



July 26, 2024

The Honorable Michael Rodrigues
State House, Room 212
Boston, MA 02133

The Honorable Aaron Michlewitz
State House Room 243
Boston, MA 02133

The Honorable Barry Finegold
State House, Room 511-A
Boston, MA 02133

The Honorable Jerald Parisella
State House Room 42
Boston, MA 02133

The Honorable Peter Durant
State House, Room 413-A
Boston, MA 02133

The Honorable David Muradian
State House Room 156
Boston, MA 02133

Dear Chair Finegold, Chair Parisella and Members of the Conference Committee on Economic Development:

On behalf of our more than 120 commercial, savings and cooperative banks and federal savings institution members with more than 72,000 employees located throughout the Commonwealth and New England, the Massachusetts Bankers Association (MBA) urges the legislature to provide statutory clarification to ensure continued access to Shared Appreciation Mortgages (“SAM”). These products, such as the one offered by our associate member - the BlueHub SUN program, are important tools used by local nonprofits who provide financial relief for Massachusetts families in hopes of preserving homeownership and preventing foreclosures. **We respectfully request the Committee include Section 256 of S.2869 in a final bill.**

A shared appreciation mortgage (SAM) is a mortgage that requires a borrower or purchaser of a home to share a percentage of the appreciation of a property's value with the lender or seller and is used by BlueHub SUN exclusively to help families facing foreclosure to keep their homes. In 2012, MBA worked closely with the legislature to address unlawful and unnecessary foreclosures as many homeowners faced significant challenges affording their mortgages during the housing crisis (See Chapter 194 of the Acts of 2012). Through this critical legislation, we sought to ensure access to these mortgage programs. At the time, mortgage lenders were unwilling to sell homes to nonprofit programs because of a moral hazard problem. Concerns stemmed from the possibility that homeowners would decide to strategically default and not pay the full amount of their mortgage in order to access the benefits of the SUN or similar programs. Ultimately, MBA worked to find a solution –a requirement that borrowers share future potential appreciation with their nonprofit partners in exchange for a reduction of their mortgage principal - that made lenders willing to sell to the nonprofit institutions. This was a critical element to the compromise and without the shared appreciation component we were not comfortable working with nonprofits to sell homes sold back to the homeowner.

Homeowners in default or foreclosure have a difficult time finding a new mortgage because traditional lenders view such homeowners as too risky and may not extend new credit to them. Our associate member's BlueHub SUN program, partners with homeowners so they can rebuild their credit, stabilize their finances, save their home and then eventually refinance out of the program and reenter the

conventional mortgage market. When the program started in the middle of the financial crisis in 2009, home prices were falling rapidly. Since then, BlueHub SUN has made more 550 loans to families facing foreclosure in Massachusetts. More than 90% of their active clients regularly pay their mortgage loan and have not defaulted. These findings support our belief that this program helps restabilize borrowers in foreclosure who deserve a second chance.

Since 2014, BlueHub has operated their SUN program under the consensus interpretation of Massachusetts mortgage lending laws overseen by the Banking Commission and the Attorney General since the Legislature passed banking reform legislation. BlueHub is now seeking legislation to codify the use of SAMs by nonprofits into statute to ensure Massachusetts and BlueHub can continue to offer foreclosure relief.

This codification will assist nonprofits to aim their resources towards keeping families in their homes rather than using those resources – potentially millions of dollars - to clarify the state of the existing law and potentially shut down effective foreclosure relief programs. We respectfully request that you recognize the significance of SAMs - which enables nonprofits to provide vital financial relief for Massachusetts families and help keep them in their homes – and codify this critical nonprofit option for Massachusetts homeowners into statute.

Thank you for considering our views on Section 255 of S.2869. **We respectfully request the Committee include Section 256 of S.2869 in a final bill.** If you have any questions or need additional information, please contact us at any time.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. Papalardo', with a long horizontal flourish extending to the right.

Brad S. Papalardo, Esq.
Senior Vice President,
Chief of Government Affairs & Counsel