

**The Authority to Do Good:  
Constraining and Enabling Socially Responsible Lending Behavior  
in a Public Mortgage Program**

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## Introduction

Public administrators and policymakers frequently rely on private organizations to carry out public initiatives and programs. How can public actors ensure that the private entities behave in line with the public intent, or in socially responsible ways? Much of the literature on organizational behavior includes a discussion of the importance of “authority” for guiding decisions and behavior. Lindblom defines authority as “whenever one, several or many people explicitly or tacitly permit someone else to make decisions for them for some category of acts” (Lindblom 1977, 17-18). Authority is not monolithic. For example, there are diverse rationales for why certain individuals or institutions *compel* authority including nature of the law, tradition or charisma (Weber 1968) and diverse rationales for why individuals or organizations *accept* authority, such as formal, psychological or pragmatic rationales (Simon et al 1991).

Central to the present analysis, there are also multiple *sources* of authority and influence that control and/or structure behavior in organizational environments (Lindblom 1977; Scott and Meyer 1983; D’Aunno et. al. 2000). A common distinction in public management is between “political authority” and “economic authority”, where political authority includes formally institutionalized public control (through the legal and constitutional structure) and economic authority includes pecuniary control (through the market system). While all organizations experience both types of authority, organizations are considered to be “more public” to the extent that they are enabled or constrained by political authority and more private to the extent that they are enabled or constrained by economic authority (Wamsley and Zald 1973; Bozeman 1987; 2007).

Political authority is not monolithic. It may take very different forms- from regulative constraints on behavior, to normative pressures for conformity, to cultural-cognitive influences that compel behavior in line with shared values (Moulton 2009). Further, there are numerous other influences, in addition to political authority, at the societal, organizational and individual levels that constrain and enable private actors to behave in “socially responsible” ways (Wood 1991; Bies et al. 2007; Campbell 2007).

This analysis focuses on the behavior of a specific group of private actors - private mortgage lenders. Private mortgage lenders have been in the spotlight lately for their questionable lending behavior- namely subprime, or higher cost lending that has been blamed in part for the recent economic crisis. Much of the focus post the subprime mortgage crisis focuses on needed changes in the regulatory structure of lending institutions (at the federal, state and corporate level) to ensure positive, sustainable lending behavior. Little is known, however, about how regulative sources of authority might interact with other incentives and influences. At the very least, such lack of understanding can contribute to poorly targeted initiatives, and at worst, can result in unintended behaviors and consequences.

Through in-depth semi-structured interviews with 21 lending agents at 12 different lending institutions in three states, this exploratory analysis investigates the influences that contribute to socially responsible lending in a public mortgage program. From the interviews, at least four different types of influence configurations are identified, comprised of varying influence from economic incentives, national policies, program regulations, community norms, corporate cultures, individual values and personal relationships. The implications of these diverse influence configurations for enabling socially responsible behavior, within the public mortgage program and more broadly for other private actors, are discussed.

### **Corporate Social Responsibility: Private Actors “Doing Good”**

Private corporations are generally defined by their profit seeking motives; maximizing shareholder value is a core tenant of private business operations. Rather than trusting private corporations to behave in a socially responsible manner, much of the literature on economic regulation and transaction cost theory focuses on the propensity for firms to manipulate and obscure information to maximize profits (Stigler 1968; Williamson 1985; Campbell 2007). Based on this perception, *political authority* (in the form of regulation, contracts, sanctions and incentives) is necessary to restrict and coerce private firms to behave in publicly responsible ways.

“However, many corporations do *not* behave in socially irresponsible ways. In fact, some corporations go to great lengths to do just the opposite, by giving to charities, supporting community activities, treating their workers and customers decently, abiding by the law, and generally maintaining standards of honesty and integrity” (Campbell 2007, 948). In the business management literature, an entire subset focuses on corporate social responsibility (CSR), or private actors acting for the public good. Beginning with Bowen’s definition in the early 1950s, social responsibility “refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Bowen 1953, 6). While some view CSR as a profit maximizing strategy (Drucker 1984), profit alone is an oversimplification of the rationales for a firm to behave in a socially responsible manner.

CSR typically includes economic, legal, ethical and discretionary components (Carroll 1979; Aupperle, Carroll and Hatfield 1985; Wood 1991; Carroll 1999). The economic component reflects that by simply producing goods and services, firms contribute to society (without any additional obligations). The legal component stresses that a firm’s behavior complies with the law. Some expect no more of private companies as members of society than these two elements- responsiveness to markets and compliance with legal constraints (for example, see Friedman 1962). However, much of CSR is prefaced on the *voluntary* nature of social responsibility, rather than “social obligation” (Walton 1967; Davis 1973; Sethi 1975)<sup>1</sup>.

Whereas the ethical component of CSR reflects the degree to which a private firm conforms to societal expectations, the discretionary component reflects the discretion of individuals in a firm to behave in a variety of different ways within the structure of the organization and society. This “management of discretion” provides perhaps the largest opportunity for variation in behavior at the firm

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<sup>1</sup>“The traditional economic and legal criteria are necessary but not sufficient conditions of corporate legitimacy. The corporation that flouts them will not survive. However, the mere satisfaction of these criteria does not insure the continued existence of a corporation” (Sethi 1975, 62).

(rather than societal or industry) level (Ackerman 1975). “A company's social responsibilities are not met by some abstract organizational actor; they are met by individual human actors who constantly make decisions and choices, some big and some small, some minor and others of great consequence” (Wood 1991, 699).

Factors that enable CSR are most appropriately portrayed in a multi-level framework (Wood 1991; Bies et al. 2007). For example, Wood’s (1991) framework includes the societal level (norms and sanctions to meet societal obligations), the organizational level (firm specific functions and policies) and individual level (based on internal norms and values). More broadly, these levels might be labeled the macro level, “involving political, economic, institutional, and societal dynamics”; the mezzo level, “involving relational and network issues”; and the micro level, “focusing on psychological and social psychological bases” (Bies et al. 2007). Thus, while individual (micro level) behavior is bounded within societal and organizational context, the discretion of organizational actors is not completely prescribed by legal regulations, resource or technology requirements, or corporate policies; it is also shaped by their individual morals and values (Wood 1991). *Predicting firm behavior to “do good”, or to behave in socially responsible ways, thus requires an understanding of all three levels and their interactions.*

In addition to a multi-level framework, approaches to understand CSR often embrace multiple theoretical perspectives, though the institutional perspective is most prominent (Bies et al. 2007; Galaskiewicz 1991; Campbell 2007; Marquis et al. 2007; Terlaak 2007)<sup>2</sup>. Institutions include both formal, externally imposed laws and rules, and informal, self-monitored constraints on behavior (North 1990; Ostrom 1990; Scott 2003). Institutional environments include “regulative” components related to rules, laws, and sanctions, “normative” components related to social obligation and societal conformity, and “cultural-cognitive” components related to taken for granted core values and beliefs (Scott 2001;

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<sup>2</sup>“The institutional analysis literature is useful because institutionalists understand that institutions beyond the market are often necessary to ensure that corporations are responsive to the interests of social actors beside themselves, particularly in today’s increasingly global economy” (Campbell 2007, 947).

