



Massachusetts Community & Banking Council

Mortgage Lending Committee
February 26, 2019 Meeting

AGENDA

9:30am Welcome and updates

- Minutes of the Meeting of January 22, 2019
- 2019 Meeting Dates & Locations
- Updates & Announcements
 - Committee Working Groups

9:50am **Shirronda Almeida, Director, Mel King Institute**

- 2019 Offerings
- Recap of MCBC/MKI past offerings
- New opportunities?

10:10am Debt Conditions in Mass. & Mortgage Underwriting Trends

10:30am **Joann Gaskin, VP, Scores & Analytics, FICO**

- UltraFICO

January 22rd MCBC MLC Meeting

- **Jon Seward, President, MA Association of Housing Cooperatives**
 - Reintroduction of MAHC's Tenants Right To Purchase bill in the MA legislature
- Recap Mortgage Lending Forum & 2019 Committee Work
- **Mark Vanderlinden, Chief Lending Officer, Homewise**
 - Business Model
 - Permanent Mortgage Interest Buy-Down

Dates for 2019 Meetings

Mortgage Lending Committee	Location
Tuesday, January 22	MHP (Boston)
Tuesday, February 26	MHP (Boston)
Tuesday, April 9 (3-5pm)	People's United (Worcester)
Tuesday, May 21 (3-5pm)	People's United (Worcester)
Tuesday, July 9	MHP (Boston)
Tuesday, September 17	MHP (Boston)
Tuesday, October 22 (3-5pm)	People's United (Worcester)
Tuesday, December 3 (3-5pm)	People's United (Worcester)

<https://conta.cc/2R3B4WJ>

Updates & Announcements

Jon Seward, President, MA Association of Housing Cooperatives

1. Tenants Right To Purchase

SD.1963

Sen. Pat Jehlen

<https://malegislature.gov/Bills/191/SD1963>

HD.3740

Rep. Denise Provost

2. Renters Tax Deduction bill SD.1775

Senator Nick Collins

<https://malegislature.gov/Bills/191/SD1775>

HD.1072

Rep. Jay Livingstone

3. City of Boston: Tenants Right To Purchase

HD.1865

Rep. Daniel Cullinane

Updates & Announcements

- **Banking Regulators Finalize Rule Requiring Lenders to Accept Private Flood Insurance**

On Tuesday, federal financial regulators — the Department of Treasury, U.S. Federal Reserve, Federal Deposit Insurance Corporation, Farm Credit Administration, and National Credit Union Administration — published [a final rule](#) requiring banks to accept certain private flood insurance policies from mortgage borrowers that meet congressionally mandated criteria. The rule implements a provision of the Biggert-Waters Flood Insurance Reform Act of 2012. Lenders would also have the option to accept policies that do not meet the Biggert-Waters criteria. Lawmakers passed this provision because they were concerned many lenders were not willing to consider private flood insurance options and were requiring all borrowers to purchase coverage through the National Flood Insurance Program. The rule takes effect on July 1.

Updates & Announcements

The Senate Banking Committee held a hearing on 2/14 on the nomination of Mark Calabria to serve as director of the Federal Housing Finance Agency (FHFA). If confirmed, Calabria would be the chief regulator for the government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac as well as the Federal Home Loan Banks. The committee scheduled a vote for 2/26 on his nomination.

Calabria currently works as chief economist for Vice President Mike Pence. In addition to his time with the Banking Committee, Calabria also served as deputy assistant secretary for regulatory affairs at the Department of Housing and Urban Development during President George W. Bush's administration and held positions with the Cato Institute, Harvard's Joint Center for Housing Studies, the National Association of Home Builders, and the National Association of Realtors.

Updates & Announcements

With both home prices [and interest rates](#) up from a year ago, both the number and share of homes for sale that are affordable to a typical household has actually decreased even as total homes for sale are increasing.

Research by **Redfin found the availability of homes affordable to a middle-class family putting 20% down fell in 94% of the largest metro areas in 2018.**

Redfin considered all homes that were active on the market at any point in 2018 and 2017. They calculated the share of homes in each metro area that were affordable during each year to a household making the median income in that metro area, assuming a 20% down payment, an interest rate of 4.64% for 2018 and 3.95% for 2017, and a monthly mortgage payment no more than 30% of gross income.

