STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
AND FINANCIAL REGULATION
BUREAU OF CONSUMER CREDIT
PROTECTION
35 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0035

PAUL R. LEPAGE
GOVERNOR

William N. Lund
SUPERINTENDENT

To: Senator Rodney Whittemore, Chair
Representative Wesley Richardson, 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

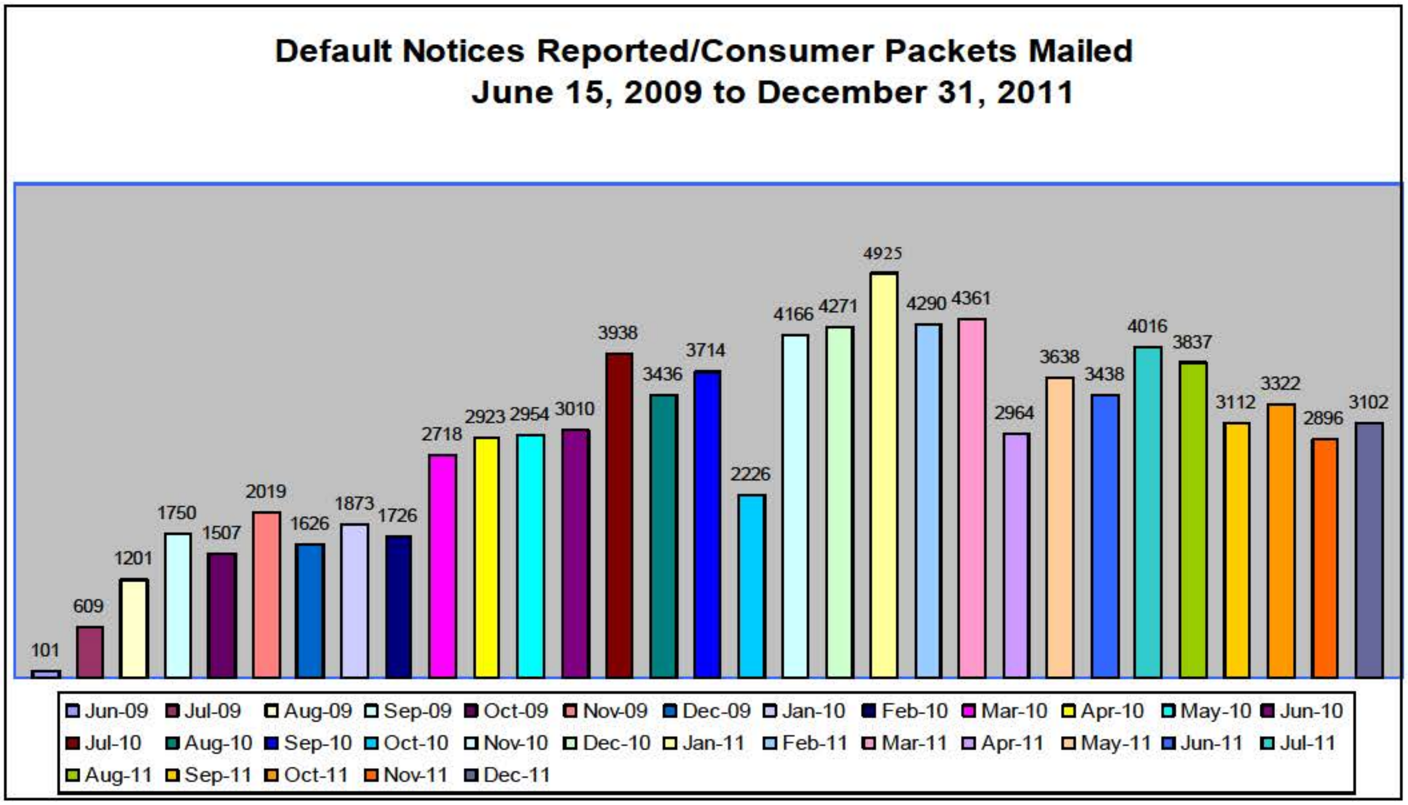
Date: January 10, 2012

Public Law 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 regular basis regarding implementation and results of the State of Maine's foreclosure diversion program implemented by the Bureau. This report summarizes information from the period July 1, 2011 through December 31, 2011. It also provides data and insights from the Bureau's administration of the program during 2011, and from the start of the program on June 15, 2009 to the present.

