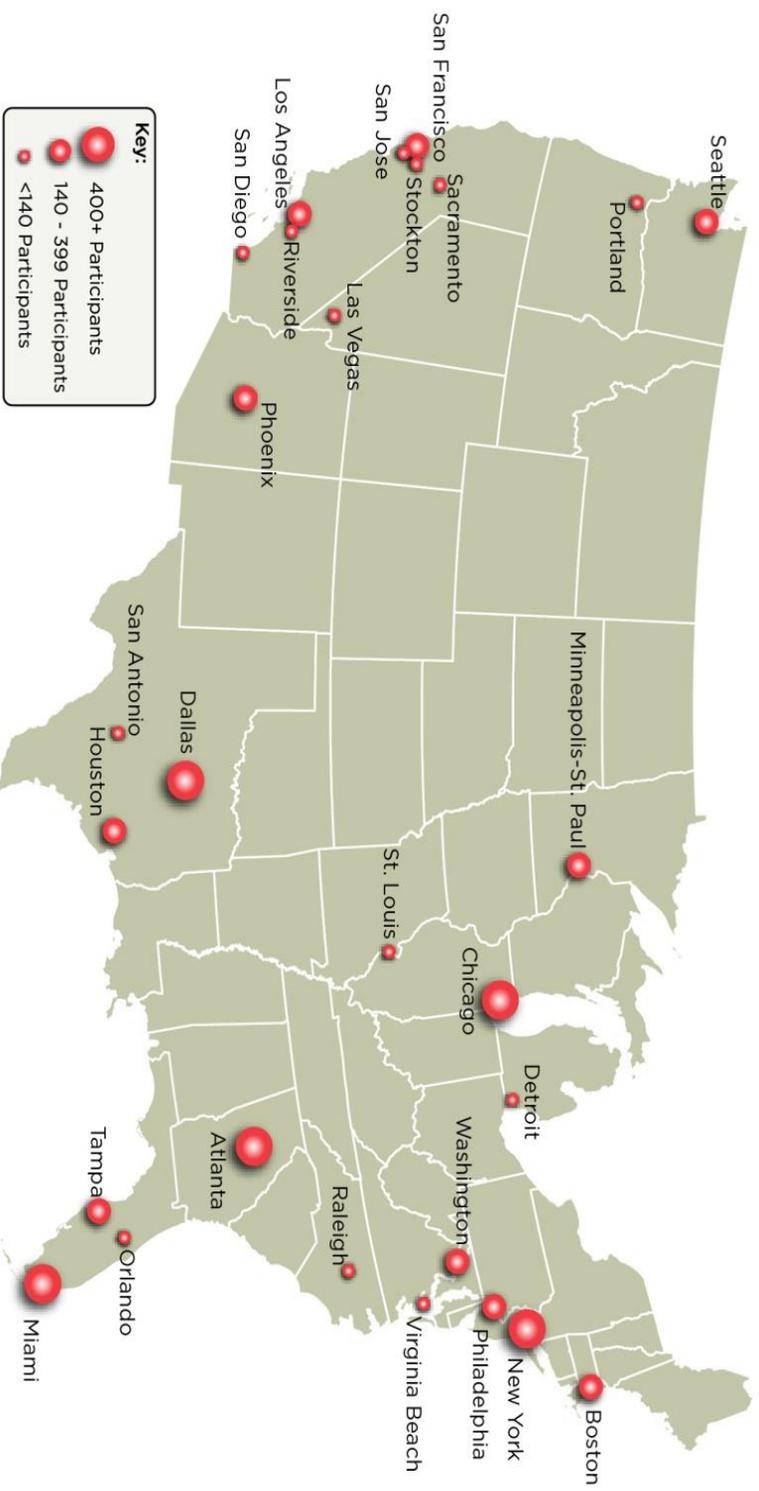


Study Sample

- Study Sample: 5,793 LMMI (<120% AMI), FTHB potential homebuyers
 - LMMI: Combined income < 120% AMI
 - FTHB: Study participant has not owned a home in the previous 3 years
 - First contact with a lender: prequalification or loan application with one of three study participating lenders
- Eligibility criteria necessary for study implementation
 - Current address in one of the 28 study sites (metropolitan areas)
 - Primary borrower is not on the lender's 'Do Not Call' list
 - Study participant speaks and reads English or Spanish
 - Study participant has reliable access to transportation and the internet
 - No previous pre-purchase housing counseling
 - No counseling requirement due to down payment assistance or other programs



