



Self-Assessment Guide to CRA (Community Investment) for Mortgage Lenders

M.G.L. c. 255E, § 8 / 209 CMR 54.00

COMMONWEALTH OF MASSACHUSETTS

DIVISION OF BANKS

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COMMON TERMS & ABBREVIATIONS

- Area Median Income: AMI
- Assessment Area: AA
- Community Development: CD
- Community Reinvestment Act: CRA
- Home Mortgage Disclosure Act: HMDA
- Loan Application Register: LAR
- Low-Moderate Income: LMI
- Metropolitan Statistical Area: MSA

NOTE:

This self-assessment guide is intended for mortgage lenders, CEOs, senior officers, CRA and compliance officers to consider as a helpful reference for CRA compliance. Please refer to official legal citations, [M.G.L. 255E § 8](#) and [209 CMR 54.00](#); for additional regulatory guidance refer to [Regulatory Bulletin 1.3-105](#) Alternative CRA Examination Procedures.

OVERVIEW:

In 2007, the Division of Banks established 209 CMR 54.00 to carry out the mortgage lender community investment purposes required by M.G.L. c. 255E, § 8. Through the statute and regulation, mortgage lenders originating 50 or more HMDA reportable loans in Massachusetts are assessed on their record of meeting the credit needs of the Commonwealth, including low and moderate income neighborhoods and individuals when originating residential loans and acquiring loan portfolios within the Commonwealth.

DEFINITIONS¹

Area Median Income (AMI) – the median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Branch – a staffed facility licensed as a branch under [M.G.L. c. 255E](#) and [209 CMR 42.13](#).

Commissioner – the Commissioner of Banks.

Commonwealth – the Commonwealth of Massachusetts.

Community Development – mortgage products and other efforts to assist LMI individuals to acquire or remain in affordable housing; community services targeted to LMI individuals.

Community Development Loan – a loan with the primary purpose of community development; and has not been reported or collected by the mortgage lender for consideration in the mortgage lender’s assessment as a home mortgage loan, unless it is a multifamily dwelling loan; and benefits the Commonwealth or a broader regional area that includes the Commonwealth.

Community Development Service – a service with the primary purpose of community development; and is related to the provision of financial services, including technical services.

Discriminatory or Other Illegal Credit Practices – activities resulting in violations of an applicable law, rule or regulation, including but not limited to: the Equal Credit Opportunity Act; the Fair Housing Act; the Homeownership and Equity Protection Act; section 5 of the Federal Trade Commission Act; section 8 of the Real Estate Settlement Procedures Act; and the Truth in Lending Act provisions regarding a consumer’s right of rescission.

Geography – a census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act – the Consumer Financial Protection Bureau’s implementing regulations found at [12 CFR 203](#).

Home Mortgage Loan – a “home improvement loan” or a “home purchase loan” as defined in [12 CFR 203.2](#) (the Home Mortgage Disclosure Act) or a home equity loan or any other extension or credit secured by a residence of the borrower for personal, family or household purposes.

Highly Economically Disadvantaged Areas – economically distressed areas designated pursuant to [26 USC 1391](#).

Income Level – Income level includes:

- **Low-income** – an individual income that is less than 50% of the AMI, or a median family income that is less than 50%, in the case of a geography.
- **Moderate-income** – an individual income that is at least 50% and less than 80% of the AMI, or a median family income that is at least 50% and less than 80%, in the case of geography.
- **Middle-income** - an individual income that is at least 80% and less than 120% of the area median income, or a median family income that is at least 80% and less than 120%, in the case of a geography.

¹ 209 CMR 54.12: Definitions

- **Upper-income** – an individual income that is 120% or more of the AMI, or a median family income that is 120% or more, in the case of geography.

Loan Application Register – HMDA requires covered institutions to compile and disclose on a calendar year basis information about applications for the origination of purchases of home purchase loans, home improvement loans, and refinancing. Information regarding each application or loan and about each applicant or borrower, is reported on a loan-by-loan, application-by-application basis on a loan application register.

Loan Location – a home mortgage loan is located in the geography where the property to which the loan relates is situated.

