



**MBA**<sup>®</sup>

MORTGAGE BANKERS ASSOCIATION

November 7, 2025

The Honorable Britnee N. Timberlake  
Senator  
520 Main Street, Suite 1  
East Orange, New Jersey 07018

Honorable Verlina Reynolds-Jackson  
Assemblywoman  
150 West State Street, Suite 100A  
Trenton, New Jersey 08608

**RE: S4694/A5957 – Requires Department of Banking and Insurance to examine and rate lending institutions with regards to lending, investments, and services provided to low- and moderate-income consumers.**

Dear Senator Timberlake and Assemblywoman Reynolds-Jackson,

As the only two trade associations which represent independent mortgage bankers (IMBs) nationally and in New Jersey, we thank you for your focus, attention, and passion for making housing more affordable for New Jersey families. Home ownership is key to unlocking generational wealth and promotes neighborhood stability. Our associations join you in this mission and we hope you will view our associations and the member companies we represent as resources and stakeholders in discussions relating to the Community Reinvestment Act (CRA) and its impact on our industry and the consumers we serve.

### **Who We Are**

Our groups, the Mortgage Bankers Association of New Jersey (MBANJ)<sup>1</sup> and the national Mortgage Bankers Association (MBA),<sup>2</sup> represent residential and commercial lenders, servicers and homebuilder-affiliated mortgage companies. We appreciate the opportunity to engage and offer our perspective and expertise on S4694/A5957.

---

<sup>1</sup> The MBA of New Jersey is dedicated to promoting growth & ethical business practices in the real estate finance industry by serving as: an informative resource that provides ongoing communication; a forum for discussion, decision, and timely action on issues affecting our members' livelihood; a networking opportunity for establishing & nurturing successful business relationships; and, a representative voice in Washington, D.C. and Trenton. [www.mbanj.com](http://www.mbanj.com)

<sup>2</sup> The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, DC, the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership; and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,300 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, and others in the mortgage lending field. For additional information, visit MBA's website: [www.mba.org](http://www.mba.org).

Our member companies are committed to providing fair and equitable access to credit and are working with state and federal government and private sector stakeholders to develop new products and strategies to reach underserved markets and communities. They also strive to comply with all federal and state fair lending laws.

## **Policy Concerns**

There are significant obstacles standing in the way of achieving homeownership today. Soaring home prices combined with historically low inventory create fierce competition and limit affordable options. On top of this, many consumers grapple with existing debts and the rising costs of homeowners' insurance and property taxes, all while striving to save for a down payment. These financial pressures, coupled with uncertainty about job stability and future expenses, make the dream of buying a first home feel increasingly out of reach. We share these concerns deeply and are committed to working together to offer solutions in this challenging market.

However, our organizations must respectfully oppose companion bills S4694/A5957 as they are currently crafted as they do not address these vexing issues. The current initiative, while well intentioned, would place new depository style CRA obligations on covered non-depository financial institutions which are already licensed, regulated, and examined by the New Jersey Department of Banking and Insurance (DOBI) and subject to all state and federal fair housing laws and regulations. These sweeping protections include the federal Fair Housing Act (Title VIII of the Civil Rights Act of 1968) and Equal Credit Opportunity Act (ECOA) as well as current New Jersey requirements.

Mandating CRA compliance for non-depository independent mortgage banks (IMBs) is the wrong policy approach for multiple reasons including, but not limited to the following:

- CRA is incompatible with the non-depository IMB business model as IMBs do not accept or hold deposits. Rather, IMBs import mortgage capital from large investors and lend it to local homeowners.
- There are more effective, existing New Jersey programs that have proven to grow credit opportunities for first time homebuyers, especially among low- and moderate income (LMI) borrowers that need more legislative support and State funding.
- IMBs are already leading the market in serving LMI and minority borrowers and communities nationally, and especially in New Jersey (See the referenced NJ data analysis that clearly highlights how IMBs already outperform the rest of the market in serving LMI and minority borrowers and communities).<sup>3</sup>
- CRA has a poor track record as a policy to spur mortgage lending to LMI and minority borrowers and communities by those institutions already subject to its requirements.
- The massive cost of implementing this bill will likely take the form of higher lender examination fees, as it has in other states, and thus will undermine the sponsors' intent by forcing IMBs to divert limited financial resources into regulatory and legal compliance and

---

<sup>3</sup> [https://www.mba.org/docs/default-source/policy/state-relations/new-jersey-data-sheet---2024.pdf?sfvrsn=e758c7f1\\_1](https://www.mba.org/docs/default-source/policy/state-relations/new-jersey-data-sheet---2024.pdf?sfvrsn=e758c7f1_1)

away from their investments into efforts that have expanded credit to first-time homebuyers and majority minority communities.

We share your goal of expanding homeownership opportunities and together we can do more. Our organizations believe that to strengthen low- and moderate-income homeownership and community development investment in the state, the Legislature should increase support for proven solutions, rather than burdening IMBs with unnecessary, duplicative, and expensive new CRA exams. We support the expansion of homeownership options that currently exist in New Jersey, and which have helped thousands of middle-class families transition from rental housing to homeownership.

