

Massachusetts Homeownership Compact

2013

As Massachusetts emerges from the Great Recession, the availability of mortgaging financing on reasonable terms serving families at a range of household incomes is critical to the future of the Commonwealth and to the strength of our local communities.

While irresponsible mortgage lending by largely unregulated financial institutions was a primary cause of the national financial crisis, responsible mortgage lending by banks and credit unions doing business in Massachusetts kept our local foreclosure crisis from being far worse and is already supporting a strong economic recovery.

Our state has a long and proud tradition of safe and sound banking and community investment:

- Home to the first state-regulated banking institution in the U.S.
- Among the first in the country to create a state housing finance agency
- First in the country to enact a state community reinvestment act that applies not just to banks but also to mortgage companies and credit unions
- The only state to create a successful full-scale financing program to remedy racial discrimination in mortgage lending through a risk-sharing partnership between the state and participating banks.

Looking ahead, this is a critical time to renew our shared commitment to responsible mortgage lending in Massachusetts. Stable home ownership improves neighborhoods, promotes family wealth over the long-term, expands education attainment, and protects property values by minimizing foreclosures. Toward that end, the parties to this Massachusetts Mortgage Compact share the goal of providing mortgage loans for 10,000 first-time home purchases over the next five years by individuals and families with household incomes below the area median income (AMI). To help achieve that goal, the parties to this Compact make the following commitments:

Banks, credit unions, and mortgage companies each pledge:

(1) to originate a specific number of mortgage loans over the next five years to first-time home buyers with household incomes below the area median income in Massachusetts through MassHousing and the Massachusetts Housing Partnership (MHP). Lender commitments to both programs should be at or above current lending levels.

- New lender commitments shall be based on the asset size of the institution, mortgage lending capacity, and the institution's overall presence in Massachusetts. Based upon the institution's Massachusetts deposits, the following defines the length of commitment to the Compact:
 - Banks with Massachusetts deposits of \$5 billion or more: a minimum 3 year commitment;

- Banks with Massachusetts deposits of between \$500 million and \$5 billion: a minimum 1 year commitment; and,
 - Banks with Massachusetts deposits of less than \$500 million need not specify the duration of their commitment to participate in the Compact. For these banks, offering the ONE Mortgage product is sufficient for membership in the Compact.
- Mortgage companies shall be exempt from participation in the ONE Mortgage Program until such time as a secondary market is developed; they shall agree to actively consider participation in the program once secondary market terms have been established.
 - Lenders not currently originating MassHousing loans may opt to offer only ONE Mortgage loans.

(2) to provide information on the number of new loans originated to first time homebuyers through the Compact, the location and type of the mortgaged properties, the race, income and other household characteristics of the borrowers, and the performance of the loans.

Governor Patrick and his administration pledge:

- (1) to continue to provide state financial support for the ONE Mortgage Program; and,
- (2) to provide oversight to ensure that the design and implementation of state mortgage finance programs by MassHousing and MHP creates the most sustainable economic opportunities for low- and moderate-income homebuyers while protecting the safety and soundness of lending institutions doing business in the Commonwealth.

MassHousing and the Massachusetts Housing Partnership pledge:

- (1) to fund a website to be managed by an independent non-profit organization to inform consumers about their home buying options, their eligibility for state-sponsored mortgage programs and the comparative costs and benefits of mortgage products available to first-time home buyers in the Commonwealth; and,
- (2) to require pre-purchase homebuyer education as a condition of borrowers' eligibility for state homeownership programs.
- (3) to collect and compile data and issue quarterly reports to MCBC on loans originated pursuant to this Compact to first time homebuyers below area median income using either the ONE Mortgage Program or MassHousing with respect to race, income and other household characteristics of borrowers, the type and location of homes purchased, and performance of loans including delinquency and foreclosure rates.

Homebuyer education agencies pledge to make pre- and post-purchase homebuyer education and delinquency and foreclosure counseling widely available through programs that have achieved a Seal of Approval from the Massachusetts Homeownership Collaborative.

The Massachusetts Community and Banking Council pledges to receive and make available reports on loans originated pursuant to this Compact to first time homebuyers below area median income using either the ONE Mortgage Program or MassHousing with respect to race, income and other household characteristics of borrowers, the type and location of homes purchased, and performance of loans including delinquency and foreclosure rates.