

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
Joint Standing Committee on the Judiciary

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

Re: 18th Periodic Report on the Bureau's Foreclosure Diversion Program

Date: August 28, 2014

Introduction

Title 14 M.R.S. § 6111 requires mortgage lenders and/or servicers to provide a "notice of right to cure" to any homeowner in default prior to commencing a foreclosure action in court. The section further requires the lender and/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 of the availability of state resources to assist them 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 (I&FS) on the number of default notices sent to Maine residents. 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 I&FS Committee and to the Joint Standing Committee on Appropriations and Financial Affairs.



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OFFICES LOCATED AT:

76 NORTHERN AVENUE, GARDINER, MAINE

PHONE: (207)624-8527 (Voice)

FAX: (207)582-7699

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This combined report has been prepared to comply with both provisions of Title 14. Because the Committee on Judiciary was also asked last session to consider various legislation affecting the Bureau's foreclosure program, the Bureau has also addressed this report to that Committee.

NOTICES RECEIVED

During the quarterly period April 1, 2014 through June 30, 2014, the Bureau mailed a total of 9,322 informational letters to homeowners who received notices of default and right to cure from their mortgage lenders. This represented an approximate 10% decrease from the same period in 2013, when the Bureau mailed 10,345 such letters.

The following chart illustrates the numbers of mailings by county for the quarter. York and Cumberland counties continue to show the highest levels of mortgage default activity.

County	Apr-14	May-14	Jun-14	Total
Androscoggin	279	248	263	790
Aroostook	125	143	139	407
Cumberland	614	601	528	1743
Franklin	54	76	62	192
Hancock	91	87	89	267
Kennebec	333	361	335	1029
Knox	102	88	118	308
Lincoln	100	139	120	359
Oxford	146	162	166	474
Penobscot	297	272	273	842
Piscataquis	59	35	55	149
Sagadahoc	106	140	122	368
Somerset	121	108	115	344
Waldo	81	110	67	258
Washington	88	78	74	240
York	540	479	533	1552
Total:	3136	3127	3059	9,322

The following compilation shows the number of letters sent to homeowners per month since the inception of the program in June of 2009.

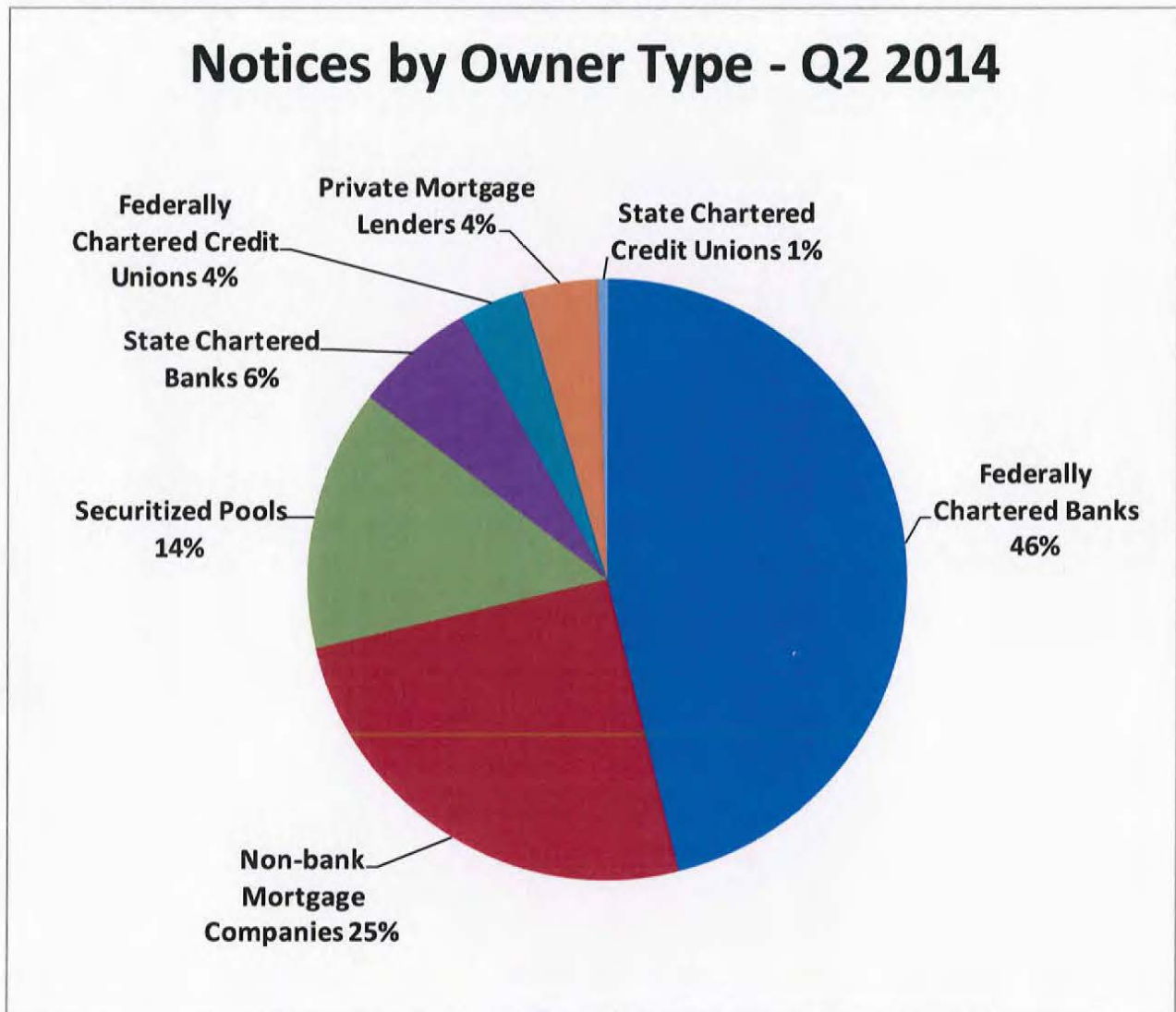
Year	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
2009						56	1086	1110	1468	1118	2269	1553
2010	1733	2110	2545	3145	2534	3198	3764	3336	3479	3717	4264	5739
2011	4507	4081	4157	3026	2821	3108	2826	3016	2478	2557	3179	3086
2012	3099	3142	3117	2957	3021	3165	3339	3340	3120	3361	3777	3115
2013	4191	3739	3053	3063	3816	3466	4310	4141	3818	3939	3119	3322
2014	4146	3359	2927	3136	3127	3059						