2003; Moulton 2009). “In any fully developed institutional system, all three of these forces or elements are present and interact to promote and sustain orderly behavior” (Scott 2003, 135).

The institutional perspective can easily be combined with the multi-level CSR framework to predict socially responsible behavior at the macro, mezzo and micro levels of analysis. At the macro level of analysis, one might employ institutional theory to consider “regulative” components that contribute to socially responsible behavior. At the mezzo level, normative influences can be considered. For example, employing insights from institutional theory, Galaskiewicz (1991) found that firms were more likely to engage in philanthropy if the firms or their employees participated in professional associations. Similarly, Telaark (2007) demonstrates the importance of codified certified management standards for shaping corporate social responsibility. Marquis et al. (2007) find that the community, defined as the metropolitan area where firms are located, shapes the nature, form and level of corporate social responsibility of firms due to isomorphism to community norms. At the micro level, cultural-cognitive institutions and personal relationships that shape individual discretion can be considered.

Most of the previous literature on CSR is either normative or empirically tests the link between CSR and firm performance, particularly financial performance. There is less research that treats CSR as the dependent variable, or predicts the conditions that are associated with an increase in the likelihood of a firm behaving in a socially responsible way (Campbell 2007; Bies et al. 2007; Bronn and Vidaver-Cohen 2009). While some might suggest that it is not important to understand why a firm “does good” or exhibits CSR (as long as they do it), there is growing interest in the influences that enable or deter from socially responsible behavior, and their interactions; indeed, a recent issue of the *Academy of Management Review* was dedicated to this pursuit (Bies et al. 2007). *For public administration, understanding the influences that contribute to socially responsible behavior is critical for public actors (policymakers, public officials, public bureaucrats) to make the most efficient and effective use of political authority when designing public programs or initiatives that engage private actors.*

### **“Doing Good” in the Mortgage Revenue Bond Program**

Private mortgage lenders have been called out lately for their socially “irresponsible” behavior, providing mortgage loans to borrowers who were often not ready for homeownership at a price they could not afford and with terms they could not understand. In this critique, often overlooked are the mortgage lenders who have demonstrated socially responsible behavior; for example, lenders who provide affordable mortgages to low income borrowers who are prepared for homeownership<sup>3</sup>.

While analysts have identified factors that may contribute to questionable lending behavior, such as short term financial incentives for originators/brokers, lack of oversight and authority to monitor behavior of agents on the ground, and a general economic climate that encouraged risk taking at the cost of long term viability, relatively little is known about the factors that contribute to “good” lending behavior. Why do mortgage lenders behave in “socially responsible” ways? In particular, *what combinations of macro, mezzo and micro level influences enable and constrain mortgage lenders to “do good”?* This understanding is critical to structuring the appropriate configurations of political authority to support public homeownership initiatives at the national, state and local levels.

This analysis examines one particular public homeownership initiative at the state level, the Mortgage Revenue Bond program. First initiated in the 1970s by State Housing Finance Agencies, state Mortgage Revenue Bond (MRB) programs provide reduced interest rate mortgage financing and/or downpayment assistance for first time homebuyers with low and moderate incomes meeting program requirements.<sup>4</sup> MRBs are tax-exempt securities issued by state or local housing finance agencies. Because interest from MRBs is tax exempt, the bonds can be sold to investors at low interest rates and the interest rate savings can be used to offer reduced interest rate mortgages and/or downpayment assistance to

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<sup>3</sup>For an excellent discussion of some of the inefficiencies in subprime lending, and the role of mortgage lenders, see Alexander et al. 2002; Lax et al. 2004; and Cutts and VanOrder 2005.

<sup>4</sup> MRB subsidized mortgages are currently restricted by Congress to first time homebuyers (who have not purchased a home in the past three years), earning less than area median income, or less than 115 percent of area median income for families of three or more. Further, the price of homes to be purchased with MRBs is limited to 90 percent of the average purchase price. In 2006, the median income of borrowers assisted with MRB mortgages nationwide was \$31,703, which is 65 percent of the national median of 48,451; further, the average purchase price was \$132,939, 62 percent of the national median purchase price of \$222,000 (NCSHA 2008).

borrowers, typically originated by private lenders participating in the program. MRBs offer long-term mortgages at affordable interest rates with the goal of providing affordable homeownership to low- and middle-income first-time homebuyers.

Since its inception, the MRB program has successfully assisted more than 3.6 million lower income households, or about 100,000 new borrowers per year nationwide, making it one of the largest publicly subsidized low income homeownership initiatives.<sup>5</sup> Many state MRB programs rely on private lenders to implement the program to qualified borrowers. Private lender participation in state MRB programs, however, is entirely voluntary. Lending institutions agreeing to participate in state MRB programs often register with the State Housing Finance Agency to become a “participating lender.” Further, loan originators employed with participating lending institutions have considerable discretion in the degree to which they market (or promote) the program to potential borrowers. Thus, even within a single private lending institution, the number (and relative proportion) of MRB originations by individual loan originator varies significantly.

How would one define socially responsible behavior in the MRB program? While some studies have attempted to develop broad indexes that cover the full range of CSR within a given firm, another approach is to evaluate firm activity in particular, observable social initiatives (Bronn and Vidaver-Cohen 2009). “Social Initiative in the business context is defined here as any program, practice, or policy undertaken by a business firm to benefit society (Bronn and Vivader-Cohen 2009, 93)”. Thus, rather than a comprehensive assessment of a firm’s overall level of CSR, a firm’s activity within a particular social initiative can serve as an observable, measurable indicator of socially responsible behavior.

By participating in the MRB program, private lenders undertake a “social initiative” that may benefit society by providing affordable mortgages to low income borrowers. There is no direct, universal profit motive for participation in the MRB program; if anything, lenders may make less money on MRB mortgages than other types of mortgages (because of the lower loan amounts associated with low income

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<sup>5</sup> National statistics on the MRB program are from the National Council of State Housing Finance Agencies, obtained online at [www.ncshfa.org](http://www.ncshfa.org).

borrowers, and other program restrictions that limit the amount earned per loan).<sup>6</sup> Thus, participation in and of itself is viewed here as a component of socially responsible lending. In addition to participation, however, socially responsible lending activity in the MRB program should also be evaluated based on the sustainability of the mortgages that lenders originate.