Mortgage Lender - a mortgage lender, licensed under [M.G.L. c. 255E § 2](#), which has made 50 or more HMDA reportable home mortgage loans in the Commonwealth in the last calendar year.

Metropolitan Statistical Area – a geographical region with a relatively high population density at its core and close economic ties throughout the area; MSAs are defined by the Director of the Office of Management and Budget.

Performance Context – a mortgage lender’s performance is judged in the context of information about the mortgage lender and the Commonwealth, including:

- demographic data on median income levels, distribution of household income, nature of housing stock, housing costs, and other relevant data pertaining to the Commonwealth;
- any information about lending and service opportunities in the Commonwealth maintained by the mortgage lender or obtained from community organizations, state, local, and tribal governments, economic development agencies, or other sources;
- the mortgage lender's product offerings and business strategy as determined from data provided by the mortgage lender in the Commonwealth;
- the mortgage lender's capacity and constraints, including the size and financial condition of the mortgage lender, the economic climate (national, regional, and local), safety and soundness limitations, and any other factors that significantly affect the mortgage lender's ability to provide lending or services in the Commonwealth;
- the mortgage lender's past performance and the performance of similarly situated lenders in the Commonwealth; and
- any additional information deemed relevant by the Commissioner.

Qualified Investment – a lawful investment, deposit, donation, membership share, or grant where the primary purpose is for community development.

COMPONENT 1: LENDING TEST

Self-Assessment Review

Identify loans to be evaluated for CRA by reviewing:

- most recent two years of HMDA LAR and Mortgage Call Report data;
- interim HMDA and CRA data collected; and
- any other relevant loan information.

Verify accuracy of loan data collected and/or reported by:

- performing comparative review of HMDA data with loan files; and
- reviewing that CD loans meet the definition of CD.

Evaluate the following items, and consider the mortgage lender's strategic plan. This review should include:

- originated and purchased mortgage loan volume within the Commonwealth (both in number and dollar amount) for each type of mortgage loan; and
- aggregate mortgage loan volume percentages (in both number and dollar amount) for comparative review. Aggregate data includes all loans originated or purchased within the Commonwealth by all lenders, exclusive of the self-assessing mortgage lender.

Analyze data to assess whether the needs of LMI individuals or geographies are being met and for insight on the lending patterns to LMI applicants. This review includes, but is not limited to, the following key areas:

- *Geographic distribution of lending*
 - Analysis: the number of geographies or Census tracts represented in each income category; the number and dollar volume of housing loans in each geography compared with the number of housing units in each geography; and whether any gaps exist in lending activity for each income category, by identifying groups of neighboring geographies having no or low loan penetration relative to other geographies.
- *Distribution of lending by borrower characteristics*
 - Analysis: independent analysis of lending distribution by borrower income characteristics with consideration to the number, dollar volume and percentage of home mortgages made to low-, moderate-, middle- and upper-income borrowers; and a percentage comparison of total home mortgage loans with the population in each income category.
- *Mortgage loan products which are considered innovative or flexible*
 - Analysis: mortgage products which provide flexible underwriting standards which can directly benefit LMI borrowers or geographies; loan products offering flexible underwriting criteria which serve LMI borrowers in new ways or if loans serve creditworthy borrowers not previously served by conventional products; products available to assist delinquent or at risk home mortgage borrowers with staying in their homes; success of each product, including number and dollar volume of originations; and sustainability of such mortgage loan products for LMI borrowers.

- Examples of innovative or flexible products include: competitive interest rates, low/no down payment requirements, low/no closing cost, no private mortgage insurance requirement, and special terms for first time homebuyer. Also flexible temporary financing for customers who are planning to start, purchase, sustain or expand a family farm.
- *Loss mitigation efforts, when applicable*
 - Analysis: efforts to work with delinquent home mortgage loan borrowers through the review of loss mitigation policies and procedures; available options for the resolution of mortgage delinquencies; number of loan modifications, the timeliness of such modifications, and the extent to which such modifications are effective in preventing subsequent defaults or foreclosures; delinquency numbers and percentages as compared to aggregate data; and the number and amount of loans showing patterns of early payment defaults.
- *Fair Lending policies and practices*
 - Analysis: training; lending data testing; fair lending testing results from both internal and external audits; all products types and lending functionalities including application processing, underwriting, originating and servicing; and the extent to whether applications received through different lending channels are compliant with the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA).
- *Loss of affordable housing, when applicable*
 - Analysis: number and amount of loans that show an undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units, including a pattern of early payment defaults through a review of delinquency numbers and percentages as compared to aggregate data; and the number and amount of loans showing patterns of early payment defaults.

