

MAINE STATE LEGISLATURE

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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: Joint Standing Committee on Insurance and Financial Services
Joint Standing Committee on Appropriations and Financial Affairs**

**FROM: William N. Lund, Superintendent
Bureau of Consumer Credit Protection
Department of Professional and Financial Regulation**

**RE: 26th Foreclosure Assistance and Referral Program Report (Covering April –
June, 2016)**

DATE: August 31, 2016

Introduction

Title 14 M.R.S. § 6111 requires mortgage lenders and servicers to provide a “notice of right to cure” (also referred to herein as a “default notice”) to any homeowner in default, prior to commencing a foreclosure action in court. The section further requires the lender or servicer to notify the Bureau of Consumer Credit Protection of each homeowner’s name and address, so the Bureau can mail an informational letter to the homeowner, advising the homeowner of the availability of state resources to assist the homeowner with the pre-foreclosure and foreclosure process.

Title 14 M.R.S. § 6111(3-B) requires the Bureau to draft a quarterly report to the Joint Standing Committee on Insurance and Financial Services listing the number of default notices sent to Maine residents by their lenders. The report must include information on foreclosures filed by state-chartered banks, using information provided by the state’s Bureau of Financial Institutions, as well as information on what types of creditors are initiating foreclosures (*e.g.*, national banks, non-bank mortgage companies; investment trusts).

In addition, Title 14 M.R.S. § 6112(5) requires reporting every 6 months on the financial aspects of operation of the Bureau’s foreclosure hotline and counselor referral program, both to the Insurance and Financial Services Committee and to the Joint Standing Committee on Appropriations and Financial Affairs.



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This combined report has been prepared to comply with both provisions (Section 6111 and Section 6112) of Title 14.

INFORMATIONAL LETTERS MAILED BY THE BUREAU: April – June, 2016

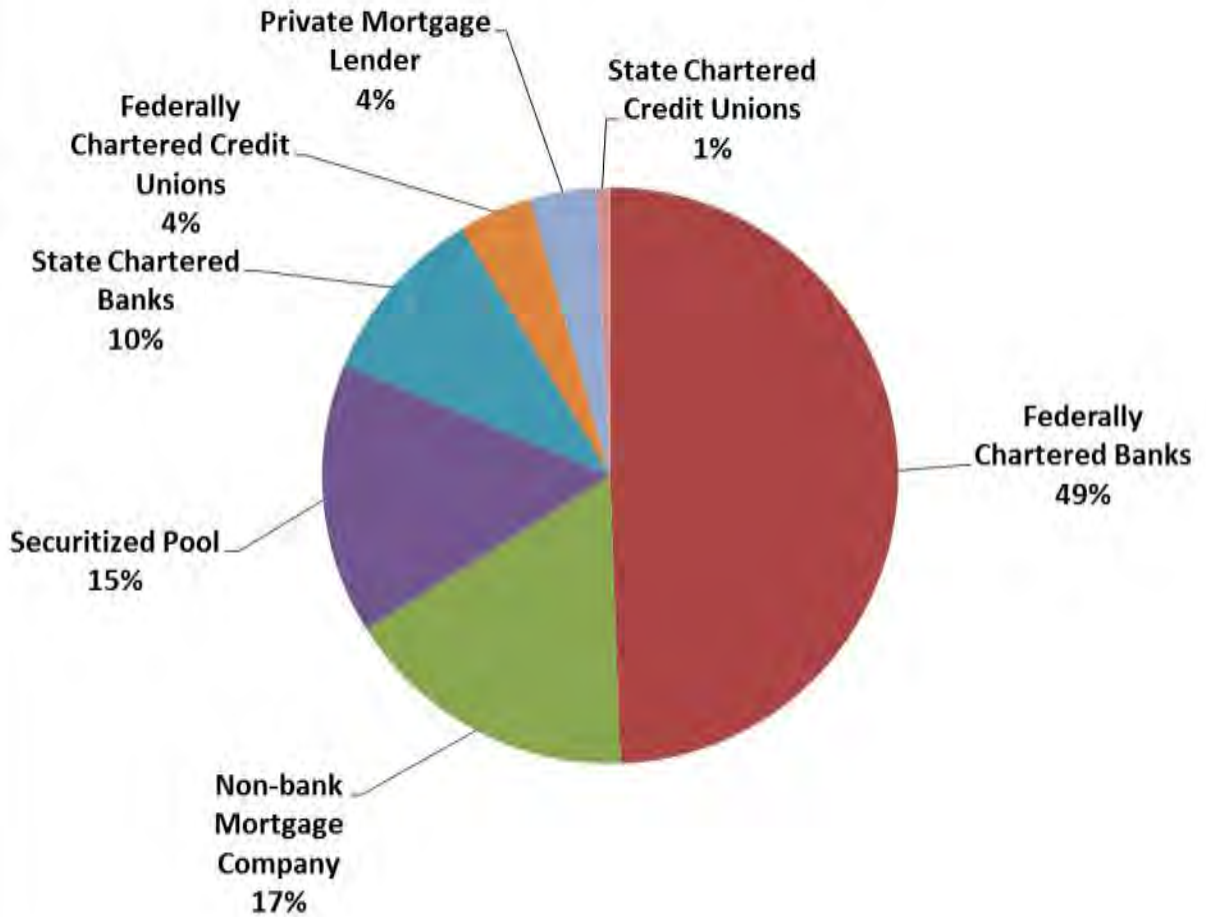
The Bureau mailed a total of 4,996 informational letters to Maine homeowners who received a notice of right to cure from their lender or servicer during the months of April, May and June of 2016.