Providing affordable homeownership to low income individuals is only socially responsible to the extent that the individuals are able to maintain their mortgage payment and sustain homeownership. A critical challenge becomes setting and enforcing the policies, regulations and incentives (political authority) to maintain the quality of borrowers participating in the public programs while not deterring lender (and borrower) participation in the program, thus comprising the mission to serve low income borrowers.

In the Mortgage Revenue Bond program, State Housing Finance Agencies have a variety of options they can pursue, defined here as configurations of political authority, to attempt to enable socially responsible lending behavior. These political authority configurations include, but are not limited to direct regulation, incentives, and indirect facilitation of supporting institutions (such as community housing organizations). The selection of the appropriate mix of political authority is critical to not only efficiently allocate public resources, but also to reduce the propensity for unintended consequences that may work against the program goals.

Based on the literature on corporate social responsibility and institutional theory, there are a variety of influences, in addition to the political authority (regulations and guidelines) provided by the State Housing Finance Agencies, that may contribute to socially responsible lending behavior in the Mortgage Revenue Bond program. These influences may occur at the macro (economic and regulative), mezzo (normative) and micro (individual cultural-cognitive) levels (Moulton 2009; Bies et al. 2007; Scott 2001; 2003; Wood 1991).

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<sup>6</sup> For example, many state MRB programs restrict the amount of the origination fee that a lender can charge borrowers at closing. Further, many of the loans are serviced by a central servicer for the state, reducing income that could be earned from servicing fees.

## **Data and Methods**

This analysis evaluates influences enabling and constraining socially responsible lending in the Mortgage Revenue Bond program in three states: Florida, Indiana, and Ohio. Since 2004, the three states have originated more than 40,000 mortgages to low income homebuyers through the MRB program. The data collected for this analysis is part of an ongoing study of the Mortgage Revenue Bond program, evaluating the relationship between origination practices and borrower outcomes.<sup>7</sup> While the larger study includes multiple quantitative analyses (for example, predicting mortgage delinquency and foreclosure, and predicting high cost lending), the purpose of this particular analysis is largely exploratory. Qualitative methods are preferred to provide an in-depth, nuanced picture of the lenders participating in the MRB program, and the influences that contribute to socially responsible lending behavior.

### *Case Selection*

Across the three states, more than 150 lenders actively participated in the MRB program in 2009. Employing predetermined criteria, twelve lending institutions (and their representatives) were purposively selected for in-depth semi-structured interviews. The following criteria were employed to select lending institutions. First, the lending institution (and branch or originator, when applicable) was recommended by the State Housing Finance Agency (HFA) as one of the “top” participating lending institutions in the MRB program in the respective state. HFAs recommended “top” lenders based on the volume of loans the lenders originated through the program, and the lenders’ consistent engagement with the HFA related to the MRB program. Interviewing the “top lenders” provides the perspective of lenders who are actively engaged in the MRB program, and whose performance in the MRB program is most important to the State Housing Finance Agencies and the success (or failure) of the program.

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<sup>7</sup> The project, Mortgage Revenue Bond Program Analysis: Origination Practices and Borrower Outcomes in Ohio, Indiana & Florida, is funded in part through an EDSRG Grant from the U.S. Department of Housing & Urban Development, 2007-2008 (PI Stephanie Moulton).

Second, lending institutions were only selected if they had been a participating lender in the program since at least 2006, and were still an active participant in the program in 2009. Drastic changes in the mortgage market since 2007 have dramatically altered the landscape of lenders participating in the MRB program. Some of the top lenders three years ago no longer exist, due to bankruptcies or buy outs. Further, without the subprime mortgage alternative, more lenders are turning to affordable mortgage programs, such as the MRB program, to serve low income borrowers. Thus, including only lenders who have been participating since at least 2006 (and are still active today) reduces some of the potential for intervening influences due to changes in the shifting mortgage landscape.

Finally, lenders were selected to ensure diversity in both the types of lending institutions interviewed (banks and mortgage companies, small and large), as well as geographic diversity (across states and localities within states). The final sample includes six mortgage companies and six banks (deposit taking institutions), four located in Florida, three located in Indiana and five located in Ohio. Five of the selected lending institutions are locally headquartered and operating banks or mortgage companies, and seven are nationwide institutions. Two are small, six are midsize and four are large institutions. The number and position of “lending agents” interviewed also varies by lending institution, depending on the recommendations of the HFA and the preferences of the lending institution. All interviewed institutions included at least one individual responsible (at least in part) for originating mortgages. In all, twenty-one lending agents were interviewed across the twelve lending institutions.

Table 1 provides a summary of the characteristics of the interviewed lending institutions. The geographic location (state and locality) is omitted to protect the confidentiality of the respondents.

Insert Table 1 Here

### *Methodology*

This study employs a multi-case methodology, based primarily on information collected through semi-structured in-depth interviews with loan originators and administrators at twelve different lending

institutions. Interviews were conducted on site in August of 2009, through face-to-face meetings at the lenders' offices.

Rather than a purely inductive case analysis, as in a grounded theory approach (see Strauss and Corbin 1998), this analysis employs an iterative deductive-inductive approach, which begins deductively with a broad conceptual framework based on existing theory and research (presented above), and employs qualitative findings from multiple cases to inductively consider new implications from the existing theories (Miles and Huberman 1994; Bigelow and Stone 1995; Maxwell 2005). In particular, the organizing framework categorizes influences at the macro, mezzo and micro levels based on previous literature on CSR, with insights from institutional theory. However, different combinations of influences were not hypothesized a priori; rather, combinations are deduced from the cases, reflecting a grounded approach. Pre-structuring the analytical frame not only focuses the data collection (interview questions and probes), but also adds clarity to the analysis of the findings (Miles and Huberman 1994, 16).

#### *Interview Content*

One of the primary purposes of the interviews was to identify diverse influences that enable socially responsible lending practices in the MRB program. A discussion guide was developed with questions focused on two areas: (1) participation, or the decision to participate in the MRB program and to make loans to low income borrowers; and (2) sustainability, or the role the lender plays in facilitating sustainable homeownership for low income borrowers.

In relation to participation, respondents were asked to describe their reasons for participating in the MRB program and for providing loans to low income borrowers, generally. Probes encouraged the respondents to discuss the relative importance of a variety of considerations for why some lenders do or do not participate in the program (and/or provide loans to low income borrowers), including (but not limited to): CRA requirements, corporate pressure, realtors or builders, local nonprofit or state agencies, competition, reputation, personal commitment to low income borrowers, the hassle of the MRB program/

low income borrowers relative to other types of mortgages/borrowers, and compensation received for MRB mortgages/ low income borrowers relative to other types of mortgages/borrowers.

