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Economic development bill gives BlueHub a pass on consumer laws

If enacted, BlueHub could do virtually anything. The statute provides it broad immunity.

By Bruce Marks



NACA, the nation's largest nonprofit homeownership organization, lead a group of homeowners including David Walker, with sign, in a protest against BlueHub Capital's SUN program. JONATHAN WIGGS/GLOBE STAFF

The Massachusetts Legislature has just passed the economic development bill with a section that would exempt the lending practices of the nonprofit lender [BlueHub Capital](#), which is being sued for its lending practices, from consumer protection laws. This section of the bill establishes a dangerous precedent, allowing BlueHub to be immune from the state's

strong consumer protection statutes and other regulations for the very lending practices currently being litigated — essentially a “get out of jail free” card.

Our political leaders now have the opportunity to demonstrate whether they stand for consumers or [powerful donors](#). Governor Maura Healey and Attorney General Andrea Campbell have championed consumer rights throughout their political careers, yet they haven’t opposed this section of the legislation.

The bill exempts BlueHub, which housing advocates consider a predatory lender, from consumer protection laws. BlueHub offers shared appreciation mortgages, which require homeowners to share a large percentage of the home’s appreciation with their lender upon sale or refinance, usually between 40 percent and 60 percent of the equity, according to the Lincoln Institute of Land Policy. These mortgages are often marketed to financially distressed homeowners facing foreclosure who are in a desperate situation. SAMs usually result in huge balloon payments that push borrowers into further financial hardship at time of sale, refinance, or loan maturity.

Both Healey, as attorney general and now governor, and Campbell, as Boston city councilor and now attorney general, have largely been no-shows over the many years that the BlueHub homeowners have been advocating to save their homes.

The over 500 Massachusetts homeowners with BlueHub loans have consistently raised the alarm that these mortgages trap them in severe debt and financial loss. They filed numerous complaints with the office of attorney general lead by both Healey and Campbell but received no response despite their public statements about holding predatory lenders accountable. NACA, a nonprofit advocacy and homeownership organization, has filled the gap left by their failure to act and funded the homeowners’ lawsuit, giving voice to the homeowner’s complaints. In fact, NACA exposed BlueHub’s predatory practices during the 2008 mortgage crisis.

In March 2020, a class action lawsuit was filed in Suffolk Superior Court ([Oates et al. v. BlueHub Capital](#)). After years of procedural delays, the homeowners finally had their day in court in September. More than 70 homeowners packed the courtroom, and the judge, having thoroughly reviewed the case, probed both parties with pointed questions. The slow gears of the legal process are moving forward, but BlueHub wants to circumvent the judicial system.

Since the lawsuit, BlueHub has lobbied for legislation that would [protect it from any legal challenge](#) by the BlueHub homeowners. It finally succeeded in having Section 269 quietly inserted into the economic development bill, bypassing the committee process. If enacted, BlueHub could do virtually anything. The statute provides it broad immunity.

This legislation would allow BlueHub Capital, and only BlueHub Capital, to falsely advertise its program; make promises to borrowers and then disregard them; charge usurious interest

rate; and state what the mortgage is going to cost and charge any amount. Borrowers would have no rights, with no legal or other recourse.

Campbell must investigate BlueHub and be clear that she opposes Section 269. On a recent appearance on GBH's "Boston Public Radio," [she said](#), "We were against any industry going to the State House, including a BlueHub, and looking to create an exception from our consumer protection laws. So if anything, we stand with the constituents ... on this issue because no one should be exempt from our consumer protection laws." Campbell needs to reiterate her views.

Healey should veto Section 269, which is opposed by her own Office of Economic Development. Greater Boston Legal Services, the National Consumer Law Center, and other consumer advocates are strongly against this dangerous legislation, warning it "open[s] the door to predatory and abusive lending practices without recourse by homeowners." The Massachusetts Mortgage Bankers Association, representing approximately 180 Massachusetts mortgage lenders, condemns the legislation and urges that "these mortgage products [shared appreciation] be subjected to the same stringent regulations as other mortgage products to protect consumers adequately."

BlueHub has already generated \$23 million from the homeowners through May 2022 and would get another \$37 million from the homeowners' equity and more from high interest rates around 8 percent and other fees. If this was legal, why sneak this immunity section into a broadly popular and important bill?

No entity should be exempt from the statutes and regulations that protect consumers and ensure fairness and transparency.

Bruce Marks is the founder and CEO of NACA, the nation's largest nonprofit homeownership and advocacy organization.