The New Jersey Housing and Mortgage Finance Agency (NJHMFA) offers multiple programs for which the Legislature should expand support. These include, but are not limited to:

- *Down Payment Assistance (DPA)* program provides up to \$15,000 based upon the county of the property being purchased;
- *First Generation Down Payment Assistance* program provides \$7,000 of down payment and closing cost assistance;
- *Advantage Mortgage* program provides a 30-year, fixed-rate conventional loan for eligible homebuyers purchasing a home in New Jersey that features affordable mortgage insurance and low down-payments that can be coupled with the DPA program;
- *First-Time Homebuyer Mortgage* program provides qualified NJ first-time homebuyers with a competitive 30-year, fixed-rate government-insured loan through one of the federal government's affordable housing programs originated through an NJHMFA participating lender;
- *Homeward Bound Mortgage* program provides a competitive 30-year fixed-rate government-insured loan for eligible homebuyers purchasing a home in New Jersey which may also be coupled with the DPA program;
- *Police and Firemen's Retirement System Mortgage* program offers any currently employed police officer or firefighter, as defined in the enabling legislation, affordable 30-year fixed rate mortgages.<sup>4</sup>

The impact of NJHMFA programs are verified in the NJ Department of Community Affairs' (DCA) response to the FY 2023-2024 budget questions and discussion points.

*NJHMFA has successfully narrowed the historic wealth gap for thousands of families by expanding homeownership access to a more diverse pool of homebuyers throughout the State. Compared to the general mortgage market in NJ, NJHMFA loans have gone to a higher percentage of Black (16.5% NJHMFA vs 7.8% all NJ) and Hispanic (21.2% NJHMFA vs 16.7% all NJ) families...NJHMFA has expanded first-time homebuyer opportunities at a time when the national share of homes purchased by first-time homebuyers dropped from 34% in 2021 to 26% in 2022. Indeed, NJHMFA has outperformed the market by so much that it has grown from ~3% of total statewide first-*

---

<sup>4</sup> <https://www.nj.gov/dca/hmfa/consumers/homebuyers/index.shtml>

*time homebuyer loans issued in 2022 to ~7%. Those loans will continue to offer below market rates for many and competitive DPA for every program participant.<sup>5</sup>*

Additionally, enhanced legislative support would also benefit numerous county and municipal-specific mortgage assistance loan programs our member companies employ to expand credit opportunity. Some of these efforts include:

- The Bergen County American Dream Program for first time homebuyers which is similar to programs in Burlington, Camden, Gloucester, and Monmouth counties as well as by the Paterson Department of Community Development;
- The Jersey City Golden Neighborhoods Program;
- Middlesex and Somerset counties are among those offering American Dream Downpayment programs; and,
- The Sussex County Housing Trust Fund.

Finally, the Legislature should consider placing a housing bond measure on the state elections ballot to support the construction of affordable housing to increase supply for first-time homebuyers.

### **Next Steps**

We agree that expanding homeownership is our shared goal. It remains one of the most effective tools to create generational wealth and bolster our communities. Unfortunately, placing CRA requirements on non-depository IMB lenders will not further this goal and why our organizations must respectfully oppose companion bills S4694/A5957 as they are currently crafted.

We look forward to the opportunity to engage with you on enhancing and expanding other proven initiatives to make homeownership a reality for New Jersey's working families, single people, and seniors.

Thank you for reviewing and considering our concerns. MBANJ and MBA would welcome a discussion of these issues and our members' views at your earliest opportunity.

Respectfully,



E. Robert Levy  
Executive Director and Counsel  
Mortgage Bankers Association of  
New Jersey



Pete Mills  
Senior Vice President  
Residential Policy and Strategic Industry Engagement  
Mortgage Bankers Association

---

<sup>5</sup> [https://pub.njleg.state.nj.us/publications/budget/governors-budget/2024/DCA\\_response\\_2024.pdf](https://pub.njleg.state.nj.us/publications/budget/governors-budget/2024/DCA_response_2024.pdf), page 13.



## **Additional Concerns with New Jersey S4694/A5957**

### **Budgetary Costs to New Jersey Must Be Quantified and Evaluated Before Any Further Consideration of Additional Examination Mandates**

If enacted, S4694/A5957 would require the Department of Banking and Insurance (DOBI), in addition to its periodic customary examinations of licensed lenders, to conduct an additional exam for Community Reinvestment Act (CRA) at least once every three years. If an institution received a low CRA score on such an exam, DOBI would be required to conduct a second CRA exam of that institution with the original three-year span. According to the Nationwide Multistate Licensing System and Registry (NMLS) – the official system of record for all state mortgage regulators – the number of licensed IMBs in New Jersey is 1,141 as of Marh 31, 2025.<sup>1</sup> Thus, for only licensed mortgage lenders, the DOBI will need to add and train sufficient full-time staff to conduct an exam for each of these firms once every three years (or more). Making matters more challenging, is that the NMLS information reveals that only 291 of these firms are headquartered in New Jersey, which will add to the time each examiner will need to devote to an exam. Of course, this is before the addition of numerous state chartered banks and credit unions doing business in the state are added to a new CRA examination count.