In relation to sustainability, respondents were asked to describe their relationships with the low income borrowers that they assist, and the support that they think might be important to helping the borrowers become successful homeowners. Probes encouraged the respondents to consider the importance of a variety of factors, including but not limited to: pre-purchase homebuyer education, information provided by the lender before or after purchase, support provided by the lender or others before or after purchase, and underwriting requirements set by external entities (such as minimum credit scores). Respondents were also asked to describe their relationships with low income borrowers before and after purchase ,including probes related to how much time they spent with low income borrowers before purchase (relative to higher income borrowers) and how much contact (and what types of contact) they have with low income borrowers after purchase.

The interviews lasted an average of one hour, ranging from thirty minutes to two hours. To maintain the confidentiality of the respondents, names of respondents and other identifying information were not recorded in the interview notes. Respondents provided verbal consent to participate in the interview following an IRB approved protocol. Further, because of the potentially sensitive topic area (mortgage lending practices), interviews were not electronically recorded, thus facilitating anonymity and a more open discussion. Detailed interview notes were compiled by the principal researcher and a research assistant, and compared for reliability.

#### *Data Coding and Analysis*

Once compiled, the interview notes were coded using both open coding and axial coding to identify influences that contribute to socially responsible lending. First, open coding was employed to identify similar phrases and explanations between cases. The interview was analyzed in its entirety, rather than “question by question”, due to the guided discussion format of the interview. The initial coding revealed eleven different types of influences mentioned between cases. Second, axial coding was

employed to group the influences based on theoretically similar categories, in accordance with the conceptual framework presented above. These categories and indicative responses are discussed in detail below. Once coded, the cases were grouped based on similar “influence sets,” revealing four different configurations among the twelve lending institutions. This grouping allows for the consideration of implications for structuring political authority to enable socially responsible lending (participation and sustainability), across the four different configurations, also discussed in detail below.

### **Qualitative Findings**

The interviews revealed a variety of important influences that enable and encourage mortgage lenders to participate in the MRB program (and originate affordable loans to low income borrowers, generally), and to facilitate sustainable homeownership for their low income borrowers. While open coding was used to initially identify themes across cases, axial coding was used to group the themes into theoretically derived categories, as follows: macro (economic), macro (regulative), mezzo (normative), and micro (values and relationships). Table 2 provides sample responses corresponding to the influences identified, by category, including the number of lenders (N) who identified the particular influence. Those influences identified in response to the prompt for participation are coded “P”, and those influences identified in response to the prompt for mortgage sustainability are coded “S”.

-Insert Table 2 Here-

#### *Macro (Economic)*

Mortgage lenders (banks and mortgage companies) are at their core, private companies responsive to shareholders. Thus, profitability is an important influence that drives a lender’s decisions, including decisions to engage in questionable lending practices (Cutts and VanOrder 2005), and incentives to engage in socially responsible lending practices. In mortgage lending, profitability may be considered in two ways: first, based on the short term “up front” revenue generated from closing the mortgage (origination fees, etc.), and second, based on the long term risk to the company, if a borrower

defaults on their mortgage<sup>8</sup>. Short term profitability is likely to contribute to lender participation (originating loans to low income borrowers), while long term profitability may also contribute to mortgage sustainability (originating loans to borrowers who are less likely to default on their mortgage).

The “up front” revenue may be a more significant influence to the extent that the loan originators are paid on commission, with the amount of money that they earn tied to the number of mortgages that they close (and sometimes even the amount of the mortgage and/or the interest rate and fees on the mortgage), in contrast to those that are paid a base salary, regardless of how many mortgages they close (in the words of one loan originator paid on salary, “we are not paid to close a deal”).

More than half (7 out of 12) of the lenders mentioned macro level economic influences as a primary rationale guiding their participation in and/or facilitation of sustainability in the MRB program. First, in relation to participation, five of the lenders expressed that low income borrowers may be viewed as a *market niche*, particularly in light of the economic crisis. According to one originator, lending to low income, first time homebuyers makes smart businesses sense:

“In today’s economic times, it’s all about the first time homebuyers. That is where the tax credit is; that is who can buy a home right now, with declining home values and incentives”.

Low income borrowers may also be viewed as more profitable because they lack financial sophistication and knowledge to evaluate their readiness for a mortgage and mortgage terms (Lax et al. 2004), and thus are more reliant on the lender and are more *loyal customers*. While this highlights the importance of the lender-borrower relationship, it can lead to predatory lending practices when misused

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<sup>8</sup>In Ohio, Indiana and Florida, all MRB mortgages, once originated, are sold to a central “Master Servicer” within 30 days of closing. Therefore, much of the risk is transferred to the Master Servicer, who pays the originator a “Service Release Premium” to release the mortgage, and then the Master Servicer takes over the collection of mortgage payments and the liability for the mortgage. However, per the contract between the originator and the Master Servicer, if the loan becomes delinquent within a specified time after closing (typically 6-12 months), the originator may be asked to “re-purchase” the mortgage, unless the originator can prove due diligence in originating the mortgage. According to the interviews, prior to 2008, this contract was rarely enforced. However, over the past year, originator “buy backs” have become more common. At the time of the interviews in August, 2009, the contract terms were being re-negotiated, and were a serious concern for some of the lending institutions.

by the lender for their own short term profit (Alexander et al. 2002; Renuert 2004). When asked why they chose to work with first time, low income homebuyers, representatives from three of the lending institutions responded that first time homebuyers can actually be “more” profitable because they are more “loyal” customers. According to one originator:

"First time homebuyers are more loyal- [they are] less likely to shop around. It may take more time with each borrower, but there is less lost time. With a higher income borrower, you can work with them for a while, and then they leave to go to a different lender because they can save \$50. The low income borrower is more likely to stay with the lender. They appreciate their lender more".

In addition to guiding participation decisions, economic rationales also influence behavior targeted at the sustainability of borrowers (reduced mortgage default). Lenders were asked about their role in supporting the sustainability of borrowers after purchase, and the factors that they felt were most important. While most of the lenders explicitly noted that the *default risk* of the loans that they make to low income and MRB borrowers is not much higher (and thus not an important influence), two of the lenders expressed concern that loans made through the MRB program are inherently more risky, as they are all first time homebuyers, often with no downpayment. One lender expressed the critical importance of this influence, noting that her institution would go out of business if “buy backs” became frequent:

“If I don’t make a profit, we’re not in business. I can’t afford to buy back the loans and take on this risk. I buy back two loans and I am out of business”.

#### *Macro (Regulative)*

At the macro level, regulative influences reflect institutionalized laws and rules that constrain the behavior of organizations (Scott 2001; 2003 Moulton 2009). Compliance is generally to achieve rewards or avoid sanctions. In the CSR literature, such influences reflect the “legal component” of social responsibility, or the extent to which a firm’s behavior complies with the law or formal guidelines (Carroll 1979; Aupperle, Carroll and Hatfield 1985; Wood 1991; Carroll 1999). Perhaps because regulative influences are the most easily observed and are the most amenable to manipulation, regulations are often the “tool of choice” to enable socially responsible behavior.

