

MAINE STATE LEGISLATURE

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Memorandum

To: Senator Peter Bowman, Chair
Representative Sharon Treat, Chair
Joint Standing Committee on Insurance and Financial Services

From: William N. Lund, Superintendent
Bureau of Consumer Credit Protection

Re: Periodic Foreclosure Report pursuant to PL 2009, Ch. 402

Date: March 10, 2010

As you are aware, PL 2009 Chapter 402 (LD 1418), "An Act to Preserve Home Ownership by Preventing Unnecessary Foreclosures," requires the Bureau of Consumer Credit Protection to report to the Insurance and Financial Services Committee on a quarterly basis regarding implementation and results of the Bureau's foreclosure prevention program. The first report was submitted to the Committee in September, 2009, and the second report was provided on January 15, 2010. This, the third report, covers the period from December 15, 2009 through March 10, 2010.

I. NEW DEVELOPMENTS

The most significant recent development in foreclosure prevention in Maine is the enactment of LD 1707, "An Act to Clarify the Application of Certain Statutory Requirements to Foreclosure" (PL 2010, Chapter 476). As emergency legislation, it took effect on February 24, 2010 upon being signed by Governor Baldacci.

The law closes a loophole that allowed some financial institutions to avoid reporting the names and addresses of defaulting consumers, to the Bureau of Consumer Credit Protection. Under the amended law, all lenders will provide that contact information to the Bureau, so that the Bureau in turn can mail packages of information to the homeowners. The packages detail the resources available to those consumers to help them avoid foreclosure.

In other developments, the Bureau has used the newly-established foreclosure fund to increase the number of qualified foreclosure prevention counselors available to assist Maine homeowners. We have now entered into ten 12-month contracts with eight separate non-profit agencies (York County Community Action Program; Coastal Enterprises, Inc.; Community

Concepts; Penquis Community Action Program; Aroostook County Action Program; Kennebec Valley Community Action Program; Sustainable Economic Solutions; and Pine Tree Legal Assistance) to provide counselors to whom the Bureau can confidently refer homeowners. Those counselors are trained to gather financial information; negotiate with mortgage lenders, servicers and foreclosure attorneys; and develop payment deferral plans, loan modifications, loan restructurings or other remedies. The contracts signed to date have resulted in the hiring or retention of ten new counselors. If each counselor takes an annual caseload of 100 cases, an additional 1,000 homeowners will receive counseling and assistance this year. We will be adding a ninth agency, Washington/Hancock County Community Action, to our roster of foreclosure prevention partners in the near future.

We also continue to refer cases to counselors available under our separate contract with Maine State Housing Authority (MSHA). We are providing funds to MSHA to allow one of its new counselors to receive additional housing counselor training.

II. ONGOING PROGRAM ACTIVITIES

Since the beginning of the program in June 2009, the Bureau has mailed more than 11,438 resource packages. After receiving the Bureau's informational package or after hearing of the State's assistance program, more than 900 consumers have called the foreclosure prevention hotline, 1-888-664-2569 (1-888-NO-4-CLÖZ), to obtain assistance and advice on dealing with mortgage default. We received many additional calls each week on our regular consumer assistance lines from consumers who are far along in the foreclosure process, including those whose houses are already scheduled for auction. As we explained in our most recent report to you, many consumer referrals continue to come from the Maine Senate and House Majority and Minority offices, from individual legislators, and from the Washington or district offices of each of the four members of the Congressional delegation.

Bureau staff continues to investigate consumer allegations of law violations on the part of lenders or servicers. In cases that are at a critical stage (close to default or summary judgment for non-response in court; in the redemption period; or near actual auction date), when a delay of any sort would prejudice the consumer, the Bureau retains the case and intervenes under its authority as administrator of the Consumer Credit Code or as coordinator of the State's new foreclosure prevention program.

Bureau staffers continue to participate in trainings to familiarize themselves with the various federal government programs, as well as with the new statewide court mediation process. One staff member recently became a certified housing counselor after completing 7 days of training at the NeighborWorks Training Institute, which is approved by the U.S. Department of Housing and Urban Development (HUD). A significant portion of this training focused on how states can develop and implement effective foreclosure prevention programs. Of particular interest was the revelation that a consumer response rate of 3% is considered successful in other states that offer consumer notification programs similar to Maine's. In our State, we are experiencing a response rate of more than 9%, suggesting that the mailings being sent effective and indicating that Maine consumers are overcoming their inherent reluctance to seek help when faced with the potential loss of their home.