I. CURRENT EVENTS

1) Volume of mailed packets continues to be high

The number of informational packets mailed to Maine homeowners by the Bureau equals the number of "Notices of Right to Cure Default" sent to those homeowners by their lenders. Therefore, the steady, high volume of packets mailed in each of the past six months is an indication that the current default-and-foreclosure crisis is not over. The following chart illustrates the numbers of informational packets mailed each month since the program was implemented:



In 2011, the Bureau mailed 45,821 packets to affected consumers. By county, the number of default notices sent was as follows:

Default Notices Sent by County
January 1, 2011 through December 31, 2011

Androscoggin	4047	Oxford	2442
Aroostook	1410	Penobscot	4969
Cumberland	8839	Piscataquis	635
Franklin	996	Sagadahoc	1722
Hancock	1576	Somerset	1666
Kennebec	4234	Waldo	1351
Knox	1151	Washington	1236
Lincoln	1457	York	8090

2) Bureau's foreclosure diversion program hotline remains busy

The informational packet that consumers receive from the Bureau, highlights the agency's foreclosure prevention program hotline (1-888-NO-4-CLŌZ). In our staff's experience, consumers are appreciative of the opportunity to speak directly with a knowledgeable person in Maine who can provide useful, often crucial, assistance. Many consumers are frustrated by lenders' endless voicemail systems or multiple transfers to distant call centers. Bureau staff also find the person-to-person contact productive and efficient because it permits our employees to identify priority situations, cases of foreclosure rescue fraud, and instances of apparent violations of lending laws. In the six-month period ending December 31, 2011, the Bureau received more than 900 calls to the program hotline from consumers in default on their mortgages.

3) Bureau referrals remain constant

In the six-month period from July 1, 2011 through December 31, 2011, the Bureau made 622 direct referrals linking distressed Maine consumers to HUD-certified housing counselors. Direct referrals for 2011 totaled 1323. The high for the year was 185 referrals in March, and the low was 74 referrals in November.

4) Bank of America holds clinics in Portland and Bangor

More than 1 in every 5 first lien mortgages in Maine is held by Bank of America. Roughly 10 percent of Bank of America's customers in Maine are in default or in danger of going into default.

With the support of the Maine Housing Counseling Network (MHCN), Bank of America contacted 8,000 Maine customers and invited them to attend consumer outreach clinics in Maine, at which the consumers met with bank employees authorized to review and process the consumers' loan modification requests.

