

By Mr. Barrios, a petition (accompanied by bill, Senate, No. 4) of Jarrett T. Barrios, Dianne Wilkerson, Marie P. St. Fleur, Susan C. Fargo and other members of the General Court for legislation to establish community reinvestment obligations for certain mortgage lenders. Banks and Banking.

The Commonwealth of Massachusetts

In the Year Two Thousand and Three.

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, as appearing
2 in the 2000 Official Edition is hereby amended by inserting after
3 section 10 the following section:— Section 11. It shall be the con-
4 tinuing and affirmative obligation of each mortgage lender, who is
5 licensed pursuant to this chapter and who, directly or indirectly,
6 makes more than five hundred residential real estate mortgage
7 loans in the commonwealth in any calendar year, as reported
8 under the Home Mortgage Disclosure Act, 12 USC 1801 et seq.,
9 to help meet the housing credit needs of the communities in the
10 commonwealth, including low and moderate income residents,
11 consistent with laws, rules and regulations of the commonwealth
12 and the federal government relative thereto, and with safe and
13 sound business practices. The commissioner shall assess the
14 record of each such lender in satisfying this continuing and affir-
15 mative obligation. To assist in carrying out the provisions of this
16 section, the commissioner shall promulgate regulations which
17 shall include, but need not be limited to, a consideration of such
18 mortgage lender's (a) origination of loans and other efforts to
19 assist low and moderate income residents, without distinction, to
20 be able to acquire or to remain in affordable housing in their
21 neighborhoods, (b) origination of loans that show an undue con-
22 centration and a systematic pattern of lending resulting in the loss

23 of affordable housing units, and (c) such other considerations,
24 including notice of the schedule of examinations and the right of
25 interested parties to submit written comments relative to any such
26 examination to the commissioner, as, in the judgment of the com-
27 missioner, reasonably bear upon the extent to which a mortgage
28 lender is helping to meet the housing needs of communities in the
29 commonwealth. The Commissioner shall file any regulation pro-
30 posed pursuant to this section, excluding emergency regulations
31 adopted pursuant to section 2 of chapter 30A, or any amendment
32 or repeal thereof with the clerks of the senate and house of repre-
33 sentatives, together with a statement that the pertinent provisions
34 of chapter 30A have been complied with and a summary of the
35 regulations in layman's terms. The clerk shall refer such filing to
36 the joint committee on banks and banking within 5 days of the
37 filing thereof. No regulation shall take effect until 90 days after it
38 has been so filed; provided, however, that such 90 day period shall
39 not include days when the general court is prohibited by law or
40 rule from meeting in formal session. In considering an application
41 from a licensed mortgage lender for a renewal of a license under
42 this chapter, the commissioner shall consider, but shall not be lim-
43 ited to, the record of performance of any such lender relative to the
44 provisions of this section. Said record of performance may be the
45 basis for the denial of any such renewal application. Upon the
46 completion of the examination of a mortgage lender under this
47 section, the commissioner shall prepare a written evaluation of
48 such lender's record of performance which shall be open to public
49 inspection upon request. Said written evaluation shall include: - (1)
50 the assessment factors utilized to determine the mortgage lender's
51 descriptive rating; (2) the commissioner's conclusions with respect
52 to each such assessment factor; (3) a discussion of the facts sup-
53 porting such conclusions; and (4) the mortgage lender's descriptive
54 rating and the basis therefore. Based upon such examination, the
55 mortgage lender shall be assigned one of the following ratings: -
56 (a) outstanding record of performance in meeting the housing
57 credit needs of communities in the commonwealth; (b) high satis-
58 factory record of performance in meeting the housing credit needs
59 of communities in the commonwealth; (c) satisfactory record of
60 performance in meeting the housing credit needs of communities
61 in the commonwealth; (d) needs to improve record of performance

62 in meeting the housing credit needs of communities in the com-
63 monwealth; or (e) substantial noncompliance in meeting the
64 housing credit needs of communities in the commonwealth.
65 Notwithstanding the foregoing, the commissioner shall establish
66 an alternative examination procedure for any mortgage lender,
67 which, as of the most recent examination, has been assigned a
68 rating of outstanding or high satisfactory for its record of perfor-
69 mance in meeting its community housing credit needs. For the
70 purposes of this section, no mortgage lender may include a loan
71 origination or loan purchase for consideration as part of its review
72 under this section if another mortgage lender claims the same loan
73 origination or purchase for its review under this section or under
74 section 14 of chapter 167 of the General Laws.

1 SECTION 2. There is hereby established a commission to inves-
2 tigate and study the lending practices of all lenders in the common-
3 wealth who make or have made mortgage loans pursuant to
4 chapter 255E of the general laws in every calendar year from 2003
5 forward. Such study shall include, but need not be limited to: (a)
6 the number of mortgage loan applications received by the mort-
7 gage lender by race, gender and income level; (b) the number of
8 mortgage loans originated by the mortgage lender by race, gender
9 and income level; (c) the interest rate, points and fees of mortgage
10 loans by race, gender and income level; (d) the extent of the
11 lender's outreach to neighborhoods of different racial make-up and
12 income levels through marketing techniques such as financial
13 counseling services and other marketing techniques; (e) compar-
14 ison of the disposition of applications for mortgage loans by race,
15 gender and income level. Categories of disposition shall include,
16 but not be limited to: originated, declined, withdrawn, incomplete
17 and approved/not accepted by the lender. The commission shall
18 consist of eleven members consisting of a designee of the Gov-
19 ernor, of the Speaker of the House of Representatives and of the
20 President of the Senate, and seven persons appointed by the com-
21 missioner of banks including a representative of each of the
22 following: the Massachusetts Affordable Housing Alliance, Citi-
23 zens Housing and Planning Association, Massachusetts Associa-
24 tion of Community Development Corporations, ACORN, the
25 Massachusetts Bankers Association, the Massachusetts Mortgage

26 Bankers Association, the Massachusetts Mortgage Association,
27 and a person from the academic community experienced in the
28 field of mortgage research related to low and moderate income
29 communities. The commission shall report its findings to the com-
30 missioner of banks not later than November 1, 2005 and by
31 November 1 of every calendar year thereafter.