In other developments, the Bureau hosted the first quarterly meeting and training session of Maine's Housing Counselor Network on January 26, 2010. Thirty-four individuals attended

the event, including representatives from HUD. The session was led by Chet Randall of Pine Tree Legal Assistance and Debby King-Johnson of Maine State Housing, and training was provided by the Bureau's chief field investigator, David Stolt, and by Jennifer Gordon of York County Community Action Program. The next session is scheduled for May 12, 2010, and will also be hosted by the Bureau.

The Bureau's direct work on behalf of homeowners has continued to be effective and productive, as staff has been successful in convincing lenders to postpone or cancel more than 34 foreclosure auctions; to rescind one auction that had already been held; and to modify the terms of 45 mortgage loan contracts to make them affordable to the consumers.

III. DEFAULTS BY COUNTY

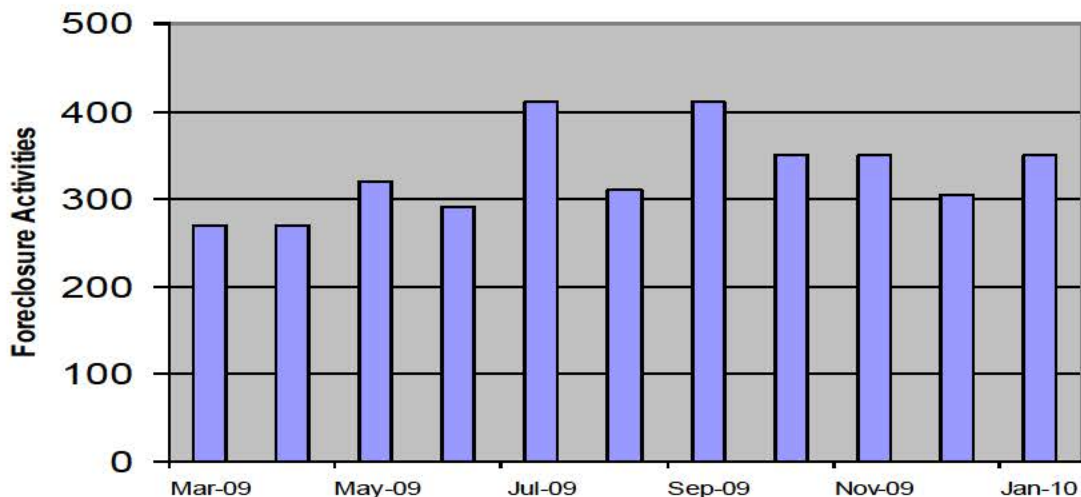
When lenders report on homeowners to whom they have sent default notices, the lenders are asked to indicate the county of residence of the consumers involved. From that data we have derived the following totals indicating the numbers of defaulting consumers in each county from June 15, 2009 through March 4, 2010:

Cumberland: 2,552 consumers	Hancock: 417
York: 1,856	Waldo: 445
Penobscot: 1,415	Aroostook: 391
Androscoggin: 1,054	Lincoln: 376
Kennebec: 1,057	Knox: 276
Oxford: 659	Franklin: 222
Sagadahoc: 649	Piscataquis: 195
Somerset: 472	Washington: 184

IV. MAINE FORECLOSURE ACTIVITY

(Number of court cases in which legal filings were made.)

The Bureau relies on a reporting service, RealtyTrac, which tallies the number of pending court cases in which foreclosure filings were made on a monthly basis. The chart below shows the number of consumers who received foreclosure filings from May 2009 through January 2010.



The 357 homes subject to a court filing in Maine in January, 2010 means that roughly one in every 2,000 homes in this State is actively in foreclosure. That rate of foreclosure is relatively low compared with the national average, and Maine has consistently ranked between 40th and 45th of all the states in this category.

However, based on the large number of packets mailed from the Bureau each day, and based on the continued flood of daily calls to the Bureau's foreclosure prevention hotline, we now believe that the rate of foreclosures in Maine will not increase dramatically but will maintain the current rate, at least through the summer months of 2010.

V. CONCLUSION

The Bureau is prepared to continue its work of assisting Maine consumers avoid unnecessary foreclosures, by training its own staff to assist consumers; by entering into contracts with additional outside counseling agencies; by vigorously enforcing the laws against predatory lending and servicing; by encouraging lenders and servicers to offer loan modifications; by coordinating with other foreclosure prevention activities, including the new court modification program.

The Bureau wishes to thank the Committee for its ongoing support as the implementation process continues. We look forward to reporting to the Committee later in calendar year 2010 on the initial results of the new statewide court-directed foreclosure prevention mediation program.