TYPES OF LENDERS FILING FORECLOSURES

The following chart lists the types of lenders reporting foreclosure notices to the Bureau, and the numbers of such filings. As indicated below, federally-chartered banks typically file more foreclosures than any other category of lender (46% in this reporting period).

Type	Apr-14	May-14	Jun-14
Federally-Chartered Banks	1445	1486	1413
Non-bank Mortgage Companies	791	880	760
Securitized Pools	441	423	501
State-Chartered Banks	204	171	202
Private Mortgage Lenders	111	89	75
Federally-Chartered Credit Unions	127	64	74
State-Chartered Credit Unions	17	14	34
Total:	3136	3127	3059

The following chart shows the percentages of notices by lender type:



FORECLOSURE ACTIONS FILED IN COURT

The chart on the following pages shows the number and distribution of foreclosure cases filed in court statewide during the first 6 months of 2014. Overall, 1,145 foreclosure cases were filed in the second quarter of 2014, a minor decrease compared with the 1,211 cases filed in Maine courts during the same period in 2013.

Region/Court	3rd Qtr Jul-Sep 2013	4th Qtr Oct - Dec 2013	1st Qtr Jan - Mar 2014	2nd Qtr Apr - Jun 2014	CY 2014 TOTAL
STATEWIDE TOTAL	1080	1315	1136	1145	4676
Alfred Superior Court	26	36	40	31	133
York District Court	17	32	23	34	106
Biddeford District Court	64	77	51	56	248
Springvale District Court	71	112	82	74	339
Region 1 Subtotal	178	257	196	195	826
Portland Superior Court	42	77	67	131	317
Bridgton District Court	51	61	56	63	231
Portland District Court	88	89	50	0	227
Region 2 Subtotal	181	227	173	194	775
South Paris Superior Court	18	12	12	20	62
Auburn Superior Court	39	30	55	41	165
Farmington Superior Court	9	8	4	11	32
Lewiston District Court	71	82	77	77	307
Farmington District Court	16	19	20	16	71
Rumford District Court	19	24	14	35	92
Livermore Falls District Court	0	0	0	0	0
South Paris District Court	21	18	26	18	83
Region 3 Subtotal	193	193	208	218	812
Skowhegan Superior Court	9	15	5	2	31
Augusta Superior Court	11	23	16	8	58
Skowhegan District Court	39	47	46	39	171
Waterville District Court	38	49	40	33	160
Augusta District Court	41	58	65	54	218
Region 4 Subtotal	138	192	172	136	638
Dover Foxcroft Superior Court	4	1	5	2	12
Bangor Superior Court	24	52	41	24	141
Millinocket District Court	0	0	0	0	0
Dover Foxcroft District Court	10	23	23	19	75
Lincoln District Court	22	14	8	19	63
Newport District Court	36	23	26	28	113
Bangor District Court	72	74	64	59	269
Region 5 Subtotal	168	187	167	151	673