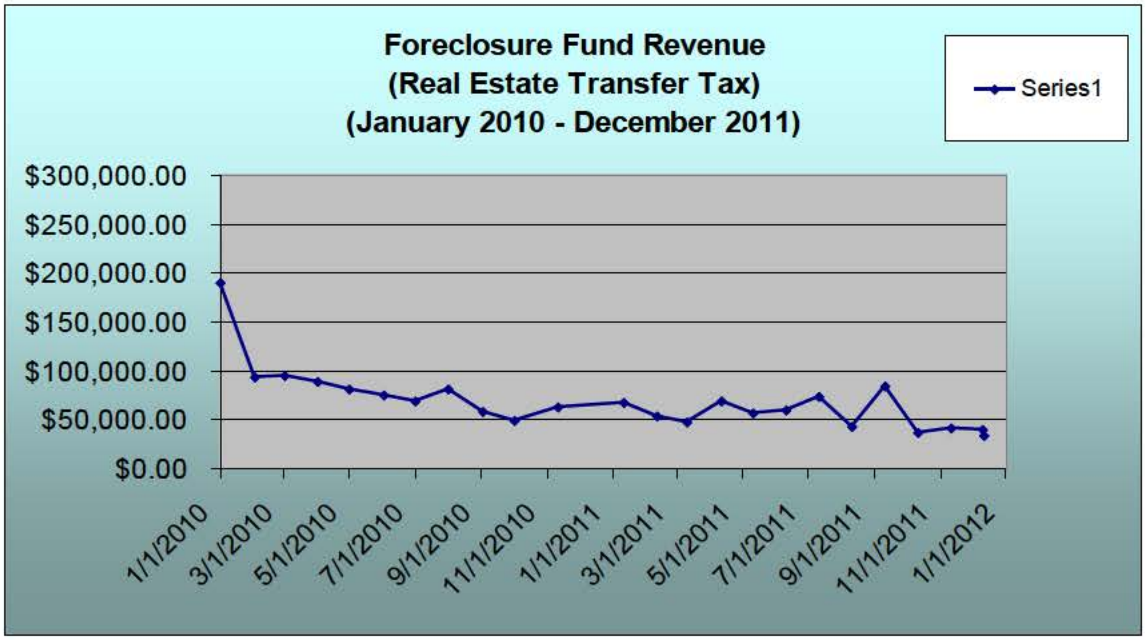
The events were designed to streamline the loss mitigation process for the consumers. Three such events (two in Portland; one in Bangor) were held December 2 and 3, 2011. A number of HUD-certified counselors, including David Stolt of the Bureau, attended the meetings in order to assist homeowners prepare their loan modification applications. Mr. Stolt reported that a number of consumers obtained loan modifications as a result of the clinics. Bank of America has indicated to the Bureau that it anticipates conducting a similar event in the spring of 2012.

5) Revenues to program from foreclosure sales drop to low level

Revenue for the program is derived from the real estate transfer tax applied to deeds of foreclosure from a lender to itself *(i.e.,* a lender purchasing its own property at a foreclosure auction), or deeds conveying property to a lender in lieu of foreclosure.

Revenues to the program took an unexpected -- and unexplained -- drop for the period July 1, 2011 through December 31, 2011. The forecasted and budgeted revenues for the period had been $60,000 per month. Actual revenues amounted to far less than that; for example, the December 2011 receipts were only $34,197.57.

Foreclosure Diversion Program Revenues January 2010 through December 31, 2011



The Bureau is scheduled to discuss this situation with David Ledew, Director of the transfer tax division of Maine Revenue Services, to determine the reasons for the situation. Possible explanations include: 1) delays in completing foreclosures due to increased scrutiny of Motions for Summary Judgment by the courts; 2) the lingering effects of the "robo-signing" scandal, in which lenders were found to be making misrepresentations on affidavits in support of foreclosure actions; and 3) interpretations of the law, 36 MRSA § 4641-B (6), which establishes the basis for the tax on purchases of foreclosed property by the lenders. It is possible that the statute is being interpreted so as not to apply to conveyances from the foreclosing entity to investors (such as Fannie Mae or Freddie Mac), transactions which are substantively identical to purchases by the lender but which may be treated differently for purposes of disbursing revenue to the program.

6) Bureau cuts spending and limits contract lengths in response to lower revenues

In response to the decreased revenues, the Bureau has taken steps to reduce its administrative spending:

- Not requesting permission to fill a recently-vacated Senior Examiner position assigned to the program;
- Working with lenders to reduce costs by avoiding duplicate mailings;
- Working with the state postal system to reduce mailing costs; and
- Limiting contract expenditures with non-profit housing counseling agencies.

Nine of the thirteen existing contracts with the agencies providing housing counseling services to Maine consumers expire in the first four weeks of calendar year 2012. Rather than renewing the contracts for an additional full year, the Bureau has notified the affected non-profit agencies that it is only able to commit to contract extensions through June 30, 2012.