It is wholly appropriate for the Legislature to conduct further evaluation of this proposed policy without concrete answers to the question of costs to the state. The sponsors should first seek an analysis from DOBI of the implications for the Department’s budget, and that report should be made public for stakeholder review. The Assembly Budget Committee and the Senate Budget and Appropriations Committee should also review the analysis as these two standing committees are responsible for examining proposed policies with state budget impacts specifically, and for and overseeing fiscal policy for the state generally.

Lastly, it is important and timely to also note that DOBI is already suffering from staff shortages that have resulted in the Department being unable to efficiently perform its required supervisory functions without workarounds and delays. For example, earlier this year as the May 1st due date approached for our member companies to file their New Jersey Annual Report, frustrations grew as the DOBI had not alerted licensees to a delay in the agency’s ability to receive these electronic submissions. On April 24th, MBANJ engaged DOBI on behalf of members who were growing increasingly concerned about compliance with this supervisory requirement and fines for failing to file on time. Only after this outreach did DOBI finally communicate with licensees and provide our member companies with individual filing codes. However, with a mere six calendar days to spare DOBI stated it still expected filing on time by May 1st. Clearly, adding new regulatory responsibilities to DOBI at this time is highly concerning to our organizations. Moving forward with significant additional and unbudgeted supervisory responsibilities will likely

---

<sup>1</sup> [2025 Q1 Mortgage Update](#), see Excel spreadsheet tab, “Counts by Agency.”

require NJDOBI to reallocate staff and financial resources away from current consumer protections functions and programs.

### **CRA is Incompatible with the Independent Mortgage Bank Business Model**

CRA addresses policy concerns that are uniquely tied to the acceptance of insured consumer deposits. The core premise for community reinvestment requirements is to ensure that financial institutions accepting deposits from a particular community reinvest a fair share of those deposits to support the credit needs of that community, including consumer loans, mortgages, and small business lending. Put simply, it ensures that the deposits residents entrust to a depository institution are available to be reinvested to meet the credit needs of that community. CRA also seeks to ensure banks that have national charters serve the broader market in locating branches to take deposits and growing their operations.

S4694/A5957 would apply CRA to a business model that is fundamentally different than the bank business model. IMBs are designed to tap global financial markets to fund mortgages locally. IMBs are capital importers to communities, drawing capital from Wall Street and delivering it to Main Street. IMBs do not accept deposits, nor are they the beneficiaries of any other direct taxpayer backstops for their ongoing operations.<sup>2</sup> Moreover, as demonstrated below, they have a proven track record of strong and reliable lending to low- to moderate-income (LMI) borrowers and communities. They are subject to the same fair lending laws and consumer-facing regulations as depository institutions to ensure sound underwriting and high-quality lending on a nondiscriminatory basis.

### **Independent Mortgage Banks are Already Leading the Way in Serving LMI and Minority Borrowers and Communities**

Our organizations invite scrutiny by legislators of the track record of IMBs in order to promote transparency and better inform the policy development process. Thus, we offer below two separate evaluations of this record that help dispel myths while fostering a fact-based conversation about the success of IMBs in meeting the credit needs of the community.

#### **MBA Analysis: IMBs Improved their Service to Minority and LMI Borrowers as they Grew Market Share**

MBA's research team has examined federal Consumer Financial Protection Bureau (CFPB) Home Mortgage Disclosure Act (HMDA) data for all states from 2008 to 2024 (the most recent year for which information is available) with respect to five key benchmarks:

1. Share of originations by company type;
2. Shares of originations by loan type (FHA, VA, RHS and Conventional);
3. Shares of home purchase, owner occupied originations to minority borrowers (IMBs vs. Depositories);

---

<sup>2</sup> Indeed, access to federally-insured deposits, Federal Home Loan Bank advances and Federal Reserve liquidity support represent significant advantages for banks over IMBs. It would be inequitable to impose the same burdens banks bear in exchange for such taxpayer support on those companies that do not receive similar benefits, and compete with those that do.