In promoting mortgage lending to low income borrowers, the *Community Reinvestment Act* (CRA) is often viewed as one of the most important regulatory influences at the *national level*. There is a body of literature that analyzes the importance of the CRA in increasing bank lending activity to low income borrowers and communities. In brief, the CRA requires certain deposit taking lending institutions, or banks, to demonstrate that they have “reinvested” in their local communities, documented in part by the proportion of mortgage loans that they make to low income individuals and neighborhoods in the communities where they have bank offices (see Immergluck 2008; Moulton 2009). Banks subject to the CRA are reviewed by their federal regulator for their CRA lending activity, and are “scored” based on their performance. This score may influence the ability of the bank to be approved by their regulator for corporate restructuring activities, such as acquisitions and mergers.

Currently, the CRA only covers deposit taking lending institutions, so mortgage companies and brokers are not reviewed for compliance with the CRA. Even among banks, however, there is great variation in the extent to which CRA is a significant influence guiding their lending activity to low income borrowers. Among the lenders interviewed, four of the six banks responded affirmatively that the CRA was one of the influences that contributed to their decision to make loans to low income borrowers; and among those, responses varied from “CRA matters”, but is not a primary influence on the decision to participate in the MRB program or make loans to low income borrowers, to two of the lenders who expressed that CRA was one of the primary reasons that they participate in the MRB program and make loans to low income borrowers. According to one of the lenders:

“The [MRB] program allows us to meet CRA obligations by providing loans to low income borrowers in [the cities] where we have [offices]. We are approaching this from a true corporate initiative. We are not trying to sell anyone a particular product or sell anyone a mortgage, but to provide affordable mortgages”.

In addition to national legislation, the MRB program itself has regulative influences that constrain the behavior of participating lending institutions. In particular, *program guidelines* restrict the types of borrowers served by the program. These include guidelines set by the state HFAs, as well as guidelines set by the Master Servicer to purchase mortgages originated through the program. Traditionally, the

primary guidelines established by the HFA were limited to income guidelines stipulated by legislation for eligibility in the MRB program. Guidelines on the credit quality and affordability of the borrowers (referred to as “underwriting criteria”), were left to the discretion of the Master Servicer, who deferred to the guidelines for “conforming” mortgages (to be guaranteed by the FHA or the GSEs).

With recent concerns of adverse selection, however, state HFAs have considered setting certain minimal underwriting standards (on top of “conforming” guidelines). For example, Florida HFA has recently instituted a minimum credit score requirement for borrowers. During the interview, lenders were asked about whether or not they perceived potential adverse selection into the MRB program, and what factors they thought might help reduce that potential (an issue of mortgage sustainability). The lenders were split between those who felt that strict program guidelines were necessary for sustainability of borrowers (7) and lenders who felt that strict program guidelines were not necessary (5). One of the lenders desiring strict program guidelines provided the following explanation:

“We underwrite how they want us to underwrite- we just go by guidelines. Minimum credit scores are not enough. If we are really interested in affordable homeownership, we probably should have affordable underwriting standards for all lenders, including debt ratios. If you tell me I can accept up to 50 percent debt ratio, I will. At the end of the day, I’m paid to make loans.”

However, other lenders were opposed to additional program guidelines. One lender expressed the importance of screening lenders to participate in the program to ensure that only “good” lenders participate, then strict program guidelines (like additional underwriting criteria) would not be necessary:

"Allowing too many [bad] lenders participate in the MRB program has caused [the HFA] to lower the bar so much that they now have to make rules for everything. Now I'm being micromanaged. I've got enough people watching me like a hawk. I watch myself like a hawk."

#### *Mezzo (Normative)*

According to Scott (2003), normative influences include those that place expectations on how people (or people within organizations) should behave. Rather than clearly observable rules or sanctions enforced externally, normative influences are “morally governed” based on one’s sense of obligation to others and the broader community. This community may be outside of the organization, such as associational affiliations or reputations with external stakeholders (Galaskiewicz 1991; Marquis et al. 2007; Terlaak

2007), or the community within the organization, indicated by the internal corporate culture (Martin 2002; Oliver 1997).

Externally, the behavior of lending agents may be shaped by their reputation as members of a community. When asked about why they originate loans through the MRB program, and to low income borrower generally, some lending agents expressed the importance of their reputation in the community. Thus, *community reputation* may serve as an incentive to participate in socially responsible lending. Five of the lenders (42 percent) mentioned the importance of their reputation in the community and with other housing market participants. One lender responded:

"Most of my business comes from people who know me, and refer buyers to me. All of the realtors know me. I am the biggest HUD lender in town, and one of the biggest MRB lenders in town."

Similarly, another lender commented:

"The [MRB] program has a recognized brand name- people ask you 'do you do [MRB] loans?' We want to be known as a full service lender- we need to do [MRB] loans".

Externally, lenders also referenced *community engagement* as a primary reason for participating in the MRB program and lending to low income borrowers. Four of the lenders (25 percent) commented on the importance of their associations with community groups, as a reason for participating in the MRB program and providing loans to low income borrowers. Some of the lenders actively engage in workshops at local community organizations and other community forums discussing topics such as financial management and preparing for homeownership. One of the lenders described their recent participation in a community forum hosted by the local city government to develop housing strategies for low income borrowers:

"The [MRB] program provides us an opportunity to network, to know what other programs and initiatives are out there. Even if they [the community forum] don't use the MRB product, it facilitates the relationship and brings us to the table".

Internally, the corporate culture of lending institutions can shape socially responsible lending. Individual lending institutions often have their own *internal standards* for originating mortgages. While technology has created "automated underwriting" systems that approve or deny mortgages based on

computational analysis of borrower characteristics (such as credit score, income, savings and debt), some lenders still choose to “manually underwrite” some (or all) of their mortgages to ensure that borrowers are really appropriate risks (and have a good likelihood of succeeding at meeting mortgage obligations).

Lenders were asked about their role in ensuring the “sustainability” of low income borrowers whom they assist. Five (42%) of the lenders referenced “strict” internal standards that went beyond external standards. One lender summarized their internal standards this way:

"Our internal underwriting standards are pretty strict, even within what is permissible under MRB guidelines. Even if the loan passes the automated threshold, the underwriters may see something else that makes them worry [and we may deny the loan]. I tell my underwriters to not even look at the credit score until they have examined the file- to use common sense and not let a number drive the decision”.