COMPONENT 2: SERVICE TEST

Self-Assessment Review

The Service Test applies to mortgage lenders which have originated 100 or more home mortgage loans in the Commonwealth in the last calendar year as outlined in [209 CMR 54.23](#).

COMMUNITY DEVELOPMENT (CD) SERVICES:

Examples of CD services include: financial literacy education initiatives targeted to LMI individuals; first-time homebuyer initiatives; foreclosure prevention counseling; financial education for LMI individuals; and/or technical assistance to LMI community organizations serving affordable housing needs in a leadership capacity.

Identify CD services offered and ensure services have the primary purpose of CD including:

- those related to financial and/or technical services;
- community services targeting LMI individuals or LMI geographies; and
- activities revitalizing or stabilizing LMI geographies, designated disaster areas, or distressed/underserved nonmetropolitan middle-income geographies (designated by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency; or any other such area as determined by the Commissioner).

Evaluate CD services using performance context information and consider:

- innovativeness and whether they serve the LMI community in new ways or serve LMI groups not previously served; and
- the extent to which available services are provided specifically to LMI areas or individuals.

Track all CD activities using a tracking mechanism or database capturing dates, personnel involved, donation receipts and any other supporting documentation.

MORTGAGE LENDING SERVICES:

Determine the distribution of branches among each geography in the Commonwealth including products available and the types of mortgage lending services provided through physical office locations, online or by telephone.

Identify any differences of hours or services available which could adversely affect the accessibility of services particularly in LMI geographies or to LMI individuals.

Evaluate the effect on LMI geographies or individuals through the review of branch opening and closures and the quantity, personalization and accessibility of service delivery systems provided in each geography classification.

COMPONENT 3: INVESTMENT TEST (OPTIONAL)

A mortgage lender that achieves at least a "satisfactory" rating under both the Lending and Service Tests may warrant consideration for an overall rating of "high satisfactory" or "outstanding" depending on the mortgage lender's performance in making qualified investments and community development loans to the extent authorized under law, in accordance with [209 CMR 54.61\(2\)\(c\)](#).

Identify any qualified investment or community development loan made since last examination that have a primary purpose of CD.

- Examples of qualified investments include:
 - investments, grants, charitable donations of cash value or property, deposits, and/or shares in, or to:
 - financial intermediaries that primarily lend in LMI areas or to LMI individuals and promote CD;
 - minority- or women-owned banks;
 - organizations engaged in affordable housing and services primarily benefiting LMI individuals and/or geographies; and economic development by financing small businesses;
 - corporations for the purpose of providing technical assistance to nonprofit housing corporations for the purpose of establishing creditworthiness;
 - private nonprofit organization organized for improving social and economic conditions, such as community development programs, foreclosure prevention initiatives, fair housing and fair lending training; and educational institutions focusing on financial literacy initiatives; and
 - community or tribal-based child care, educational, health, or social services targeted to LMI communities, affordable housing for LMI individuals, and activities that revitalize or stabilize LMI areas, designated disaster areas, or underserved or distressed nonmetropolitan middle-income geographies.
- Examples of CD loans include loans to:
 - Borrowers for the rehabilitation or construction of affordable housing, or community facilities located in LMI geographies or that primarily serve LMI individuals; and
 - Financial intermediaries including Community Development Financial Institutions (CDFIs), New Markets Tax Credit-eligible Community Development Entities, Community Development Corporations (CDCs), and minority- and women-owned financial institutions.

Evaluate the volume (in dollars) of investments made to verify investments:

- benefit the Commonwealth or broader regional area;
- have not been considered under the Lending or Service Test²; and/or,
- serve LMI individuals or geographies.

² Investments already included under Lending or Service tests may not be considered for consideration under Investment Test.