28 Study Cities



Random Assignment to 3 Groups

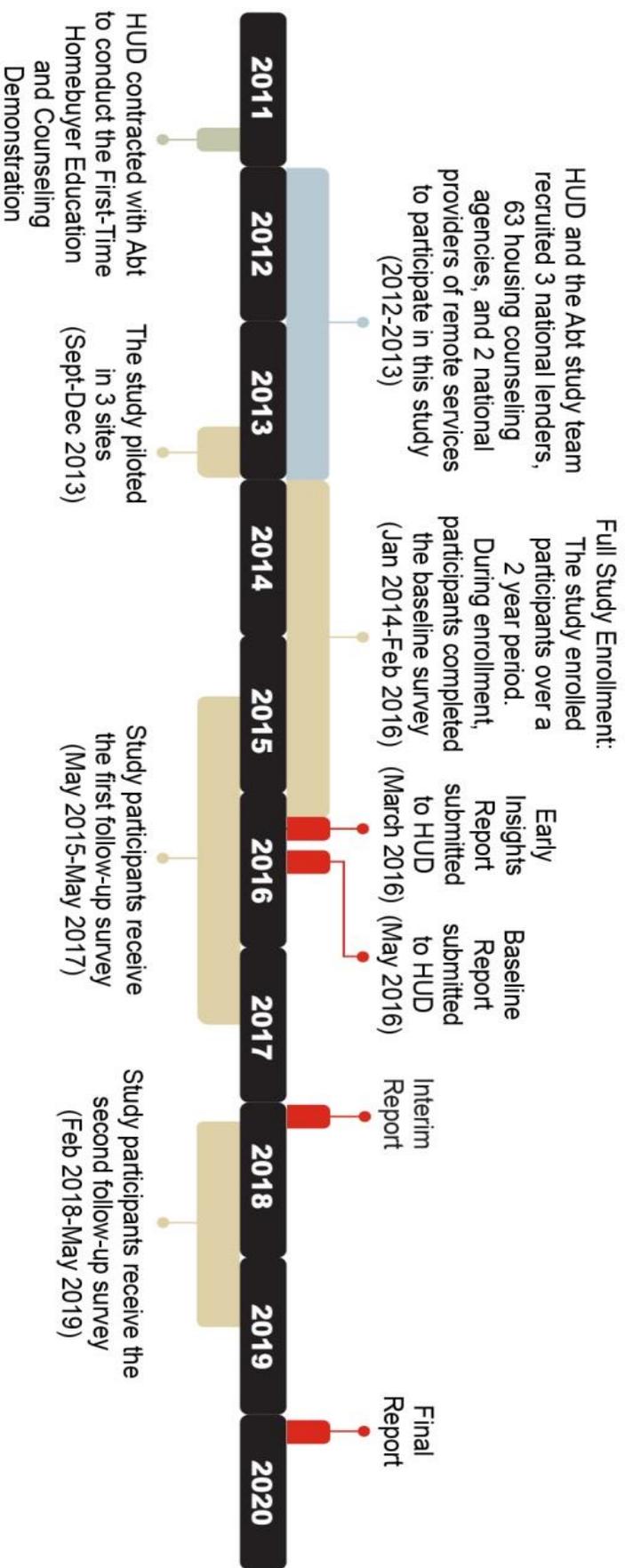
- Initial Design:
 - Control Group – no services
 - Remote Treatment Group – offered online homebuyer education and telephone counseling services
 - *In-person* Treatment Group – offered in-person homebuyer education and in-person counseling services
- Modified Design:
 - Control Group – no services
 - Remote Treatment Group – offered online homebuyer education and telephone counseling services
 - *Choice* Treatment Group – offered their choice of remote or in-person education and counseling services

Education and Counseling Providers

- **In-Person: Group-based education + Counseling**
 - Provider: Local affiliates of NeighborWorks and NCLR
 - Curriculum: Complete the homebuyer education course
 - Goal of at least 1 hour of in-person counseling
- **Remote: Online education + Telephone counseling**
 - Provider: CredAbility
 - Curriculum: Complete the online education modules
 - Goal of at least 1 hour of telephone counseling
- **Control Group: No referral to housing counseling**



Study Timeline and Status Update



Early Findings: Quantitative

- Tested 4 outcomes 12 months after enrollment for the first half of the study sample.
- Estimates compare all treatment group members (in-person & remote combined) to the control group.