Stocton Williams, Executive Director, NCSHA

- Recent divergence in the health of the housing market and the overall economy in recent years, with the former sputtering even as the latter strengthened. Last fall, the Wall Street Journal's Laura Kusisto pointed out: [It is rare](#) for the housing sector to slow so significantly even as the job market and stock market are booming.“
- A cause and an effect of this unusual dynamic is a lack of affordable for-sale homes.

Mel King Institute

Shirronda Almeida, Director, Mel King Institute

- 2019 Offerings
- Recap of MCBC/MKI past offerings
- December 2015 – CRA Basic Course – MKI and MCBC hosted a 2 hour workshop for Community Based Organizations:
 - What is CRA? National bank perspective; local bank perspective as well as CBO/ CDC perspective
 - Relationship building: Suggestions for partners
 - Grants versus sponsorships
 - Partnering Best Practices
- January 2018 – MKI and MCBC hosted a 3 hour workshop for professionals working with First-Time Homebuyers:
 - Reviewed basics, and then discussed how implicit bias shows up while working with First-Time Homebuyers at each stage of the process.
 - Facilitator: Susan Naimark
- New opportunities?

Mel King Institute - Events

[Investing in Health: How Hospitals and CDCs can Partner to Address Community Needs](#)

- March 14, 2019, 9:30am - 12:30pm
- South Middlesex Opportunity Council, Inc. (SMOC) Board Room
7 Bishop Street, Framingham, MA 01702
- The Attorney General's revised Hospital Community Benefits Guidelines for non-profit hospitals and the updated Determination of Need/Community Health Initiative regulations and guidance and the opportunities available to build upon these frameworks.
- Examples of how hospitals are changing their behavior to better reflect community needs and case-studies that detail current CDC-hospital partnerships.
- Ways to find out information about the hospital in your community and tools to engage with hospital staff.



2019 Committee Work

- Working Groups organized around three (3) topic areas:
 - Homeownership production: production & preservation tools
 - Mortgage lending underwriting trends and current market conditions
 - Mortgage lending incentives & outreach initiatives

Debt Conditions in Massachusetts



Regional & Community Outreach

Issue Brief | 2018-2 | June 27, 2018

The Concentration of Financial Disadvantage: Debt Conditions and Credit Report Data in Massachusetts Cities and Boston Neighborhoods

Anmol Chaddha



Debt Conditions in Massachusetts



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The Concentration of Financial Disadvantage: Debt Conditions and Credit Report Data in Massachusetts Cities and Boston Neighborhoods

Anmol Chaddha



- How to access data sources for the report?
- How the report data and conclusions relate to the affordability of homeownership in MA?
- How aggregate financial condition measures like average debt amount, credit scores and debt collections could shape economic investment and access to capital?

Debt Conditions in Massachusetts

How to access [data](#) sources for the report?

- [Federal Reserve Bank of New York \(FRBNY\) Consumer Credit Panel](#)
 - Detailed credit report data from Equifax;
 - Data was from 2017 (Q2)
 - No information on the race/ethnicity or income of the individual
 - Lee, D. & Van der Klaauw, W. (2010). An Introduction to the FRBNY Consumer Credit Panel. Federal Reserve Bank of New York Staff Reports, No. 479. Retrieved from https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr479.pdf
- Neighborhood demographics are available from other data sources (Census and American Community Survey)
- Brief did not present correlations between the debt conditions derived from the credit report data and demographic measures from other data sources. Correlations would require statistical analysis that accounts for a range of confounding factors - outside the scope of this brief.

Debt Conditions in Massachusetts

Key Findings – Massachusetts

- Massachusetts sample size was 279,051 individuals.
 - Reports measures for the 10 largest cities in Massachusetts & Boston neighborhoods (with at least 100 observations in the sample).
 - Appendix had all Massachusetts cities with a population greater than 50,000.
- Borrower profile
 - Estimated 91% of adults in MA have a credit; 77% have debt.
 - Average debt is around \$100,000.
 - Mortgage debt largest component
 - Mortgage debt influenced by property values (greatest in Boston, Cambridge, and Newton)
 - Credit card debt most common.
 - Little variance in credit card and auto debt between city residents.

