

# 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: ***Quarterly Foreclosure Report pursuant to PL 2009, Ch. 402***

Date: June 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. This quarterly report covers the period of March 2010 through May 2010.

### **I. NEW DEVELOPMENTS**

The Bureau continues to use the newly-established foreclosure fund to increase the number of qualified foreclosure prevention counselors available to assist Maine homeowners. An additional counselor will be added in the Washington/Hancock County region within the next week bringing the number of new counselors around the State to eleven.

The Bureau also continues to refer cases to counselors available under a separate contract with Maine State Housing Authority (MaineHousing). We have provided funding to MaineHousing 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 approximately 21,500 resource packages to Maine homeowners. After receiving the Bureau’s informational package or after hearing of the State’s program, more than 1,300 consumers have called the foreclosure prevention hotline, 1-888-664-2569 (1-888-NO-4-CLOZ), to obtain assistance and advice on dealing with mortgage default. The Bureau mailed out 8,312 foreclosure information packages during this current reporting period of March 2010 to May 2010.

Consumer referrals are also continually received from staff in the State Senate and Maine House of Representatives, from individual legislators, and from the Washington or district offices of each of the four members of the Congressional delegation.

Many consumers are far along in the foreclosure process, including some whose houses are already scheduled for auction. The Bureau's primary goal is to refer cases to the housing counselors with whom we have contracts for services. However, in cases in which homeowners allege violations of law on the part of lenders or servicers, and 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) such that a delay of any sort would prejudice the consumer, Bureau staff 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 statewide court mediation process. Four staff members recently attended a four day school hosted by the National Association of Consumer Credit Administrators (NACCA) and the American Association of Residential Mortgage Regulators (AARMR) where they were trained on recent changes to the Real Estate Settlement Procedures Act (RESPA) and Regulation Z, mortgage fraud schemes and examination techniques on non-depository institutions. The Bureau's staff members also made a presentation to the group, providing a regulatory perspective on the subject of negotiating mortgage loan modifications.

In other developments, the Bureau hosted its second quarterly meeting and training session of Maine's Housing Counselor Network on May 12, 2010. Forty-four individuals attended the event, including representatives from HUD and non-profit agencies. The session was led by Chet Randall of Pine Tree Legal Assistance where training was provided on bankruptcy, loan modification programs and property tax foreclosures by Rich Goldman, Esq., Stephanie Roux of MaineHousing and Chet Randal of Pine Tree Legal Assistance. The Bureau's chief field investigator, David Stolt, and the judicial branch's Foreclosure Division Program Manager, Lauren Blake-Weliver, provided the attendees with an update on foreclosure statistics. The next session is scheduled for August and will also be hosted by the Bureau.

Additionally, the Bureau is working with MaineHousing and Pine Tree Legal Assistance to host four foreclosure prevention workshops this summer. The workshops will be held on June 12<sup>th</sup> in Augusta, June 26<sup>th</sup> in Portland, July 22<sup>nd</sup> in Sanford and on August 21<sup>st</sup> in Bangor. Staff from the Bureau and Pine Tree Legal Assistance will join HUD-certified counselors to offer free housing counseling, foreclosure prevention and legal services.

### 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 the Bureau derived the following totals indicating the numbers of defaulting consumers in each county from June 15, 2009 through May 31, 2010:

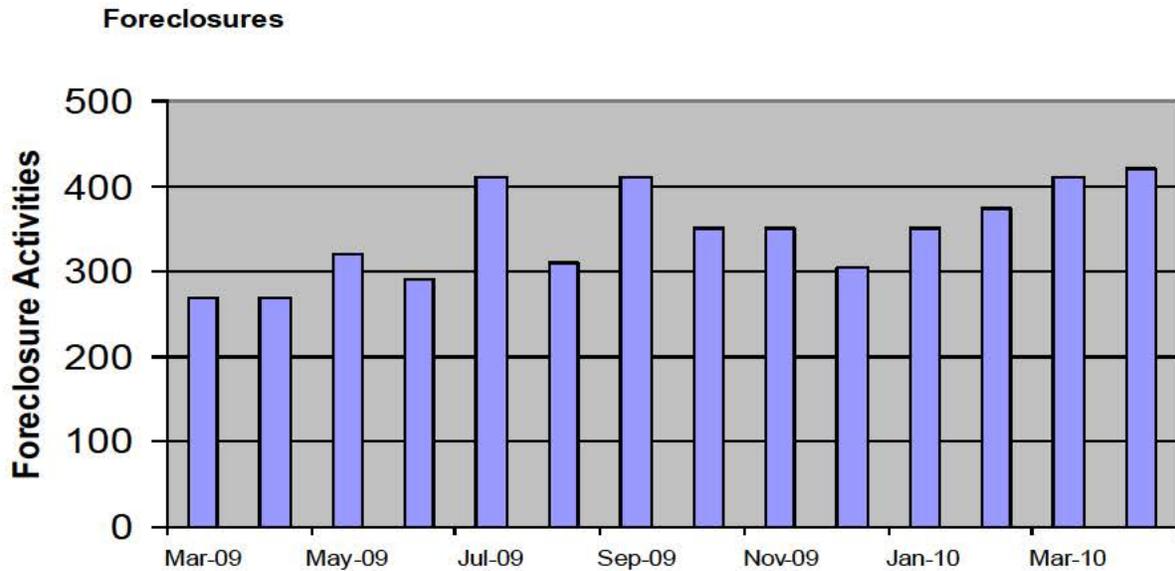
Cumberland: 3,603 (consumers)	Hancock: 663
York: 2,863	Waldo: 629
Penobscot: 1,941	Aroostook: 546
Androscoggin: 1,546	Lincoln: 550
Kennebec: 1,494	Knox: 459
Oxford: 932	Franklin: 371
Sagadahoc: 917	Washington: 338
Somerset: 702	Piscataquis: 309

Based on the above figures, it is possible to identify areas within Maine that have been especially hard-hit by mortgage defaults. Assuming that 75% of Maine residents live in owner-occupied housing (as opposed to rental apartments), and assuming an average number of 4 persons per household, Sagadahoc County figures reflect the highest default rate, with an estimated 13.44 percent of homeowners having received a default notice at some point during the past year. Piscataquis County has experienced the second-most numerous mortgage defaults, with an estimated 9.81% of households having received a default notice, and Oxford County is third with a rate 8.84% of households.

### IV. MAINE FORECLOSURE ACTIVITY

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

The Bureau utilizes data from a national 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 March 2009 through April 2010.



The 412 homes subject to a court filing in Maine in April 2010 means that roughly one in every 1,800 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 40<sup>th</sup> and 45<sup>th</sup> of all the states in this category.

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

## **V. CONCLUSION**

The Bureau is prepared to continue its work of helping 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; and 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 this year on the initial results of the new statewide court-directed foreclosure prevention mediation program.