Outcome	Treatment Group	Control Group	Difference (Impact)
Number of correct answers (out of 4) to mortgage literacy quiz ^a	2.82	2.74	0.08**
If in financial difficulty, the respondent would contact lender for assistance before missing a mortgage payment ^{a,b} (%)	41.8	37.9	3.9*
Respondent has a credit score greater than or equal to 620 ^c (%)	88.4	86.1	2.3**
Respondent has a budget and often compares it with actual spending ^a (%)	35.4	35.6	- 0.2

Early Findings: Qualitative

Reported Effects on Study Participant Decisions:

“Just talking to the [housing counselor], it made me realize... what I could afford and, well, what I was preapproved for... She was adding on other expenses that I had totally forgot to add, you know, ‘cause I thought I had it all together. And I hadn’t. So I ran into a few things talking to her that made me realize that I probably need to just, you know, wait.”

—Study participant in Chicago, IL



Early Findings: Qualitative

Reported Effects on Study Participant Decisions:

“[HEC] gave us the idea of whether we should go for it right now or not. It is really telling us what the timing [sic] if we are not really prepared and if we don't have enough credit or other issues ...you know, maybe it is not the right time for us. So it is really helping us to make the decision of go or no go.”

—Study participant in Dallas, TX



Future Analyses Will Be More Detailed

Future analyses will build on these findings in several ways:

- Examine the full set of outcomes
- Compare remote, in-person, and choice
- Examine whether impacts vary across subpopulations