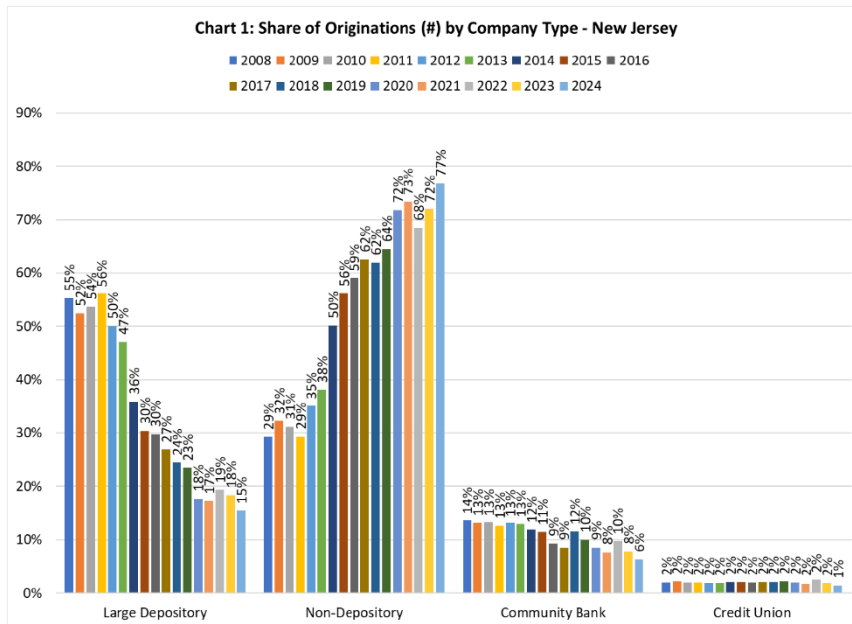
**Additional Concerns with New Jersey S4694/A5957**

**November 7, 2025**

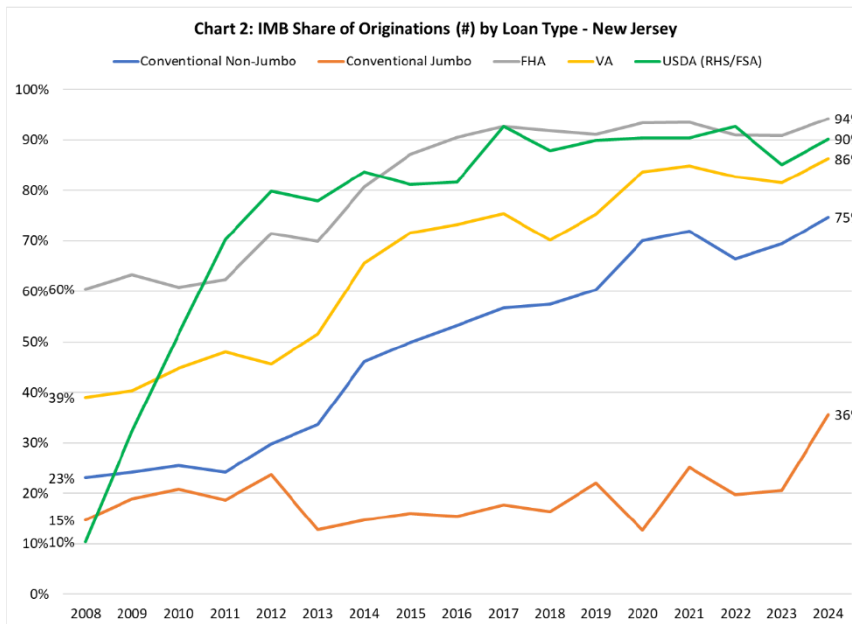
**Page 3 of 9**

4. Share of LMI home purchase originations by company type (IMBs vs. Depositories); and,
5. Average purchase loan size by company type.

This analysis provides clear evidence that IMBs are already meeting the legislative intent of S4695/A5957.



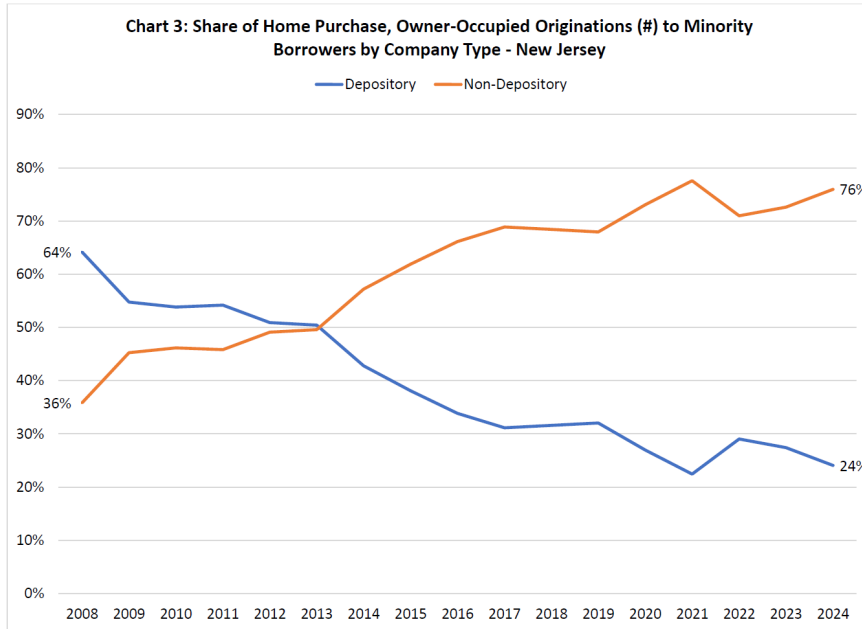
The nationwide share overall of single-family mortgage loan origination volume (in units) by large depositories dropped from 50% to 15% from 2008 to 2024. As banks pulled back from the market, the IMB share climbed from 24% in 2008 to 68% over the same period.<sup>3</sup> The trends in New Jersey were even more pronounced. Chart 1 shows that in New Jersey, the IMB share climbed even higher, from 29% in 2008 to 77% in 2024.