PUBLIC FILE:

The following information must be kept in a “Public File” and made available to the public upon request:

- all written comments received from the public for the current year and each of the prior two calendar years that specifically relate to the mortgage lender’s performance in helping to meet the mortgage credit needs of the Commonwealth, and any response to the comments by the mortgage lender, if neither the comments nor the responses contain statements that reflect adversely on the good name or reputation of any persons other than the mortgage lender or publication of which would violate specific provisions of law;
- a copy of the public section of the most recent CRA Performance Evaluation; and
- a copy of the HMDA Disclosure Statement provided by the Federal Financial Institutions Examination Council for each of the prior two calendar years.

This Public File shall be provided upon request, within five business days, copies, either on paper or in another form acceptable to the person making the request, of the information required under [209 CMR 54.43\(1\)](#). A reasonable fee may be charged not to exceed the cost of copying and mailing, if applicable.

CRA RATINGS CHARTS³

LENDING PERFORMANCE RATING CHART

Characteristic	Outstanding	High Satisfactory	Satisfactory	Needs to Improve	Substantial Noncompliance
Geographic Distribution of Loans	The geographic distribution of loans reflects EXCELLENT penetration throughout the AA	GOOD	ADEQUATE	POOR	VERY POOR
Borrower's Profile	The distribution of borrowers reflects, given the product lines offered, EXCELLENT distribution among individuals of different income levels	GOOD	ADEQUATE	POOR	VERY POOR
Responsiveness to Credit Needs of Low-Income Individuals & Geographies	Exhibits an EXCELLENT record of serving the mortgage credit needs of highly economically disadvantaged areas in the AA and low-income individuals.	GOOD	ADEQUATE	POOR	VERY POOR
Innovative or Flexible Lending Practices	Makes 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.	USE	LIMITED USE	LITTLE USE	NO USE
Fair Lending	An EXCELLENT record relative to fair lending policies and practices.	GOOD	ADEQUATE	POOR	VERY POOR
Loss of Affordable Housing	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	NO EVIDENCE	NO EVIDENCE	POSSIBLE EVIDENCE	EVIDENCE

³ Evidence of discriminatory or other illegal credit practices can adversely affect the evaluation and rating of a mortgage lender's CRA performance, per [209 CMR 54.25 \(3\)](#).

SERVICE PERFORMANCE RATING CHART

Characteristic	Outstanding	High Satisfactory	Satisfactory	Needs to Improve	Substantial Noncompliance
Accessibility of Delivery Systems	Delivery systems are READILY ACCESSIBLE to geographies and individuals of different income levels in its AA.	ACCESSIBLE	REASONABLY ACCESSIBLE	UNREASONABLY INACCESSIBLE TO PORTIONS OF	UNREASONABLY INACCESSIBLE TO SIGNIFICANT PORTIONS OF
Changes in Branch Locations	Record of opening and close of branches has IMPROVED the accessibility of its delivery systems, particularly to LMI individuals and/or geographies.	NOT ADVERSELY AFFECTED	GENERALLY NOT ADVERSELY AFFECTED	ADVERSELY AFFECTED	SIGNIFICANTLY ADVERSELY AFFECTED
Reasonableness of Business Hours & Services in Meeting AA Needs	Services ARE TAILORED TO CONVENIENCE & NEEDS OF its AA, particularly LMI individuals and/or geographies.	DO NOT VARY IN A WAY THAT INCONVENIENCES	DO NOT VARY IN A WAY THAT INCONVENIENCES	VARY IN A WAY THAT INCONVENIENCES	VARY IN A WAY THAT SIGNIFICANTLY INCONVENIENCES
Working with Delinquent Borrowers	PLAYS A LEADERSHIP ROLE in working with delinquent mortgage loan borrowers to facilitate a successful resolution of the delinquency.	EFFORTS ARE SUBSTANTIAL	EFFORTS ARE ADEQUATE	EFFORTS ARE POOR	FAILS
Community Development Services	A LEADER IN PROVIDING community development services.	PROVIDES A RELATIVELY HIGH LEVEL OF	PROVIDES AN ADEQUATE LEVEL OF	PROVIDES A LIMITED LEVEL OF	PROVIDES FEW, IF ANY