



MASSACHUSETTS COMMUNITY & BANKING COUNCIL

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## MCBC RELEASES NEW REPORT ON CRA FOR MORTGAGE LENDERS REGULATION

**Boston, MA (May 17, 2016).** A new report released by the Massachusetts Community & Banking Council (MCBC), "CRA for Mortgage Lenders in Massachusetts, 2008-2015" highlights that community reinvestment regulation seems to have had a positive impact on the relative performance of Licensed Mortgage Lenders (LMLs) in meeting the needs of traditionally underserved borrowers and neighborhoods.

In the first report of its kind, MCBC provides information on the state law passed in 2007, which mirrors existing federal and state CRA requirements over depository institutions and calls for lenders to meet the credit needs of low- and moderate-income borrowers and geographies when originating residential loans or acquiring mortgage portfolios in the Commonwealth. These requirements are further elaborated by regulation (see 209 CMR 54.00) whereby the Division of Banks (the Division), as the state regulator overseeing state-chartered and licensed financial institutions, is tasked with the CRA supervision of LMLs.

Proponents of the new regulation argued that it should have an impact on the performance of LMLs relative to that of lenders not covered by CRA. The expected effect appeared for the first time in 2013 lending data and it appears again in 2014 data, as highlighted in MCBC's Changing Patterns XXII, a companion report. For conventional home- purchase lending in 2014, the loan shares for LMLs were greater than the loan shares for Other Lenders in all five categories of traditionally underserved borrowers and neighborhoods in Boston (by an average of 47%), in all five categories in Greater Boston (by an average of 51%), and in all five categories statewide (by an average of 18%). Categories include shares of loans that went to Black, Latino, Low and Moderate-Income Borrowers, Low and Moderate-Income Census Tracts and Low and Moderate-Income Minority Census Tracts.

"We are starting to see the impact of passing this groundbreaking legislation in 2007," said Thomas Callahan executive director of the Massachusetts Affordable Housing Alliance and co-chair of the MCBC task force on CRA for Mortgage Lenders. "While much more work remains, some mortgage companies are actively assessing how well they are serving low and moderate income homebuyers with affordable and responsible mortgage products. Only good outcomes can result from that type of examination."

The report also highlights that while positive impacts are emerging, LMLs and their partners have more work to do in order to realize the full potential of the regulation. Since October 2009, the Division has published 76 Public Disclosures, which covers both Lending and Service Tests and results in a performance rating of "Outstanding"; "High Satisfactory"; "Satisfactory"; "Needs to Improve"; or "Substantial Noncompliance". Of the 76 published Public Disclosures, none were rated Outstanding, 3 were rated High Satisfactory, 60 were rated Satisfactory, 11 were rated Needs to Improve, and 2 were assigned Substantial Noncompliance for an overall rating.

In order to improve the performance of LMLs in meeting the needs of traditionally underserved communities, the report makes recommendations addressed to four different key groups that participate or contribute to the understanding and successful implementation of CRA for Mortgage Lenders; Licensed Mortgage Lenders, the Division of Banks, Community Organizations, and Trade Organizations, including MCBC and the Massachusetts Mortgage Bankers Association. Key recommendations to LMLs include Increased Lending to LMI Households and in LMI Communities, an Emphasis on Fair Lending, and Establishment of Written Policies and Procedures to ensure sufficient attention has been paid to general compliance.

Key recommendations to Trade Organizations include offering trainings and template document creation to LMLs to clarify criteria and definitions, help LMLs understand how to improve their scores, facilitate a smoother evaluation process, and share best practices.

“Massachusetts is the only state to require CRA for Mortgage Lenders and it has been a true learning experience for everyone. This MCBC report is a great collaborative effort between the Division, our non-profit partners and a number of licensed mortgage lender participants. MMBA is already preparing and developing training to provide our members with resources and tools to increase affordable lending efforts in LMI communities,” said Deborah Sousa executive director of the Massachusetts Mortgage Bankers Association (MMBA) and co-chair of the MCBC task force on CRA for Mortgage Lenders. “We have made tremendous strides since 2007 and our member lenders will continue to work with borrowers and local communities on ways to promote and sustain homeownership.”

The role of the Division of Banks is critical in successful implementation of the CRA for Mortgage Lenders regulation. As the state regulator overseeing state-chartered and licensed financial institutions tasked with the CRA supervision of LMLs, the Division was instrumental in promulgating the initial regulation, and ensuring the implementation of a new examination process. Key recommendations to the Division include providing additional clarity to the industry in certain areas.

“This is a timely report for Massachusetts mortgage lenders indicating their positive contributions in meeting the credit needs of low to moderate income communities in the Commonwealth. The report also highlights important recommendations for the mortgage industry to consider on enhancing community investment opportunities in the Commonwealth,” said David Cotney, Commissioner of Banks.

The Task Force, which consisted of representatives from Licensed Mortgage Lenders, Banks, Community Groups and Trade Associations, held meetings over the course of 2014 and 2015. A final recommendation of the Task Force is that efforts begun through this process should result in ongoing coordination between MCBC and the Division to ensure continued progress in the work of LMLs in meeting the needs of traditionally underserved communities.

“MCBC seeks to bring together community organizations and financial institutions to affect positive change in the availability of credit and financial services across Massachusetts by encouraging community investment in low- and moderate-income and minority group neighborhoods. The CRA for Mortgage Lenders regulation is a critical piece in bringing LMLs into this work, and MCBC is proud to share the results of this report and work with our partners to ensure successful implementation and evaluation in the future,” said Dana LeWinter, MCBC’s Executive Director.

#### **About the Massachusetts Community & Banking Council**

MCBC is funded through the financial support of member financial institutions. MCBC 2016 members include: Abington Bank, Avon Co-operative Bank, Bank of Canton, Beverly Co-operative Bank, Blue Hills Bank, Boston Private Bank & Trust Company, Bridgewater Savings Bank, Cambridge Savings Bank, Cape Cod Five Cents Savings Bank, Capital One, Citi, Citizens Bank, Colonial Federal Savings

Bank, Community Credit Union, Dedham Institution for Savings, Eagle Bank, East Cambridge Savings Bank, Eastern Bank, Equitable Bank, Everett Co-operative Bank, Leader Bank, N.A., Mansfield Cooperative Bank, Marlborough Savings Bank, Mass Bay Credit Union, Needham Bank, North Cambridge Co-operative Bank, Northern Bank & Trust Company, Patriot Community Bank, People's United Bank, Pilgrim Bank, Randolph Savings Bank, RTN Federal Credit Union, Santander, Stoneham Bank – A Cooperative Bank, TD Bank, The Cooperative Bank, The Savings Bank, Wellesley Bank, Winchester Co-operative Bank, and Winchester Savings Bank.

MCBC's 2016 Community Partners include ACCION, City of Boston through the Boston Redevelopment Authority, Community Teamwork, Inc., Dudley Square Main Streets, ESAC, the Fair Housing Center of Greater Boston, Family Independence Initiative, Interise, the Massachusetts Affordable Housing Alliance, the Massachusetts Association of CDCs, the Massachusetts Housing Partnership, the Metropolitan Boston Housing Partnership, the Somerville Community Corporation, South Eastern Economic Development (SEED) Corporation, and The Neighborhood Developers.

The full report is available in the Publications section of MCBC's website at <http://mcbc.info/publications/mortgage-lending/>. Further information on MCBC is available on the MCBC website at [www.mcbc.info](http://www.mcbc.info).