#### *Micro (Values, Cultures and Personal Relationships)*

One of the important elements of CSR is the propensity for individual discretion of managers and key employees within the firm to shape the decisions of the organization (Wood 1991). While individual discretion is “bounded” by societal and organizational rules and norms, it is also shaped by personal values, cultures and personal relationships. According to the “cultural-cognitive” component of institutional theory, values and cultures become institutionalized to exert influence on organizations and organizational actors (Scott 2003; Moulton 2009; Moulton and Feeney 2009). Shared values and understandings develop over time and construct “reality” as it is perceived by participants (Berger and Luckman 1967; Geertz 1973). The focus here is not on the institutionalization of values, but rather, on the extent to which individuals reference values, cultures and personal relationships as important rationales for their behavior as agents of their organizations.

In the United States, there is a history of strongly held *values related to homeownership* as a critical component of the “American Dream”(Shlay 2006). Further, for low income and minority borrowers, access to homeownership has not always been available, due in part to discriminatory practices (see Ladd 1998 for a review of this literature). Therefore, for individual mortgage lending agents, participating in the MRB program can have a strong value, or “cultural-cognitive” component that

is related to personal experiences. When asked about why they originate loans through the MRB program, and to low income borrowers generally, three of the lenders referenced personal stories about the need to remove barriers to homeownership for low income and minority borrowers. One of the agents described her experiences originating loans in the early 1980s, when it was much harder for minority applicants to “have a voice” when they applied for a mortgage loan. Her reasons for originating loans to low income and minority borrowers today draws on this experience:

“Someone needs to help them. Everyone’s story deserves to be told. It is my job to tell their story. This is my ministry”.

Particularly since the early 2000s and the boom and bust of subprime mortgages, some individual lending agents also hold strong *values related to sustainability*. Providing low income borrowers with a mortgage is not simply about meeting predetermined qualifications, but it is also about ensuring that the borrowers who may be qualified on paper can truly afford and are prepared for homeownership. While half of the lenders saw themselves as having very small role ensuring the sustainability of borrowers (beyond the formal qualification), the other half expressed personal convictions related to ensuring that the borrowers could afford the mortgage and were prepared for homeownership. One lender explained how she evaluates her success not by how many loans she closes, but by whether or not her borrowers are still happy with their decision after they purchase:

“I gauge my success by how happy my borrower is a year or more after closing. If the person sees me later, are they going to be happy to see me, or am I going to have to try to disguise myself? It is all about credibility, integrity and trust. Being a lender used to mean something.”

In the earlier model of mortgage lending, getting a loan was not viewed as a one-time transaction, but rather as a long term, *personal relationship* between the borrower and the lending agent (Immergluck 2004). This “relationship lending” can facilitate mortgage sustainability by reducing information asymmetries between the borrower and the lender, thereby revealing more accurately the risk of the borrower (Ergunor 2007). Further, the relationship may serve as a resource for the borrower after purchase, acting as a sort of social network of support to facilitate successful homeownership. When asked to describe their relationships with their borrowers, lenders in the sample were split between those

who thought long term relationships with borrowers was an important part of ensuring sustainable homeownership, and those who felt that their primary job was to help facilitate the purchase transaction.

One lender explained the importance of long term relationships with his borrowers this way:

“My borrowers are like my family. When I help them with their mortgage, I often say, ‘if you were my sister, or brother or mother...’ I want to make them feel comfortable. They shouldn’t feel obligated to purchase a home. They cannot recoup as easily from mistakes. This is the biggest decision that many will ever make....I am a person that they can always reach back to, particularly for things related to their mortgage. They call me all of the time after closing for help with financial decisions- like when something breaks in their house or their payment goes up from taxes.”

On the other hand, another lender explained her role as facilitating the purchase, not having an ongoing relationship:

"Our role is to help them acquire a house, not to babysit post-purchase. If I contact them after purchase I would be just another meddling mother in law. I don't want them calling me telling me that they have a leaky faucet."

### **Mixed Influence Configurations: Implications for Political Authority**

Identifying the diverse influences at the macro, mezzo and micro levels that enable socially responsible lending demonstrates the complexity of organizational environments, even within the same sector, engaging the same “task environment” (mortgage lending), and participating in the same program (the Mortgage Revenue Bond program). While it is interesting to uncover the diverse influences, it is more enlightening to make sense of the diverse influences-- their combinations and their implications for socially responsible behavior (Moulton 2009; Bies et al. 2007; Bigelow and Stone 1995). Revisiting the question posed earlier, *what combinations of macro, mezzo and micro level influences enable and constrain mortgage lenders to “do good” in the Mortgage Revenue Bond program?* A primary assumption guiding this analysis is that organizations will respond differently to political authority depending in part on their reasons for engaging in socially responsible behavior (Oliver 1991; Bigelow and Stone 1995; Scott 2001; 2003). Thus, political authority (regulations, incentives, sanctions, etc.) to guide lender behavior in the Mortgage Revenue Bond program should take into account the potential diverse responses to such authority.

As a final stage in this analysis, lending institutions were grouped based on similar influence combinations at the macro, mezzo and micro levels. Four dominant combinations emerged, labeled here as pecuniary, traditional, altruistic and opportunistic influence configurations. Table 3 provides a summary of the mixed influence configurations, with responses coded based on their fit with the key terms at the macro (economic), macro (regulative), mezzo (Normative) and micro (values and relationships) levels. The letter “P” or “S” represents the aspect of socially responsible lending affected by the respective influence, where “P” represents participation and “S” represents mortgage sustainability. Each of the four influence configurations are described briefly below, with proposed implications for responses to political authority.

-Insert Table 3 Here-

#### *Pecuniary*

The first set of lenders represents those whose participation is influenced primarily by economic rationales; either because low income borrowers represent a niche market, or because low income borrowers are more loyal customers. All of the lenders in this category are mortgage companies; as such, they do not fall under the national CRA legislation. These lenders, categorized here as “pecuniary,” are primarily influenced by *cost-benefit calculations* (indeed, there are few other competing influences). As such, they prefer political authority mechanisms for which costs can be calculated most precisely, as indicated by two of the three lenders in this category referencing program guidelines as an important influence on their decisions. Further, the lenders falling into this category do not express other strong normative, value based, or relational influences guiding their participation in the public program. Therefore, the political authority provided by the HFA (including program guidelines such as minimum credit scores) serves as an important constraint to ensure socially responsible lending behavior.

According to Oliver (1991), firms engage in a variety of responses to institutional pressures (including political authority), ranging from acquiescence to manipulation. To the extent that economic efficiency is the primary driving influence, organizations are more likely to comply with political

authority when the cost-benefit calculation is in their favor (Oliver 1991). For example, Montero (1999) finds that electric utility firms voluntarily comply with sulfur dioxide standards to the extent that costs of noncompliance, including transaction costs (Williamson 1985), outweigh the benefits of compliance. According to resource dependence theory, to the extent that a firm is dependent on one particular entity or strategy (in this case the MRB program and lending to low income borrowers), the firm is more likely to meet the expectations of the resource provider (Pfeffer and Salancik 1978). For these firms, political authority needs to be explicit and direct to constrain behavior, such as through direct regulations and sanctions.