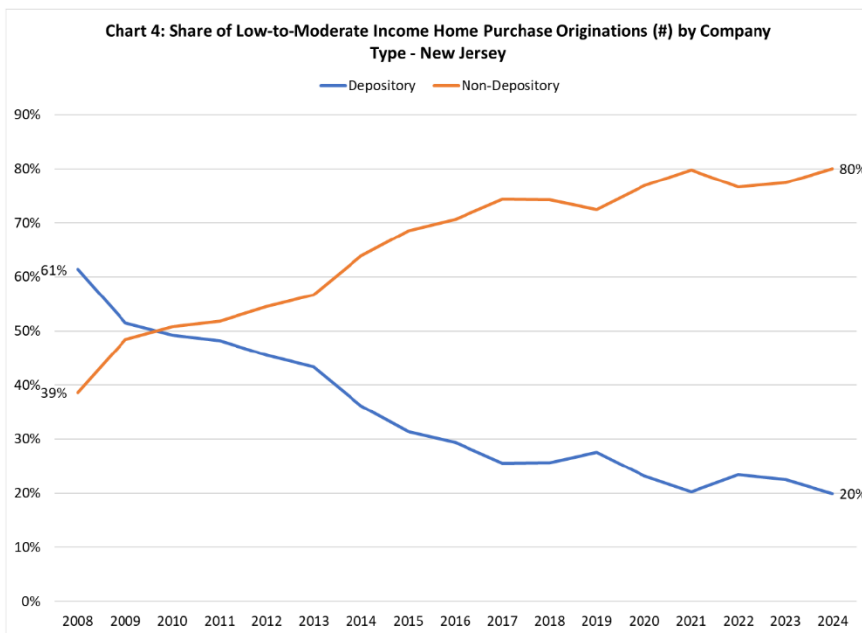
Most importantly, while IMBs gained significant market share in every loan type category, they particularly grew their businesses by reaching consumers who depend on the affordable housing programs of the federal government: the Federal Housing Administration (FHA), the Veterans Administration (VA), and the U.S Department of Agriculture's Rural Housing Service (RHS). Chart 2 shows that in New Jersey, the share of these loans originated by IMBs --

<sup>3</sup> [https://www.mba.org/docs/default-source/policy/state-relations/new-jersey-data-sheet---2024.pdf?sfvrsn=e758c7f1\\_1](https://www.mba.org/docs/default-source/policy/state-relations/new-jersey-data-sheet---2024.pdf?sfvrsn=e758c7f1_1)

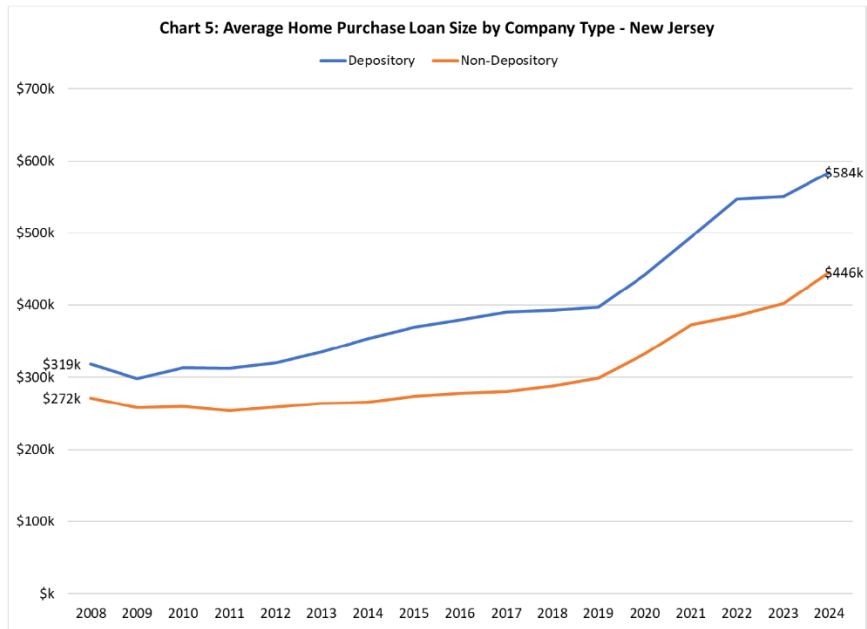
**without any CRA mandate** -- grew consistently and regardless of business cycles over the last decade and a half. By 2024 IMBs originated 94% of FHA loans, 86% of VA loans, and 90% of RHS loans in New Jersey. These are the programs designed to serve LMI, first-time, and veteran homebuyers with loans that require minimal downpayments – the very households and communities CRA is designed to serve.



Drilling deeper into the New Jersey HMDA data shows that during 2024 IMBs in New Jersey originated 76% of home purchase mortgage loans to minority homebuyers, which is up from 36% in 2008 (Chart 3).



