

Local Market Monitor Helps Liberty Bank Navigate a Complex Residential Lending Environment



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Founded in 1825, Liberty Bank is the oldest and largest independent mutual bank in the country and is the second largest bank headquartered in Connecticut. Liberty has over \$7 billion in assets and operates 56 banking offices across Connecticut and one in Massachusetts. In 2022, their Retail Lending team generated \$340 million in residential mortgages, as well as \$186.3 million in home equity and home equity line of credit (HELOC) loans.



● THE CHALLENGE

Smaller banks can offer a variety of advantages. For instance, Liberty Bank prides itself on providing customers with personalized service and products tailored to their individual needs. The bank is actively engaged within the communities it serves in Connecticut and Massachusetts, as well. But being a smaller bank, Liberty also has to carefully manage their loan portfolio – including residential lending.

Matt Cammarota, who has been head of retail lending at Liberty Bank for just over two years explains,

“As the manager of our retail lending business, it is important for me to stay attuned to the latest trends.”

In addition, he is also partly responsible for managing the credit risk of residential lending, and developing data-driven lending policies and product guidelines.

When the COVID-19 pandemic struck in early 2020, one unexpected result was the impact it had on the residential real estate sector. This market tumult put Cammarota in search of a resource to help Liberty Bank make more informed decisions about residential loans and valuations. Thankfully, he remembered a tool he’d used in his role at a previous employer, so in 2021, he encouraged Liberty Bank to get access to Local Market Monitor.

— • THE SOLUTION

Local Market Monitor (LMM) provides timely assessments and forecasts of more than 300 Metropolitan Statistical Areas (MSAs), 2,000 counties, and 20,000 ZIP codes across the U.S. Cammarota’s past experience with Local Market Monitor convinced him that it was the solution Liberty needed to make data-driven residential lending decisions and policies, particularly in the uncharted waters of the post-pandemic market. “I have been a big fan of Local Market Monitor since my time working at a previous bank, so, I suggested we get this tool on board at Liberty,” he says. And it has proven to be a wise move.

Cammarota and the residential lending team at Liberty Bank depend on Local Market Monitor’s proprietary Equilibrium Home Price model. This award-winning tool monitors the extent to which actual home prices are higher than the Equilibrium Home Price, which provides a measure of how much price adjustment will eventually take place and also measures the risk that actual home prices will fall. This was essential insight during the past few years’ market fluctuations.

“Approximately two years ago, we began monitoring Local Market Monitor values as part of our ongoing credit risk management and to make policy and guideline adjustments as needed,” Cammarota recalls.

“In a fluctuating lending environment, such as the one our nation has experienced over the past few years, having the latest, most accurate residential real estate valuation data and risk projections were essential to Liberty making the best-informed business decisions to ensure our bank’s continued prosperity.”

Cammarota continues: “The information provided by Local Market Monitor has helped us gain a really solid understanding of the real estate market. From an ROI perspective, it enables us to better monitor our portfolio’s risk and make data-informed policy and guideline decisions to manage credit risk of new originations. It is the primary tool we use when we’re looking at loan-to-value from a policy perspective.”

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Head of Retail Lending
Liberty Bank

● **A VALUABLE RESOURCE THROUGHOUT HOUSING MARKET CYCLES**

The pandemic real estate bubble created by low home inventory coupled with supply chain issues that drove up building material prices has begun to subside, but Liberty Bank continues to find value in their use of Local Market Monitor’s data and forecasts.

“Even today, post-pandemic, every person I share a Local Market Monitor report with is excited about the information that it captures,” says Cammarota.

“I have a quarterly credit risk review meeting on retail lending, and I always pull Local Market Monitor’s home value information from at least one MSA to share with our credit risk and retail lending teams during that meeting. It’s information our teammates find very useful and informative.”

“From a risk management perspective, Local Market Monitor is invaluable,” Cammarota continues. “It gives us the ability to get down into a very specific geographic area with their ZIP by ZIP Analysis and Investor Metro Analysis.”

Liberty continues to find even more advantages to tapping into Local Market Monitor’s data and tools. “Local Market Monitor’s portfolio tool [which allows you to upload your bank’s portfolio numbers and run forecasts] is outstanding,” Cammarota explains. “As markets fluctuate, it is definitely a tool we will continue to rely on.”



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— • **MATT CAMMAROTA**

Head of Retail Lending
Liberty Bank



— • **A TIME-SAVING TOOL FROM A TRUSTED PARTNER**

As Liberty Bank approaches its bicentennial, they know that data-driven retail lending decisions will help ensure financial success in their next 100 years. And having the right partners by their side is crucial.

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But as Cammarota notes, the biggest benefit of his access to Local Market Monitor is the platform’s data and forecasts for specific local geographies, which are especially critical to a bank like Liberty.

He expounds: “A regional or national bank can look at general indices, or some big banks even use their own indices to adjust their portfolio values up and down. But for a smaller bank like Liberty, Local Market Monitor has improved our ability to manage credit risk effectively. From a retail lending perspective, it gives us a really strong understanding of what’s happening for new originations but also on the portfolio. It’s an incredibly helpful, time-saving tool.” ●

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