Proposition 1: For firms who engage in a public program or initiative primarily for economic gain, political authority (in the form of direct regulation and sanctions) is important to ensure socially responsible behavior in line with the public program's objectives.

#### *Traditional*

The second set of lenders includes those for whom participation is influenced primarily by regulative and normative institutions, categorized here as "traditional". For these lenders, their decision to participate in the MRB program and make loans to low income borrowers is influenced in part by their desire to comply with the CRA. As such, all of the institutions in this category are midsize or large banks, who have regulated CRA obligations. Further, for these lenders, participation in the program is in part driven by normative influences, either because of their reputation in the community as a lender to lower income borrowers or because of their engagement with community associations who provide services to low income borrowers. These lenders value *legitimacy* as banking institutions nationally, and as members of the community. As such, they are also influenced to ensure that the mortgages they provide are sustainable, by both their internal corporate cultures and their personal values. Program guidelines are also influential, according to two of the three lenders in this category, likely as a matter of ensuring legitimacy to the program expectations.

Engaging in socially responsible behavior to gain legitimacy is a form of acquiescence with institutional pressures that perhaps epitomizes the traditional view of neo-institutional theory (Oliver

1991; Pfeffer and Salancik 1978; Meyer and Rowan 1977; DiMaggio and Powell 1983). Firms may engage in socially responsible behavior, even if it is not the most profitable strategy, because it gives them legitimacy (Meyer and Rowan 1977; DiMaggio and Powell 1983)- which is also viewed by them as a critical resource (Pfeffer and Salancik 1978). It is not unusual, then that this need for legitimacy is most influential for firms with CRA obligations, that need to signal their socially responsible behavior. For these firms, political authority is most beneficial when compliance can be easily observed and thus signal legitimacy, such as through direct regulations and sanctions.

Proposition 2: For firms who engage in a public program or initiative primarily to gain legitimacy, political authority (in the form of regulations and sanctions) is helpful to validate their socially responsible behavior.

### *Altruistic*

Lenders in the third category, termed “altruistic”, are primarily influenced by normative institutions, personal values and personal relationships. For these lenders, participation in the program and lending to low income borrowers is part of *who they are*; behaving otherwise would be unthinkable. As such, these lenders are well known for their lending to low income borrowers, and are actively engaged in the community- both of which reflect normative obligations that reinforce their continued participation in the program. Most substantially, however, all of the lenders in this category value long term, personal relationships with their low income borrowers and ensuring the long term sustainability of the borrowers as homeowners after purchase. A corporate culture that values sustainability is thus important to these lending agents, as it enables them to provide loans in line with their personal paradigm. Program regulations, however, are viewed as barriers to these lenders; program regulations often arbitrarily exclude borrowers that they would otherwise assist. Further, political authority generally provided by the HFA is helpful to the extent that it values the individual discretion of the lending agents and their personal relationships with borrowers.

For some organizations, socially responsible behavior is simply a matter of habit- a “cultural-cognitive response”; it is who the organization is, or more accurately, who makes up the organization

(Scott 2001; 2003; Oliver 1991). In the public administration literature, theories of public service motivation are often used to describe individuals who are employed in public (and private) organizations whose behavior is motivated towards the public good (Perry and Wise 1990; Brewer et al. 2000). Organizational actors motivated primarily by personal values and relationships are only able to bring about socially desirable behavior when they operate within a community (internal and external to the organization) that *enables* them to exercise their discretion in line with their values (Moulton and Feeney 2009; Moynihan and Pandey 2007; Wood 1991). Institutions supporting public values, or institutionalized public values, are essential to enabling organizations to provide for publicly desired outcomes. Essentially, however, these institutionalized public values need not be in the form of “regulative” political authority; rather, they can also include normative and cultural-cognitive components (Moulton 2009). Thus, for these private actors, political authority is most supportive of socially responsible behavior when it enables, rather than restricts, behavior. Rather than regulations and sanctions, normative and cultural cognitive mechanisms are more important, by facilitating the institutionalization of values in the community and the organization.

Proposition 3: For firms who engage in a public program or initiative because of internalized socially responsible values, political authority (in the form of normative and cultural-cognitive institutions) is needed to enable the firms to engage in socially responsible behavior.

### *Opportunistic*

The final category of lenders includes those identified as “opportunistic.” These lenders referenced strong economic influences for their participation in the program (in particular, that serving low income borrowers provides a niche market), but unlike the pecuniary group, they also emphasize the importance of their reputation in the community, and the value of making homeownership available to all individuals (access). This group has perhaps the most power of any of the lenders in the program; in addition to tapping into the market niche of lending to low income borrowers, they have earned legitimacy in the community (all referenced the importance of their reputation), and they generally espouse public values promoting homeownership (two of the three). For these lenders, sustainability of

mortgages comes down to their bottom line; they are concerned about defaults to the extent that they have to assume the economic risk of repurchasing the mortgages. All of the lenders in this category voiced concern about program guidelines that restrict their lending behavior. Rather than respond to guidelines or political authority, these lenders seek to actively shape political authority by voicing their concerns to the HFAs and influential stakeholders.

For some organizations, socially responsible behavior is first and foremost a matter of strategy, balancing economic gain with legitimacy in the community. Oliver (1991) notes that organizations with diffuse sources of authority are more likely to engage in a “manipulative” response to institutional pressures (including political authority). Such organizations likely have diffuse power, and are thus likely to co-opt or shape policies towards their self interests (Selznick 1949; Burt 1983; Pfeffer and Salancik 1978; Oliver 1991). According to transaction cost economics, opportunism reflects the propensity for firms to shape or hide information in the pursuit of self interest (Williamson 1985). Further, by embracing commonly held values (such as promoting access to homeownership for all), such firms are able to demonstrate their worthiness to the broader public and form coalitions to lobby for their interests (DiMaggio 1983; Oliver 1990). For this group, political authority is most effective if the firm has a sense of “control” or “buy in”; it is the process that matters as much or more than the resulting authority. Without a sense of control, opportunists will work to thwart the authority towards their own interests, which may or may not be in line with socially responsible behavior.

Proposition 4: For firms who engage in a public program or initiative because it represents a strategic opportunity, political authority (any type) is most likely to be effective at constraining or enabling socially responsible behavior when firms have a sense of “buy in” to the process.