The following chart identifies the type of financial institution or servicer that sent the homeowner the right to cure notice:

Type	April 16	May 16	June 16
Federally Chartered Bank	885	832	753
Non-bank Mortgage Company	319	250	261
Securitized Pool	293	185	282
State Chartered Bank	156	180	169
Federally Chartered Credit Union	67	11	128
Private Mortgage Lender	64	36	85
State Chartered Credit Union	24	0	16
Total:	1808	1494	1694

These numbers are represented as percentages in the following chart:

Q2 2016 Notice by Owner Type



FORECLOSURE CASES FILED IN COURT

There were 891 foreclosure cases filed in Maine courts in the second quarter of 2016. The following chart shows the breakdown of such filings by court.

Region/Court	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	July 2015 – June 2016
	Jul-Sep 2015	Oct-Dec 2015	Jan- Mar 2016	Apr- Jun 2016	TOTAL
STATEWIDE TOTAL	520	547	705	891	2663
Alfred Superior Court	15	9	18	43	85
York District Court	7	5	7	15	34
Biddeford District Court	23	19	31	42	115
Springvale District Court	25	29	45	46	145
Region 1 Subtotal	70	62	101	146	379
Portland Superior Court	54	50	78	112	294
Bridgton District Court	13	25	24	32	94
Portland District Court	0	0	0	0	0
Region 2 Subtotal	67	75	102	144	388
South Paris Superior Court	9	5	10	17	41
Auburn Superior Court	11	12	15	20	58
Farmington Superior Court	1	6	4	3	14
Lewiston District Court	37	35	51	56	179
Farmington District Court	9	9	20	12	50
Rumford District Court	9	16	5	19	49
Livermore Falls District Court	0	0	0	0	0
South Paris District Court	13	11	11	15	50
Region 3 Subtotal	89	94	116	142	441
Skowhegan Superior Court	5	11	5	12	33
Augusta Superior Court	12	16	15	19	62
Skowhegan District Court	16	26	29	44	115
Waterville District Court	14	22	19	23	78
Augusta District Court	31	24	39	34	128
Region 4 Subtotal	78	99	107	132	416

Region/Court	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	July 2015 – June 2016
	Jul-Sep 2015	Oct-Dec 2015	Jan- Mar 2016	Apr- Jun 2016	TOTAL
Dover Foxcroft Superior Court	3	1	1	4	9
Bangor Superior Court	28	14	21	32	95
Millinocket District Court	0	0	0	0	0
Dover Foxcroft District Court	7	11	17	8	43
Lincoln District Court	10	9	10	14	43
Newport District Court	10	17	20	16	63
Bangor District Court	29	37	45	54	165
Region 5 Subtotal	87	89	114	128	418
Wiscasset Superior Court	7	7	7	4	25
Bath Superior Court	2	2	4	8	16
Rockland Superior Court	5	7	3	8	23
Belfast Superior Court	5	4	7	6	22
Belfast District Court	13	16	14	25	68
Wiscasset District Court	10	13	10	15	48
West Bath District Court	11	10	20	28	69
Rockland District Court	8	12	6	12	38
Region 6 Subtotal	61	71	71	106	309
Machias Superior Court	1	2	5	5	13
Ellsworth Superior Court	6	7	4	7	24
Bar Harbor District Court	0	0	0	0	0
Machias District Court	3	8	11	7	29
Calais District Court	7	4	4	7	22
Ellsworth District Court	25	12	19	23	79
Region 7 Subtotal	42	33	43	49	167
Houlton Superior Court	3	3	3	6	15
Caribou Superior Court	11	15	37	28	91
Caribou District Court	2	1	2	2	7
Houlton District Court	3	1	2	5	11
Madawaska District Court	0	0	0	0	0
Fort Kent District Court	3	1	2	2	8
Presque Isle District Court	4	3	5	1	13
Region 8 Subtotal	26	24	51	44	145