A number of factors may combine to improve the flow of funds into the program in the early months of 2012 (see, for example, discussion of a possible multi-state settlement by the Attorney General's office, detailed below). Nonetheless, until the Bureau can identify and rely on rebounded revenues from foreclosure-related transfer taxes, it will continue to reduce both administrative and contract costs.

7) Possible Attorney General's Office mortgage-related settlement

Attorney General William Schneider's office is participating in multi-state negotiations with several of the nation's largest mortgage lenders and servicers. The settlement negotiations are aimed at remedying allegations of "robo-signing," improper foreclosures and irregular mortgage servicing conduct.

At issue are allegations that some consumers were mistreated in the process of applying for loss mitigation assistance, while others were reportedly wrongfully foreclosed upon. A portion of the settlement funds, if forthcoming, may be designated for specific state foreclosure prevention programs and activities, such as the Bureau's foreclosure diversion program. If the negotiations are successful, it is also possible that Attorney General Schneider will ask the Bureau to oversee the contracts resulting from additional monies allocated to foreclosure prevention from the anticipated settlement. More should be known about the status of the negotiations by April 2012.

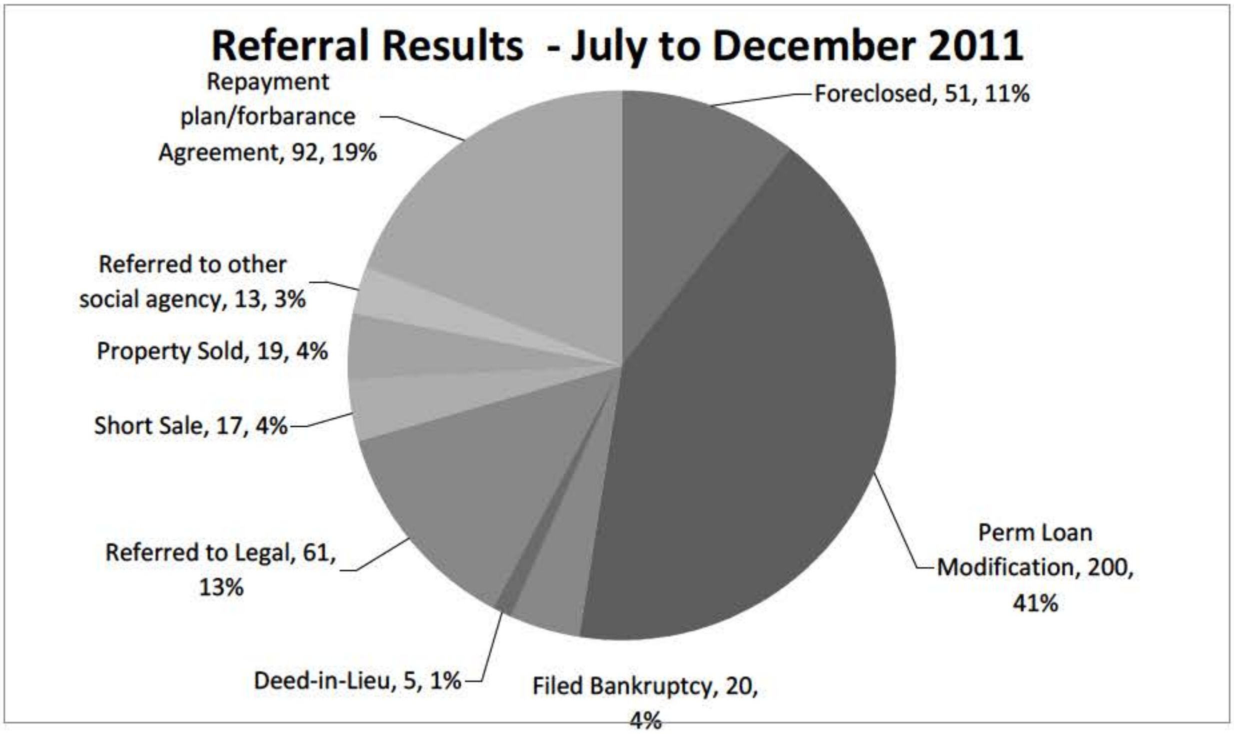
II. RESULTS OF WORK OF NON-PROFIT COUNSELORS FOR THE MOST RECENT 6-MONTH PERIOD

For the six-month period of July through December 2011, the Bureau referred 622 individual cases to its network of nonprofit housing counselors. During that same period, counselors reported 514 results obtained through the counseling process. Those results include:

Results of Referrals to Non-Profit Counselors
July 1, 2011 to December 31, 2011

Loan modifications achieved	200
Loans brought current; and repayment or forbearance plans	90
Court mediation assistance provided	40
Referred for additional legal assistance	61
Deeds-in-lieu of foreclosure	5
Consumers foreclosed upon	51
Consumers filed for bankruptcy protection	20
Short sales completed	16
Property sold	19
Consumers referred to other social agency	12

The following chart depicts the results of counselors' work on behalf of homeowners referred to them by the Bureau:

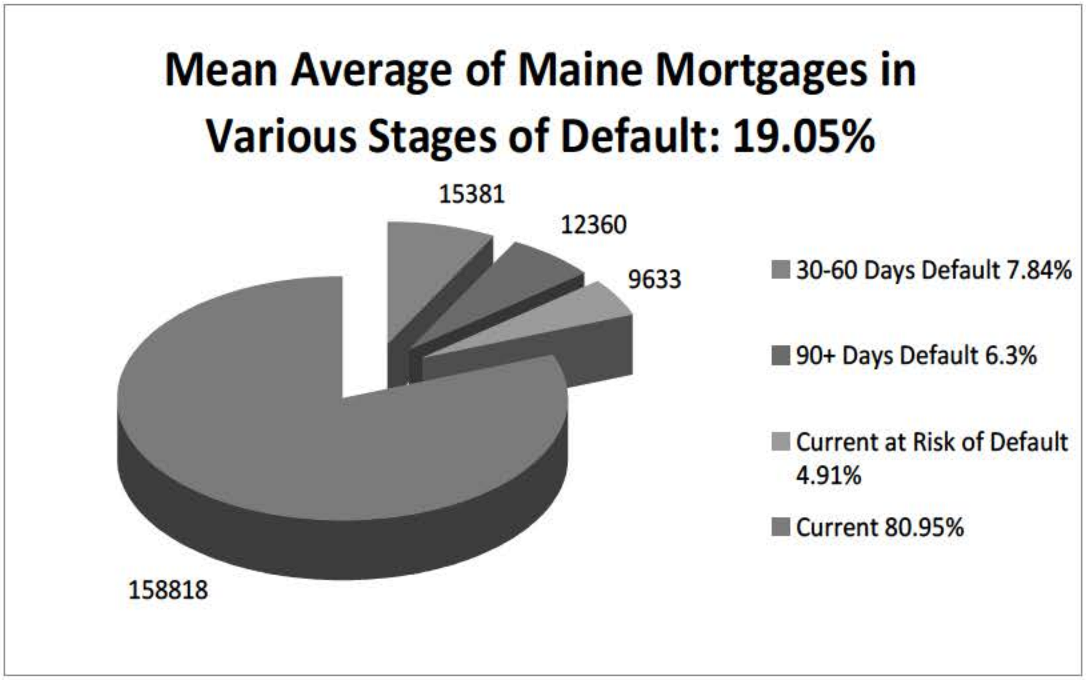


III. CONSUMERS MAKE WIDE USE OF FORECLOSURE DIVERSION PROGRAM

The most recent available state statistics on mortgage delinquency encompass the 12-month period from October 1, 2010 to September 1, 2011. The data is derived from the Mortgage Bankers Association National Delinquency Survey Q2 2011, the Federal Reserve Bank of Boston and 2010 U. S. Census data.