Debt Conditions in Massachusetts

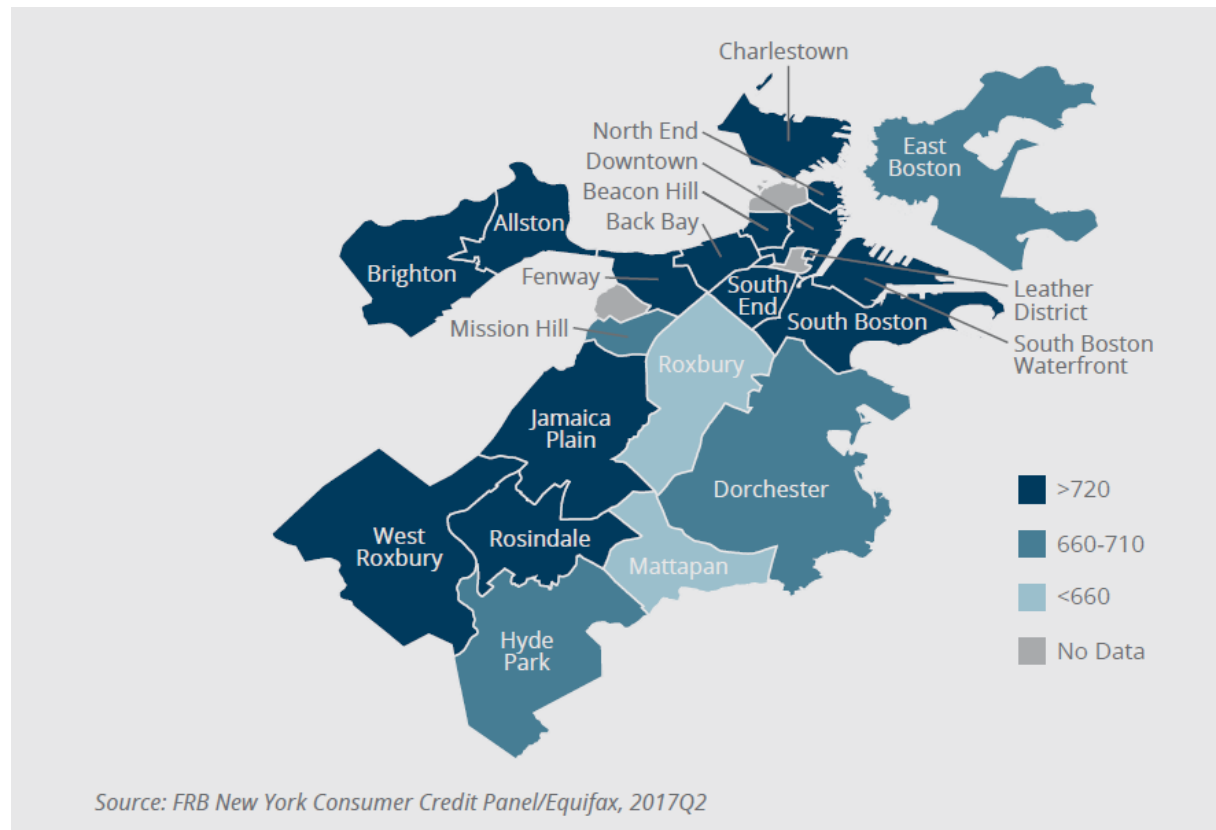
Key Findings

- Credit report data reveal large disparities in credit scores, debt collection rates, and other measures of financial distress across cities in Massachusetts and between Boston neighborhoods.
- For example, half of consumers in Springfield, Lawrence, and the Boston neighborhoods of Roxbury and Mattapan have subprime credit scores, compared to just 8% in Newton and the Beacon Hill neighborhood.
- About 1 in 3 residents of Roxbury and Mattapan have debt collections on their credit reports, compared to just 5 percent in several higher-income Boston neighborhoods.