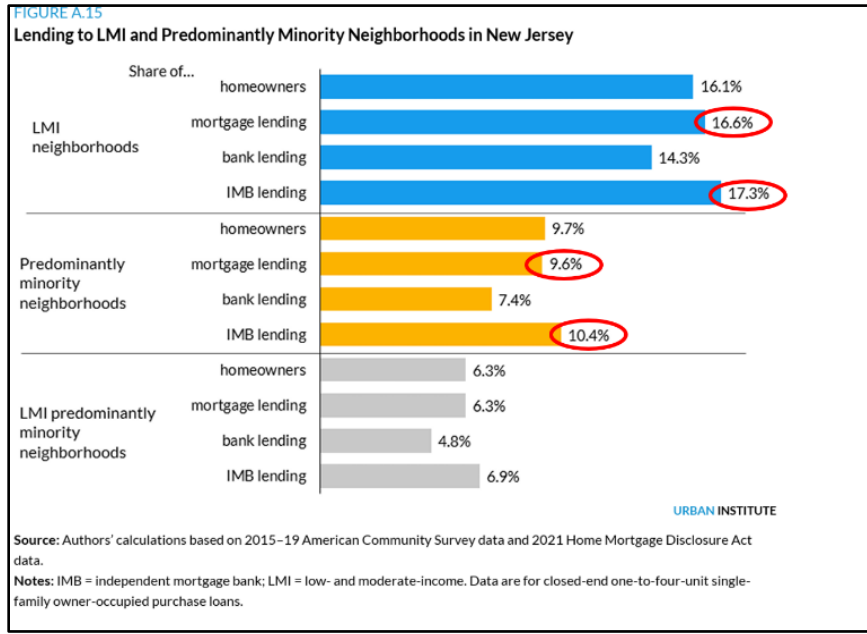
Additionally, IMBs accounted for 80% of home purchase mortgages for LMI borrowers in 2024 (Chart 4), which is up from 39% in 2008, which is higher than the IMBs' overall market share (77%) in New Jersey in 2024 (see Chart 1). **Again, no CRA mandated the work of IMBs in expanding affordable credit accesses to LMI borrowers in New Jersey.**



Lastly, IMBs also tend to serve borrowers needing lower-balance loans. Chart 5 shows that in New Jersey the average loan amount on home purchase loans for IMBs in 2024 was \$446,000 compared to \$584,000 for depositories. These lower balance loans serve first-time homebuyers and LMI communities.

Urban Institute Study of IMB Lending Corroborates MBA Analysis

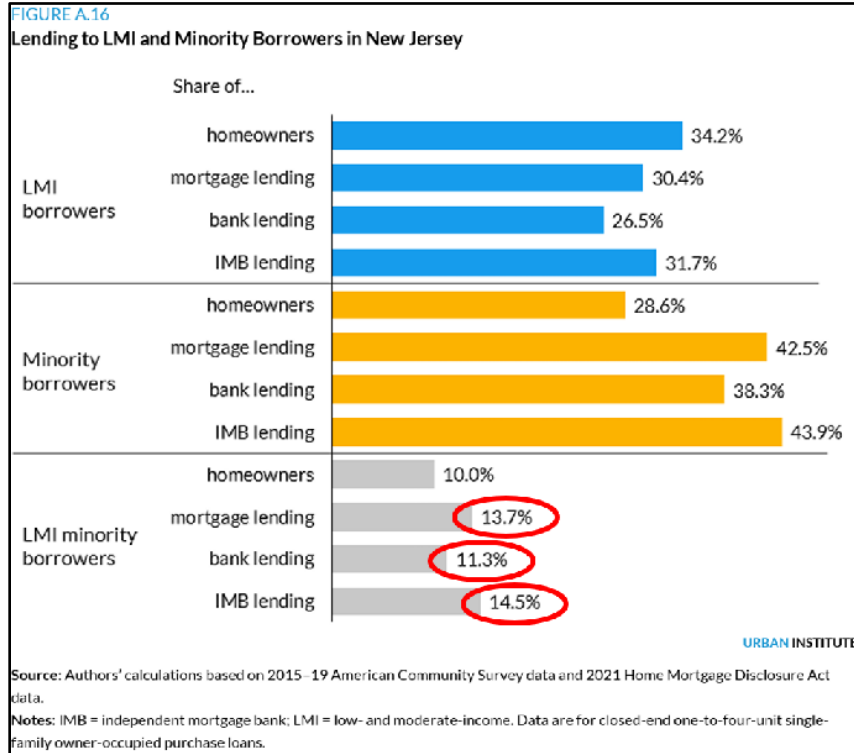
In 2022, the non-partisan Urban Institute (UI) in Washington, DC, released a report that examined bank and nonbank home purchase lending to minority communities nationally. A year later, it employed the same methodology to extend the analysis to key states, and covered lending to LMI borrowers and communities, and to minority borrowers and predominantly minority communities (those that are 70% or more minority).