The chart shows a significant increase in the number of foreclosure cases being filed compared to the same period last year. For the 2nd quarter of 2015, (not shown on this chart) 458 foreclosure cases were filed in court. The 891 filed in the 2nd quarter of 2016 represents a 94.5% increase in one year.

INFORMATION FROM NATIONAL SOURCES

In its *National Foreclosure Report* for June, 2016 Corelogic, a global property information and analytics company, reported Maine's overall foreclosure inventory (loans in the process of foreclosure) at 1.9%. This percentage of loans in foreclosure inventory has decreased each year since 2012, when it was at its highest level (5.9% of all Maine homes were at some point in the foreclosure process in 2012).

The June 2016 Corelogic report also noted that Maine's rate of mortgages which were seriously in default (over 90 days), was 4.1%, down from 4.7% in December of 2015.

While these improving numbers are encouraging, Corelogic reports that Maine still has the 5th highest foreclosure inventory in the country, and its loans seriously in default number as a percentage of total home ownership place it 5th in that category as well.

THE BUREAU'S OUTREACH PROGRAM

During April, May and June, the Bureau assigned 95 cases to counselors as a result of calls from homeowners who were delinquent in their mortgages. The counselors under contract with the Bureau undertook representation of another 67 homeowners who contacted them directly as a result of receiving the informational packet from the Bureau, as well as 72 cases from other sources such as congressional offices or other community agencies.

During the three month period, counselors assisted 66 Maine homeowners in obtaining alternatives to foreclosure, allowing them to remain in their homes. The breakdown of positive results is as follows:

1. Loan modification	51
2. Homeowner brought loan current	13
3. Homeowner refinanced or obtained reverse mortgage	1
4. Lender agreed to partial claim ^{1*}	1

In addition to helping 66 homeowners retain their homes, counselors under contract with the Bureau also helped 8 homeowners with resolutions that were favorable to them in cases in which retention of the home was not an option. These resolutions involved 2 cases in which the homeowner successfully sold the property and paid off the mortgage loan, and 6 cases in which the homeowners executed a deed-in-lieu of foreclosure to the lender. In such a case the lender does not have to go through the time and expense of foreclosing, and the homeowner is usually relieved of the potential for a deficiency judgment.

^{1*}A partial claim is a situation in which a loan is guaranteed by a third party. If a foreclosure occurs, the third party may be liable to the lender for any deficiency on the loan. Rather than let the unpaid balance grow in certain cases where the homeowner has had a financial setback but is able to begin making full payment on the mortgage, the guarantor pays a "partial claim" consisting of the amount the loan payments are in arrears to bring the loan current, avoiding the risk of a much larger liability if foreclosure occurs.

FINANCIAL CONDITION OF THE OUTREACH PROGRAM

The primary source of funding for the Outreach Program (foreclosure hotline, intake and referral service) is a transfer tax paid by a lender that purchases property at auction following the lender's foreclosure on the property. Revenue from the transfer tax fell just short of projections for the fiscal year which ended on June 30, 2016. Revenue had been projected at \$600,000 for the year, but actual revenue was \$578,794.59. Revenue for the current fiscal year is also projected at \$600,000. The continued increase in the number of foreclosures being filed in court suggests that fees from transfer tax on completed foreclosures and sales will also rise and that revenue should meet projections.

The program ended the fiscal year with available funds of \$545,140.00 as of June 30, 2016. Since that time the Program received \$300,000 from a state account holding national settlement funds. The budgeted program expenditures for this year not including transfers amount to approximately \$780,000. If revenues meet projections for this fiscal year, the program should have sufficient funds to operate through the next biennial budget.

CONCLUSION

While foreclosure inventory and the numbers of mortgages in serious default have decreased since 2012, the numbers in both cases – as a percentage of our population – still place Maine among the highest in the country. Numbers of foreclosure cases filed in court have increased considerably. Demand for services provided by the Outreach Program is expected to remain high, but the program should be able to meet that demand.