Region/Court	3rd Qtr Jul-Sep 2013	4th Qtr Oct - Dec 2013	1st Qtr Jan - Mar 2014	2nd Qtr Apr - Jun 2014	CY 2014 TOTAL
Wiscasset Superior Court	10	8	6	9	33
Bath Superior Court	2	7	8	7	24
Rockland Superior Court	6	5	5	8	24
Belfast Superior Court	3	6	9	7	25
Belfast District Court	32	43	28	23	126
Wiscasset District Court	9	28	19	16	72
West Bath District Court	35	45	34	45	159
Rockland District Court	28	13	25	27	93
Region 6 Subtotal	125	155	134	142	556
Machias Superior Court	4	5	7	4	20
Ellsworth Superior Court	7	3	4	12	26
Bar Harbor District Court	0	0	0	0	0
Machias District Court	11	16	7	10	44
Calais District Court	10	11	3	8	32
Ellsworth District Court	21	27	26	29	103
Region 7 Subtotal	53	62	47	63	225
Houlton Superior Court	7	6	4	6	23
Caribou Superior Court	20	11	16	24	71
Caribou District Court	1	7	8	8	24
Houlton District Court	6	6	5	8	25
Madawaska District Court	0	0	0	0	0
Fort Kent District Court	2	3	2	0	7
Presque Isle District Court	8	9	4	0	21
Region 8 Subtotal	44	42	39	46	171

STATE FINANCIAL INSTITUTION FILINGS v. OTHER LENDERS

For the first quarter of 2014, the Bureau of Financial Institutions reported 53 new foreclosure filings in court by the 31 state-chartered banks and credit unions which it regulates. The 53 filings represent approximately 4.6% of all new filings for that quarter. The second quarter of 2014 saw only a slight increase, as 60 new foreclosures were initiated by state-chartered banks and credit unions during that 91-day period.

COUNSELING ACTIVITY

The Bureau of Consumer Credit Protection performed intake services for 194 households in April, May and June of 2014, and assigned those homeowners to HUD-certified counselors. In their monthly reports to the Bureau, the counselors reported that 102 additional homeowners contacted them directly as a result of the letters sent them by the Bureau. Also, 141 more homeowners began working with counselors based on referrals from other governmental agencies or offices. New cases taken on by counselors for the quarter, therefore, totaled 437.

Counselors under contract with the Bureau of Consumer Credit Protection obtained results for homeowners for the last quarter which allowed 129 families to remain in their homes:

Homeowners who received loan modifications: 90

Homeowners were able to bring their mortgages current: 22

Homeowners who obtained refinances: 3

Homeowners who received forbearances or repayment agreements: 14

In addition, counselors helped homeowners reach agreements for 10 deeds-in-lieu of foreclosure, 6 short sales and 5 sales of homes, expediting the process and ensuring that the homeowners could obtain a fresh start without owing a deficiency judgment.

PROGRAM REVENUES AND EXPENDITURES

The statewide outreach program is funded pursuant to Title 14 M.R.S. § 6112 (4) through a transfer tax on foreclosure sales and from funds received from other sources such as multi-state settlements with lenders and servicers. The statute establishes this account as a non-lapsing fund to be used solely for the operation of the statewide outreach program.

In the 12 months ending June 30, 2014, the statewide outreach program received total revenue of \$639,265.27, all from payment of transfer tax pursuant to Title 14 M.R.S. § 6112 (4). The Bureau had budgeted for revenue from transfer tax in the amount of \$600,000, so revenues exceeded the budgeted amount by \$39,265.27.

For the same period the program had actual expenses of \$1,059,089.56, which compares with budgeted expenses of \$1,205,847.33, meaning the program spent \$146,757.77 less than had been budgeted. The program was able to utilize fund balances carried over from prior years, those funds having been received as the result of national settlements with out-of-state lenders and servicers.

At the end of FY '14, funds remaining in the Bureau's dedicated account totaled \$896,219.73. Revenue for FY '15 is again budgeted for \$600,000, with expenditures budgeted at

\$983,645. All revenue is expected to be from transfer tax, as there are no anticipated settlements which will generate funds payable to the Bureau. Payments to housing counselor under contract to the Bureau of Consumer Credit Protection have been reduced by 40% compared to previous years, and have been finalized for the current year at \$555,000. If revenue remains constant, additional cuts will be required in bureau expenditures and housing counselor contracts in future fiscal years, such that expenditures match revenues.

INFORMATION FROM NATIONAL REPORTS

The foreclosure report issued by CoreLogic in June, 2014 indicates that across the country, the numbers of homes in foreclosure has dropped from about 1 million last year, to about 650,000 this year. Here in Maine, however, the recovery is slower, according to CoreLogic, as Maine is fifth highest in the nation in “foreclosure inventory” as a percentage of all mortgaged homes, with 2.7% of mortgaged homes currently in lenders’ foreclosure inventory. Although that figure places Maine in 5th place, our state is not close to the top two states on the list, New Jersey (5.7% of all homes are in the foreclosure inventory) and Florida (5%).

CONCLUSION

The number of notices of right to cure default received by Maine homeowners has decreased slightly during the past 12 months, but the number of civil foreclosure cases filed in our state’s courts (an average of 18 new foreclosure filings each weekday) has not changed significantly: 2,281 cases filed in the first half of 2014 compared to 2,312 in the same period in 2013.