In New Jersey, UI reported that IMBs as a group outperformed both banks and credit unions, and the market benchmarks for serving predominantly LMI and minority neighborhoods. UI noted that 16.6 percent of total mortgage lending in the state went to borrowers in LMI neighborhoods during 2021 (the benchmark). As a group, IMBs compared favorably, originating a larger 17.3 % of their loans to borrowers in LMI neighborhoods. CRA-covered banks originated

14.3% of their loans to LMI communities. Lending in predominantly minority neighborhoods

accounted for 9.6 percent of all mortgage lending in the state, but IMBs originate 10.4% of their loans in those areas, compared to 7.4% for CRA-covered banks.



Finally, IMBs originated 14.5% of their loans to predominantly minority LMI borrowers, leading both the overall mortgage market benchmark (13.7%) and banks (11.3%). Thus, **without a CRA mandate**, IMBs significantly led the market compared to banks in lending to New Jersey's LMI and predominantly minority neighborhoods.<sup>4</sup>

### CRA Has Failed to Spur Credit Expansion to LMI and Minority Borrowers and Communities

New Jersey legislators have a rare opportunity as they consider S4695/A5957. It is unusual that a proposed public policy in one jurisdiction can be evaluated by that same policy's performance in many other jurisdictions or contexts with as much specificity and history as CRA. We urge legislators to take advantage of this opportunity by considering two cases:

- the shrinking mortgage market shares of depositories already subject to CRA; and,
- a comparison of IMB lending in the one state with an operational CRA for IMBs law – Massachusetts – to its neighboring states and also to New Jersey that have had no CRA mandate.

The federal CRA law has been operational for depositories since the late 1970s. Therefore, a review of federal and New Jersey-specific HMDA data should provide a compelling case for how CRA has worked to increase the market share of those institutions subject to its requirements

<sup>4</sup> <https://www.urban.org/sites/default/files/2023-04/An%20Assessment%20of%20Lending%20to%20LMI%20and%20Minority%20Neighborhoods%20and%20Borrowers.pdf>, page 14.

for nearly half a century. However, the exact opposite is true. While depositories serve an important role in the mortgage ecosystem as a source of capital, their national origination market share has dropped in nearly every year since 2008 from 50 percent to 15 percent in 2024. A variety of factors may account for the decline, but the presence of a federal CRA incentive has been insufficient to keep or grow banks' share of mortgage origination in LMI communities.

In New Jersey over the same 2008-2024 period, the change is even larger and more concerning as depositories have gone from 55% to 15% market share. Clearly, these organizations are increasingly meeting their federal CRA obligations to communities each year by non-mortgage measures. This is hardly an endorsement of CRA as a tool to encourage mortgage lending. Thankfully, IMBs have embraced this challenge and **without CRA mandates** significantly grown their market share nationally and in New Jersey. Moreover, as noted earlier, this IMB growth in New Jersey has been disproportionately helpful to minority and LMI borrowers.<sup>5</sup>

Supporters of CRA for IMBs point to Massachusetts, because in 2006 the Commonwealth enacted a statute mandating CRA for IMB lenders. The Massachusetts Division of Banks promulgated regulations in 2007 and conducted its first nonbank CRA exam in 2008-9. It is reasonable to conclude, therefore, that lending by IMBs in Massachusetts to LMI borrowers since 2008 should serve as a case study to assess its efficacy at stimulating more lending to LMI and minority borrowers compared to states without a nonbank CRA requirement. This inference is not supported by data.

If CRA for IMBs were an effective policy measure, the rules in Massachusetts would be expected to result in faster growth in IMB lending to LMI and minority homebuyers after implementation compared to states without CRA requirements for IMBs. Our organizations, using MBA's analysis of federal HMDA data, believe that no such conclusion can be supported.

#### Massachusetts Compared to New Jersey

- During 2024, IMBs in Massachusetts originated 61% of home purchase mortgage loans to minority homebuyers, which is up from 27% in 2008. In New Jersey over the same 2008-2024 period, IMBs went from originating 36% to 76% of home purchase mortgage loans to minority homebuyers, an **equally impressive increase without a CRA mandate**. Depositories in Massachusetts during this period, despite CRA obligations, shrunk their mortgage purchase lending volume from 73% to 39%.
- A similar result comes from comparing purchase lending to LMI borrowers between 2008 and 2024. Massachusetts IMBs under the Commonwealth's CRA law went from 27% to 61% of originations. While without CRA, **New Jersey IMBs grew their LMI purchase originations from 39% to 80%**. Unsurprisingly, depositories in Massachusetts with CRA obligations did fewer purchase mortgage loans to LMI borrowers during these years, shrinking by the same proportion – from 73% to 39%.