Debt Conditions in Massachusetts

Key Findings- Boston neighborhoods

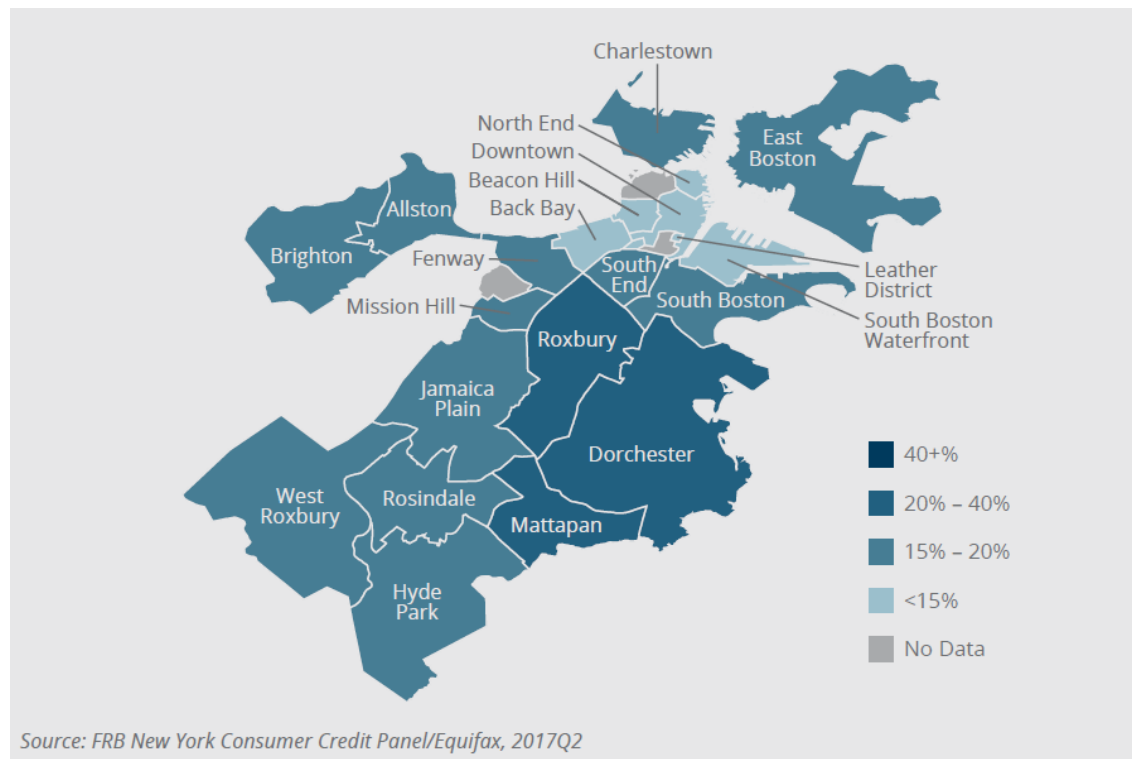
- Credit scores range between 280-850 (725 average in MA).
- Large disparities in credit scores between neighborhoods.



Debt Conditions in Massachusetts

Key Findings - Subprime Borrowers: Boston Neighborhoods

- Subprime is a credit scores below 660.
- 23% of consumers have subprime credit scores.
- Reflects disparities in access to financial resources between neighborhoods.



Debt Conditions in Massachusetts

Key Findings & Report Discussion

- Since credit report information influences future access to credit, lending terms, and other outcomes, the **concentration of financial disadvantage** can **further exacerbate inequality** between residents across cities and neighborhoods.
- **Credit and debt measures** contribute a unique and important perspective on the **financial conditions of communities** that **cannot be fully captured by traditional socioeconomic measures** such as income and poverty levels.
 - Median income and levels of joblessness, significantly influence a range of economic, social, health, and educational outcomes for neighborhood residents.
 - What policies could measures or indicators of concentrated financial disadvantage, (debt conditions, credit scores, and debt collection) influence?
 - Economic investment,
 - Lending terms & local lending requirements,
 - regulation of debt collection practices,
 - Credit improvement programs



Joann Gaskin, VP, Scores & Analytics, FICO UltraFICO

According to the FICO website: *"The UltraFICO™ Score adds bank transaction data with consumer consent to recalibrate an existing FICO® Score to help lenders broaden access to credit for the underbanked, make better decisions for those consumers who are near score cut offs, or in the case of an unscorable consumer to generate an UltraFICO™ Score."*

We'll inquire about its inception, early adoption rates and the regulatory context for the product.