## **Conclusions**

There are a variety of different influences that constrain and enable organizations towards socially responsible behavior. When engaging private sector organizations in a public program or initiative, it is helpful to consider the different combinations of influences that may guide participant behavior. Rather than assuming that all participant organizations will respond to guidelines or policies

(political authority) in the same way, a central task for public management is to take into account the unique authority types (or processes) that are most likely to bring about the desired outcomes.

One way this has been approached analytically in the past is to group organizations by “sector.” Because nonprofit organizations cannot distribute profits to shareholders (the non-distribution constraint), they are assumed to be more trustworthy and influenced primarily by values and obligations to society- most similar to the “altruist” influence combination. Public organizations, on the other hand, also do not operate primarily on profit motives, but rather are constrained by regulations and formal authority to provide for public interests- most similar to the “traditionalist” influence combination. Finally, for-profit organizations are assumed to be profit maximizing institutions, first and foremost, and thus respond primarily to economic signals- most similar to the “pecuniary” influence combination. As demonstrated through this comparative case of private mortgage lenders, however, organizations operating in the same sector- and even in the same task environment and the same program- are enabled and constrained by different influence combinations. Thus, the “authority” needed to “do good” may take very different forms.

While informative, there are limitations to this analysis. Further research is needed to examine different influence combinations for other types of organizations (beyond mortgage lenders)- operating in different task environments, and even in different sectors. Are influence combinations more important predictors of socially responsible behavior than sector? This might be particularly salient for comparing organizations across sectors (nonprofit, for-profit and public) providing similar services, such as health care or education. This builds on research on organizational publicness, which suggests that all organizations are both public and private, depending on influences of political authority (Bozeman 1987; 2007; Bozeman and Bretschneider 1994; Rainey and Bozeman 2000; Pesch 2008; Moulton 2009). However, it pushes this line of thinking a step further, to consider influences beyond political and economic authority, and how such influence configurations might interact with political authority.

There are substantial bodies of literature examining different influence types individually; for example, literature on responses to economic or social regulations; literature on conformity (or nonconformity) to normative influences; and literature on public values and public value institutions and organizational responses. However, more research is needed that examines combinations of influence types, and their implications for additional (political) authority to enable or constrain socially responsible behavior (Scott 2003; Bies et al. 2007; Campbell 2007). Further, it would be helpful to consider how influence configurations evolve and shift over time and across program areas- even within the same organization. What factors lead to the development of more “altruistic” influence configurations, as opposed to pecuniary or opportunistic? To what extent can these factors be shaped by external (or internal) agents?

In conclusion, this exploratory analysis demonstrates that even among a group of private mortgage lenders participating in the same public program, there are diverse influences that enable or constrain them towards socially responsible lending behavior. At the national and program level, public initiatives to reform the mortgage lending environment that only focus on one type of influence (such as federal regulations) may miss this important diversity, resulting in potentially less efficient and less effective interventions.

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**Table 1: Lending Institution Characteristics**

<b>ID</b>	<b>Type of Lender</b>	<b>Size</b>	<b>Geography</b>	<b>Lending Agent Position (Persons Interviewed)</b>
1	Mortgage Company	Small	Local	Owner/Originator (1)
2	Bank	Midsized	Local	Loan Originator, Administrator, Processing Manager (3)
3	Mortgage Company	Small	Local	Vice President/Originator (1)
4	Bank	Large	National	Administrator, Two Loan Originators (3)
5	Mortgage Company	Midsized	Local	Administrator, Loan Originator, Underwriter (3)
6	Bank	Large	National	Loan Originator (1)
7	Bank	Midsized	National	Loan Originator and Administrative Assistant (2)
8	Bank	Midsized	Local	Administrator/ Originator (1)
9	Mortgage Company	Large	National	Administrator/Originator (1)
10	Bank	Large	National	Administrator, Loan Originator (2)
11	Mortgage Company	Midsized	National	Loan Originator (1)
12	Mortgage Company	Midsized	National	Administrator/Originator and Loan Originator (2)

**Table 2: Sample Descriptions of Categories**

Category	Prompt	N	Sample Responses
<i>Macro (Economic Influences)</i>			
Economic Opportunity: Market niche	P	5	"In today's economic times, it's all about the first time homebuyers. This is where the market is right now. That is why I work with lower income buyers." "The loans through this program are inherently riskier. If they default, I [my lending institution] can't afford to buy back the loans. This is a significant concern."
Economic Risk: Default Risk	S	2	"I prefer to work with lower income first time homebuyers because they are more loyal customers- [they are] less likely to shop around to save a few dollars."
Economic Incentives: Loyal Customers	P	3	
<i>Macro (Regulative Influences)</i>			
National Legislation: CRA	P	4	"Participating in the [public] program is primarily a corporate initiative that allows us to meet CRA obligations." "We underwrite how they want us to underwrite- we just go by the guidelines. If they say I can approve up to 50% debt ratio, I will. It is my job to make loans."
Program Guidelines	S	7	
<i>Mezzo (Normative Influences)</i>			
Community Reputation	P	7	"I am known in the community for this program and for helping low income borrowers. Most of my business comes from people who refer buyers to me." "The [public] program provides us an opportunity to network with community organizations. Even if networking doesn't result in loans, it brings us to the table."
Community Engagement	P	5	"Our internal underwriting process is pretty strict. It is not unusual for us to deny loans even if they are permissible under the [official] guidelines. "
Internal Corporate Culture	S	7	
<i>Micro (Individual Influences)</i>			
Values: Access	P	3	"I provide loans to low income borrowers because it is my mission. Someone needs to help them. They deserve to be able to purchase a home." "I gauge my success not by how many loans I close, but by how happy my borrower is a year or more after closing with their decision to purchase".
Values: Sustainability	S	7	
Personal Relationships	S	3	"My borrowers are like my family. I talk with them frequently before and after purchase to provide guidance about decisions."

Note: "P" represents participation, and "S" represents sustainability. The column N indicates the number of lenders.

**Table 3: Mixed Influence Configurations**

	Pecuniary				Traditional				Altruistic				Opportunistic		
Lender ID Number:	12	9	5		8	6	10		2	7	11		1	3	4
<i>Macro (Economic)</i>															
Economic Opportunity: Market Niche			P			P							P	P	P
Economic Risk: Default Risk													S	S	
Economic Incentives: Loyal Customers	P	P													P
<i>Macro (Regulative)</i>															
National Legislation: CRA					P	P	P		P						
Program Guidelines	S	S	S		S	S	S			S					
<i>Mezzo (Normative)</i>															
Community Reputation					P	P				P	P		P	P	P
Community Engagement					P		P			P	P				P
Internal Corporate Culture			S		S	S	S		S		S				S
<i>Micro (Values &amp; Relationships)</i>															
Values: Access											P		P		P
Values: Sustainability					S	S	S		S	S	S		S		
Personal Relationships									S	S	S				

Note: "P" represents participation, and "S" represents sustainability.