---

<sup>5</sup> Federal IMB numbers available here: [https://www.mba.org/docs/default-source/policy/white-papers/28114-mba-policy-imb-fact-sheet-2025.pdf?sfvrsn=40f63cdc\\_1](https://www.mba.org/docs/default-source/policy/white-papers/28114-mba-policy-imb-fact-sheet-2025.pdf?sfvrsn=40f63cdc_1) and New Jersey IMB numbers available here: [https://www.mba.org/docs/default-source/policy/state-relations/new-jersey-data-sheet---2024.pdf?sfvrsn=e758c7f1\\_1](https://www.mba.org/docs/default-source/policy/state-relations/new-jersey-data-sheet---2024.pdf?sfvrsn=e758c7f1_1)

*Massachusetts Compared to its Neighboring States*

	<b>IMB Share of Home Purchase, Owner Occupied Originations to Minority Borrowers</b>		
	2008	2024	Increase
Massachusetts	27%	61%	126% with CRA
New York	19%	52%	174% without CRA
Rhode Island	19%	73%	284% without CRA
Connecticut	34%	74%	118% without CRA
	<b>IMB Share of LMI Home Purchase Originations</b>		
Massachusetts	27%	61%	126% with CRA
New York	21%	58%	176% without CRA
Rhode Island	20%	66%	245% without CRA
Connecticut	36%	76%	111% without CRA

It is reasonable to conclude that Massachusetts would have seen the same growth in IMB lending to LMI and minority borrowers without the costs of implementing and sustaining a CRA examination system. This comparison of the key HMDA data points discussed above does not reveal results that support enacting a very costly – to both the state and the industry – CRA law in New Jersey.

**S4695/A5957’s Costs to Industry Will Reduce Credit Access to LMI and Minority Borrowers and Communities**

Given the success of IMBs in reaching LMI borrowers and communities in New Jersey, and their eagerness to continue to grow market share among these borrowers, legislators should carefully consider the additional cost burden to lenders and to the DOBI of an entirely new regulatory structure.

This is especially the case given the uncertainty related to potential for penalties that have not been defined in the legislation. In managing litigation and regulatory risk, we anticipate our member companies to devote a greater proportion of limited financial resources into compliance activities and away from the efforts that have been successful in servicing LMI and minority borrowers and communities. Make no mistake, complying with CRA requirements will be expensive for IMBs – disproportionately so for smaller companies – and these higher examination expenses cannot simply be absorbed. They will likely reduce competition and will raise costs for consumers. Given that no fees are specified in the bill, it is important to note that in implementing a law similar to the S4695/A5957 language, the Illinois regulator opted to assess IMBs up to \$20,000 annually regardless of whether or not the regulator conducted a CRA exam during the year.

**Integration as a Measurement Standard for CRA is Inappropriate**

CRA law centers on equitable reinvestment and community development, rather than on policies that directly achieve integration such as mixing of different racial or income groups in specific neighborhoods. The original 1970s federal CRA focused on eliminating discriminatory

lending and promoting fair access to credit, but the law itself did not specifically speak to integration as a standalone objective.

If the Legislature makes the decision to pass this bill without removing the measurement of lenders for “activities that promote integration,” it should provide exacting language regarding what that phrase means so there is a clear understanding among examiners and lenders about successful outcomes. Without it, there is enormous and unnecessary reputational risk to companies working hard to extend affordable mortgage credit in the state (as demonstrated above by a review of CFPB HMDA data).

**A Disparity Study is Unnecessary, Expensive, and the Bill Language Does Not Guarantee it Would Be Performed by a Neutral Non-Advocacy Third Party.**

Section 5.a. of the bill mandates that “[t]he department shall contract with qualified individuals for a disparity study that shall identify underserved counties, populations, and census tracts in the State.” This Study is highly problematic for several reasons. First, the Study is a significant regulatory construct that would further efforts to transform the legal LMI lending metric for CRA exams into one based on the race of the borrower. Secondly, it is unnecessary as DOBI could easily perform a review of lending patterns through an analysis of HMDA data. Thirdly, the language of the bill provides no information on how “qualified individuals” will be selected nor does the bill guarantee that the authors of the triennial report will be nonpartisan and independent of any lobbying entity. The wall between advocacy and consultancy is necessary to ensure the absence of bias for or against industry’s current lending practices. Our organizations are also concerned that while the bill states that the final Study will be made public, the work of developing the Study will not be a public process with opportunities for stakeholder input. Lastly, the bill does not provide any information on a funding source or appropriation to pay for the costs of conducting a study that the language notes must be performed “once every three years.” Our members are concerned that paying for the expense of the Study will be passed through to them in the form of increased licensing or examination fees.

#

Again, MBANJ and national MBA member companies support all state and federal fair housing laws as well as their vigorous enforcement. However, our associations we must respectfully oppose this proposed legislation for several reasons, including but not limited to: its unbudgeted costs to the states are as of yet unknown; there are several existing affordable housing initiatives that have already proved successfully in serving LMI and minority borrowers; the impressive growth over the last decade and a half of IMB lending in New Jersey to LMI borrowers without a CRA while those institutions lending in the state already subject to CRA have significantly curtailed their mortgage originations; and, that CRA is incompatible with the IMB business model as IMBs do not accept local deposits and instead import mortgage capital from financial markets to serve New Jersey borrowers.