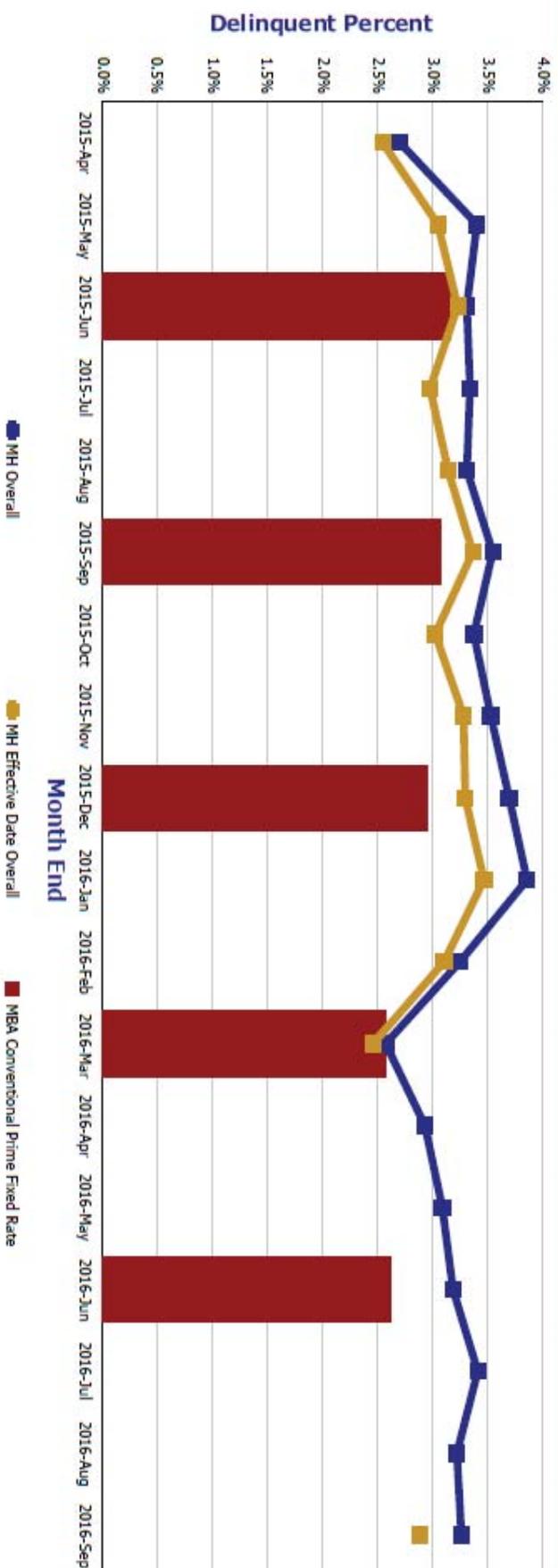
Delinquent Percent by Month

First Mortgages

for Rolling 18 Completed Monthends



Home Ownership



Delinquent Percent	2015-Apr	2015-May	2015-Jun	2015-Jul	2015-Aug	2015-Sep	2015-Oct	2015-Nov	2015-Dec	2016-Jan	2016-Feb	2016-Mar	2016-Apr	2016-May	2016-Jun	2016-Jul	2016-Aug	2016-Sep
MH Overall	2.70%	3.40%	3.31%	3.34%	3.31%	3.55%	3.38%	3.53%	3.70%	3.86%	3.25%	2.57%	2.93%	3.09%	3.19%	3.41%	3.22%	3.26%
MH Effective Date Overall	2.55%	3.05%	3.23%	2.98%	3.14%	3.37%	3.03%	3.28%	3.30%	3.47%	3.11%	2.46%			3.19%	3.41%	3.22%	2.88%
MBA Conventional Prime Fixed Rate			3.17%						2.95%			2.57%			2.62%			