During that period, 5,208 Maine consumers received housing counseling services through the Bureau's diversion program and the State's non-profit and legal services agencies. These consumers were either referred to counselors after contacting the Bureau's hotline, or the consumers made direct contact with the counseling agencies after receiving the packet of information from the Bureau or after referral from other sources (*e.g.*, Congressional offices).

As the following chart illustrates, economists estimate that during that 12-month period, 158,818 Maine consumers were current on their mortgages. However, during that same period, 37,374 homeowners in this state (nearly one in five) were either in default on their mortgages during that 12-month period, or were at risk of default.



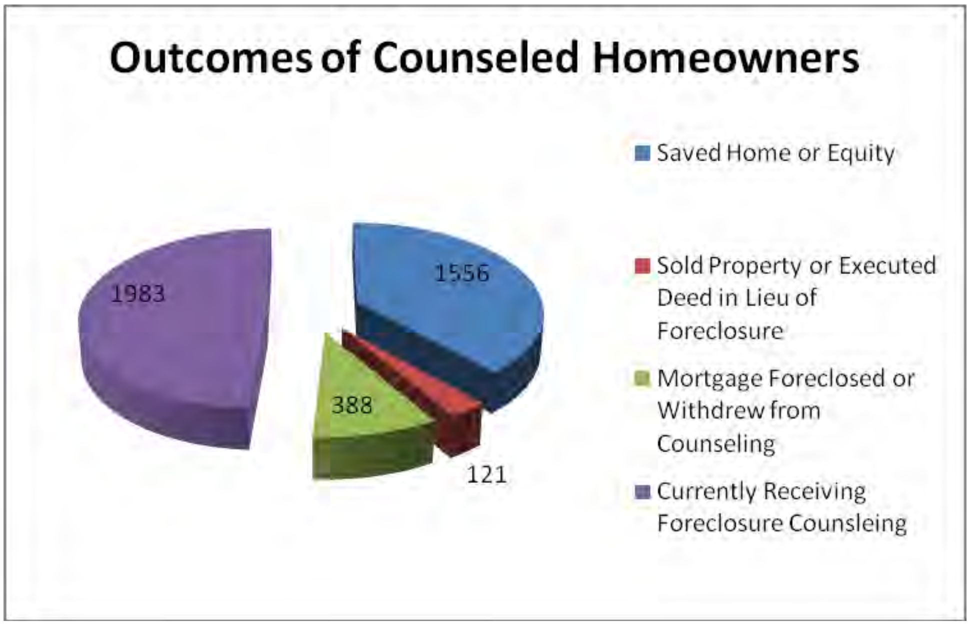
The 5,208 homeowners who received housing counseling and legal aid services between October 1, 2010 and September 30, 2011 represent approximately 14% of Maine's homeowners who were in default or at risk.

Based on reporting by Maine's housing counselors to the U.S. Department of Housing and Urban Development, those consumers who received counseling obtained the following resolutions:

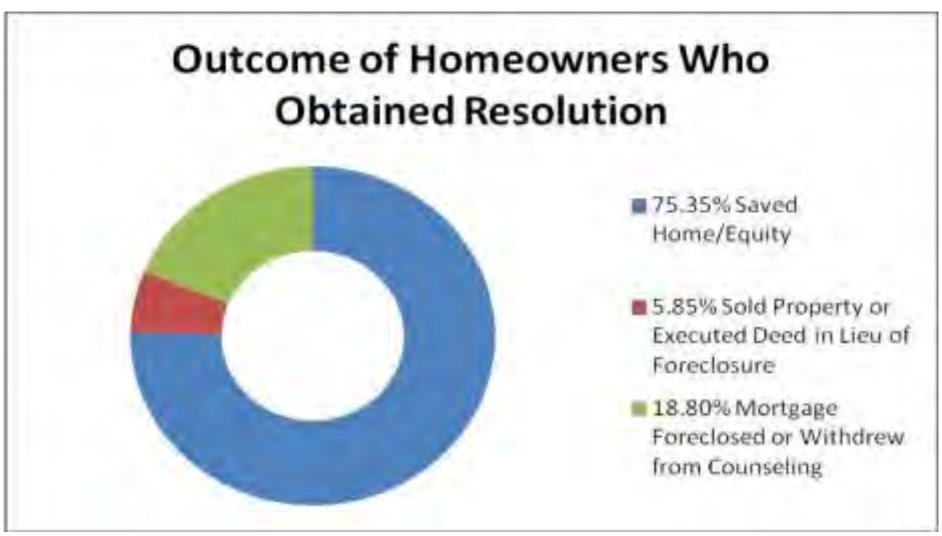
Brought Mortgage Current	153
Obtained Refinanced Mortgage Loans	16
Obtained Modified Mortgage Loans	519
Initiated Forbearance/Repayment Plan	290
Executed Deed in Lieu of Foreclosure	31
Sold Property/Chose Alternative Housing Solution	50
Pre-foreclosure Sales	40
Mortgages Foreclosed	92
Counseled and Referred to Other Agencies	227
Obtained Partial Claim Loans from FHA Lender	2
Filed for Bankruptcy Protection	36
Entered Debt Management Plan	150
Referred for Legal Assistance	145
Currently Receiving Foreclosure Counseling	1983
Participated in Mortgage Delinquency/Mediation Workshops	1160
Withdrew from Counseling	296
Other	18
TOTAL	5208

Further analysis of these figures shows that, of the consumers who stayed with the counseling programs and obtained an outcome, 1) less than 19% of those consumers lost their homes to foreclosure; 2) 75% were able to save their homes or retain the home's equity (for example, by obtaining a loan modification or refinance); and 3) another 5% were able to arrange a "soft landing," making other housing arrangements and avoiding a foreclosure on their credit reports (as through a pre-foreclosure sale).

As illustrated below, these outcomes can be grouped into four distinct categories: 1) Home/Equity Saved; 2) Property Sold or Deed in Lieu of Foreclosure; 3) Mortgage Foreclosed or Withdrew from Counseling; and 4) Currently Receiving Foreclosure Counseling.



Of the more than 2,000 consumers who obtained resolutions of their cases, more than 3 of every 4 counseled homeowners were able to obtain a viable resolution from their lender and avoid foreclosure.



IV. STUDY GROUP RELEASES FORECLOSURE STREAMLINE REPORT

A study group of interested parties issued a report in the fall of 2011 detailing ways in which the Bureau's foreclosure diversion program could operate in a more streamlined fashion. Specific improvements and suggestions included:

1) Reducing postage costs by a) decreasing the content and weight of informational packages mailed to consumer in default; b) working directly with managers of the state postal system to ensure that weights of packages are determined in a consistent manner at the lowest available cost; and c) utilizing the state mailing system in such a way that the lower of two step-rate charges is assessed to the Bureau of Consumer Credit Protection;

2) Improving the readability of the information in the consumer packages, specifically revising the description of the civil foreclosure process to make it more accurate; and

3) Improving accountability of housing counselors by requiring monthly reporting on a uniform reporting format.

These changes have been implemented or will be implemented early in 2012. They will ensure that the program is operated in as efficient manner as possible, such that resources can be applied to provide direct homeowner assistance.

V. CONCLUSION

The Bureau's foreclosure diversion program is working in the manner designed by the Legislature, and statistics demonstrate that homeowners who choose to participate have a good chance of remaining in their homes or retaining the equity they have built up in their homes. If foreclosures can be avoided, both lenders and homeowners benefit. The Bureau's foreclosure program faces significant funding challenges. In response, the Bureau has reduced expenditures until future revenue streams can be accurately determined.