

SENATE, No. 2187

AN ACT ESTABLISHING COMMUNITY REINVESTMENT OBLIGATIONS FOR CERTAIN MORTGAGE LENDERS

*Be it enacted by the Senate and House of Representatives in General Court assembled,
And by the authority of the same, as follows:*

1 SECTION 1. Chapter 255E of the General Laws is hereby amended by adding the following
2 section:-Section 11. (a) It shall be the continuing and affirmative obligation of each mortgage
3 lender, who is licensed pursuant to this chapter and who, directly or indirectly, makes more than
4 500 residential real estate mortgage loans in the commonwealth in any calendar year, as
5 reported under the Home Mortgage Disclosure Act, 12 U.S.C. sections 1801 et seq., to help
6 meet the housing credit needs of the communities in the commonwealth, including low and
7 moderate income residents, consistent with laws, rules and regulations of the commonwealth
8 and the federal government relative thereto, and with safe and sound business practices.

9 (b) The commissioner shall assess the record of each such lender in satisfying this
10 continuing and affirming obligation.

11 (c) The commissioner shall promulgate regulations to carry out this section which shall
12 include, but need not be limited to, a consideration of the mortgage lender's (1)
13 origination of loans and other efforts to assist low and moderate income residents,
14 without distinction, to be able to acquire or to remain in affordable housing in their
15 neighborhoods, (2) origination of loans that show an undue concentration and a

16 systematic pattern of lending resulting in the loss of affordable housing units, and (3)
17 other considerations, including notice of the schedule of examinations and the right
18 of interested parties to submit written comments relative to the examination to the
19 commissioner, as, in the judgment of the commissioner, reasonably bear upon the
20 extent to which a mortgage lender is helping to meet the housing needs of the
21 communities in the commonwealth.

22 (d) The commissioner shall file any regulation proposed pursuant to this section, or any
23 amendment or repeal thereof, excluding emergency regulations adopted pursuant to
24 section 2 of chapter 30A, with the clerks of the senate and house of representatives,
25 together with a statement that the pertinent provisions of chapter 30A have been
26 complied with and a summary of the regulations in layman's terms. The clerk shall
27 refer the filing to the joint committee on banks and banking within 5 days of the
28 filing thereof. No regulation shall take effect until 90 days after it has been filed;
29 but, the 90 day period shall not include days when the general court is prohibited by
30 law or rule from meeting in formal session.

31 (e) In considering an application from a licensed mortgage lender for a renewal of a
32 license under this chapter, the commissioner shall consider, but shall not be limited
33 to, the record of performance of any lender relative to this section. The record of
34 performance may be the basis for the denial of a renewal application.

35 (f) Upon the completion of the examination of a mortgage lender under this section, the
36 commissioner shall prepare a written evaluation of the lender's record of
37 performance which shall be open to public inspection upon request. The written
38 evaluation shall include:

- 39 (1) the assessment factors utilized to determine the mortgage lender's descriptive rating;
40 (2) the commissioner's conclusion with respect to each assessment factor;
41 (3) a discussion of the facts supporting the conclusions; and
42 (4) the mortgage lender's descriptive rating and the basis therefore.

43 (g) Based upon the examination, the mortgage lender shall be assigned one of the
44 following ratings:

- 45 (1) outstanding record of performance in meeting the housing credit needs of
46 communities in the commonwealth;
47 (2) high satisfactory record of performance in meeting the housing credit needs of
48 communities in the commonwealth;
49 (3) satisfactory record of performance in meeting the housing credit needs of
50 communities in the commonwealth;
51 (4) needs to improve record of performance in meeting the housing credit needs of
52 communities in the commonwealth; or
53 (5) substantial noncompliance in meeting the housing credit needs of communities in the
54 commonwealth.

55 Notwithstanding the foregoing, the commissioner shall establish an alternative examination
56 procedure for any mortgage lender, which, as of the most recent examination, has been assigned
57 a rating of outstanding or high satisfactory for its record of performance in meeting its
58 community housing credit needs.

59 (h) For the purpose of this section, no mortgage lender may include e a loan origination
60 or loan purchase for consideration as part of its review under this section if another

61 mortgage lender claims the same loan origination or purchase for its review under
62 this section or under section 14 of chapter 167 of the General Laws.

63 Section 2.(a) There shall be a special commission to investigate and study the lending practices
64 of all lenders in the commonwealth who make or have made mortgage loans pursuant to chapter
65 255E of the General Laws in every calendar year from 2002 forward. The study shall include,
66 but need not be limited to:

67 (1) the number of mortgage loan application received by the mortgage lender by
68 race, gender and income level;

69 (2) the number of mortgage loans originated by the mortgage lender by race,
70 gender and income level;

71 (3) the interest rate, points and fees of mortgage loans by race, gender and
72 income level;

73 (4) the extent of the lender's outreach to neighborhoods of different racial make-
74 up and income levels through marketing techniques such as financial
75 counseling services and other marketing techniques;

76 (5) comparison of the disposition of applications for mortgage loans by race,
77 gender and income level. Categories of disposition shall include, but not be
78 limited to: originated, declined, withdrawn, incomplete and approved/not
79 accepted by the lender.

80 (b) The commission shall consist of 11 members, including a designee of the governor, a
81 designee of the speaker of the house of representatives a designee of the president of
82 the senate, and 7 persons to be appointed by the commissioner of banks, including a
83 representative of each of the following: the Massachusetts Affordable Housing

84 Alliance, Citizens Housing and planning Association, Massachusetts Association of
85 Community development Corporations, ACORN, the Massachusetts Bankers
86 Association, the Massachusetts Mortgage Bankers Association, the Massachusetts
87 Mortgage Association, and a person from the academic community experienced in
88 the field of mortgage research related to low and moderate income communities.

89 (c) The commission shall report its findings to the commissioner of banks not later than
90 November 1 2008 and by November 1 of every calendar year thereafter.