MASSHOUING

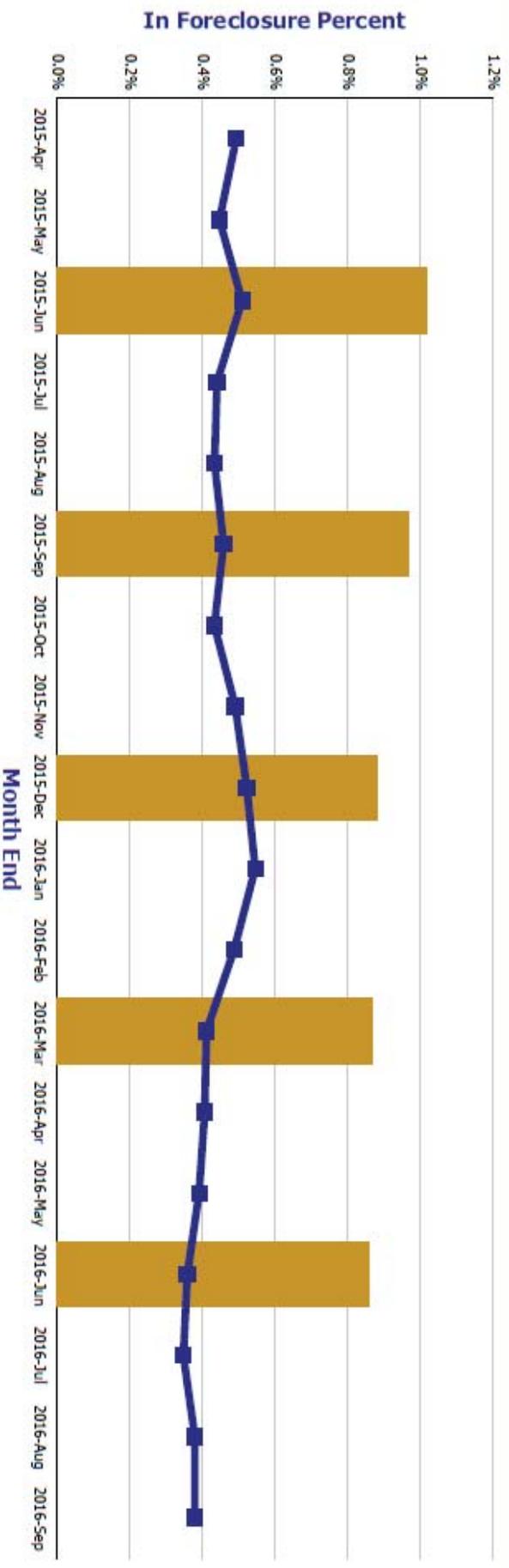
In Foreclosure Percent by Month

First Mortgages

for Rolling 18 Completed Monthends



Home Ownership



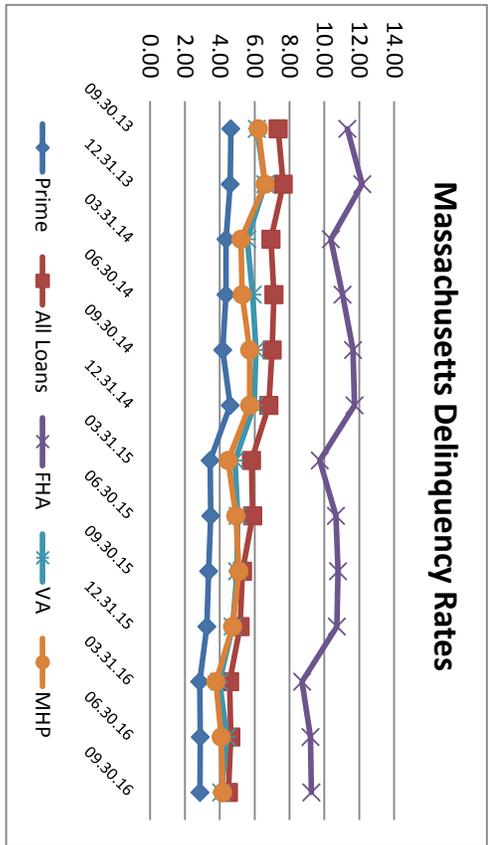
In Foreclosure Percent	2015-Apr	2015-May	2015-Jun	2015-Jul	2015-Aug	2015-Sep	2015-Oct	2015-Nov	2015-Dec	2016-Jan	2016-Feb	2016-Mar	2016-Apr	2016-May	2016-Jun	2016-Jul	2016-Aug	2016-Sep
MH Overall	0.49%	0.45%	0.51%	0.44%	0.43%	0.46%	0.43%	0.49%	0.52%	0.55%	0.49%	0.41%	0.41%	0.39%	0.36%	0.35%	0.38%	0.38%
MBA Conventional Prime Fixed Rate			1.02%						0.88%			0.87%			0.86%			



SoftSecond and ONE Mortgage Program
Delinquency and Foreclosure Statistics and Comparisons
As of September 30, 2016



Massachusetts Delinquency Rates					
	Prime	All Loans	FHA	VA	MHP
09.30.13	4.64	7.35	11.31	6.12	6.22
12.31.13	4.60	7.64	12.17	6.60	6.60
03.31.14	4.36	6.94	10.37	5.57	5.22
06.30.14	4.35	7.11	11.05	5.89	5.29
09.30.14	4.17	7.00	11.64	6.08	5.72
12.31.14	4.60	6.81	11.73	5.98	5.71
03.31.15	3.44	5.81	9.74	4.88	4.48
06.30.15	3.48	5.88	10.67	5.03	4.92
09.30.15	3.36	5.30	10.78	4.99	5.10
12.31.15	3.25	5.16	10.71	4.74	4.73
03.31.16	2.85	4.56	8.72	3.98	3.78
06.30.16	2.88	4.63	9.20	4.41	4.09
09.30.16	2.86	4.49	9.26	4.09	4.16



Massachusetts Foreclosure Rates					
	Prime	All Loans	FHA	VA	MHP
09.30.13	1.43	2.45	2.48	1.63	0.69
12.31.13	1.13	2.12	2.80	1.44	0.75
03.31.14	1.12	1.94	1.86	1.35	0.61
06.30.14	1.21	1.95	1.94	1.43	0.74
09.30.14	1.18	1.92	1.75	1.25	0.74
12.31.14	1.21	2.05	1.63	1.33	0.78
03.31.15	1.24	2.23	2.17	1.54	0.89
06.30.15	1.18	2.22	2.39	1.56	0.77
09.30.15	1.11	2.14	2.69	1.68	0.89
12.31.15	1.03	2.00	2.69	1.72	0.96
03.31.16	1.01	1.99	2.68	1.67	1.07
06.30.16	1.01	1.97	2.66	1.79	1.03
09.30.16	0.96	1.88	2.52	1.50	1.04

