

MAINE STATE LEGISLATURE

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Paul R. LePage
GOVERNOR

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

William N. Lund
SUPERINTENDENT

TO: Committee on Insurance and Financial Services
Committee on Appropriations and Financial Affairs

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

RE: Foreclosure Assistance and Referral Program –
28th Periodic Report

DATE: February 16, 2017

Reporting Mandate

The foreclosure assistance and referral program was established in 2009 when the Legislature amended 14 M.R.S. § 6111 and enacted 14 M.R.S. § 6112. The law requires that lenders notify the Bureau of Consumer Credit Protection when the lenders send out “Notices of Default and Right to Cure,” the final required legal step before lenders can begin the foreclosure process on residential mortgages. The lenders provide the Bureau with the names and addresses of the affected homeowners.

Upon receipt of that data, the Bureau sends informational letters to the homeowners, advising them of their rights and available pre-foreclosure resources, such as HUD-certified counselors through the Bureau’s foreclosure prevention hotline (1-888-NO-4-CLÖZ or 1-888-664-2569), or court-sponsored mediation that is available to homeowners upon request as part of any subsequent judicial foreclosure process.

The Bureau continues to receive calls daily on its foreclosure hotline, counsels consumers and obtains preliminary information, intervenes in emergency cases, and refers other cases to HUD-certified counselors who are under contract with the Bureau. The counselors provide free assistance to those consumers, ranging from help in applying for loan modifications, to advice regarding short sales and deeds in lieu of foreclosure.

Pursuant to 14 M.R.S. § 6111(3-B), the Bureau is required to submit a quarterly report to the Joint Standing Committee on Insurance and Financial Services (I&FS) on the number of mortgage 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, or investment trusts).



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In addition, 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.

This combined report has been prepared to comply with both provisions of Title 14.

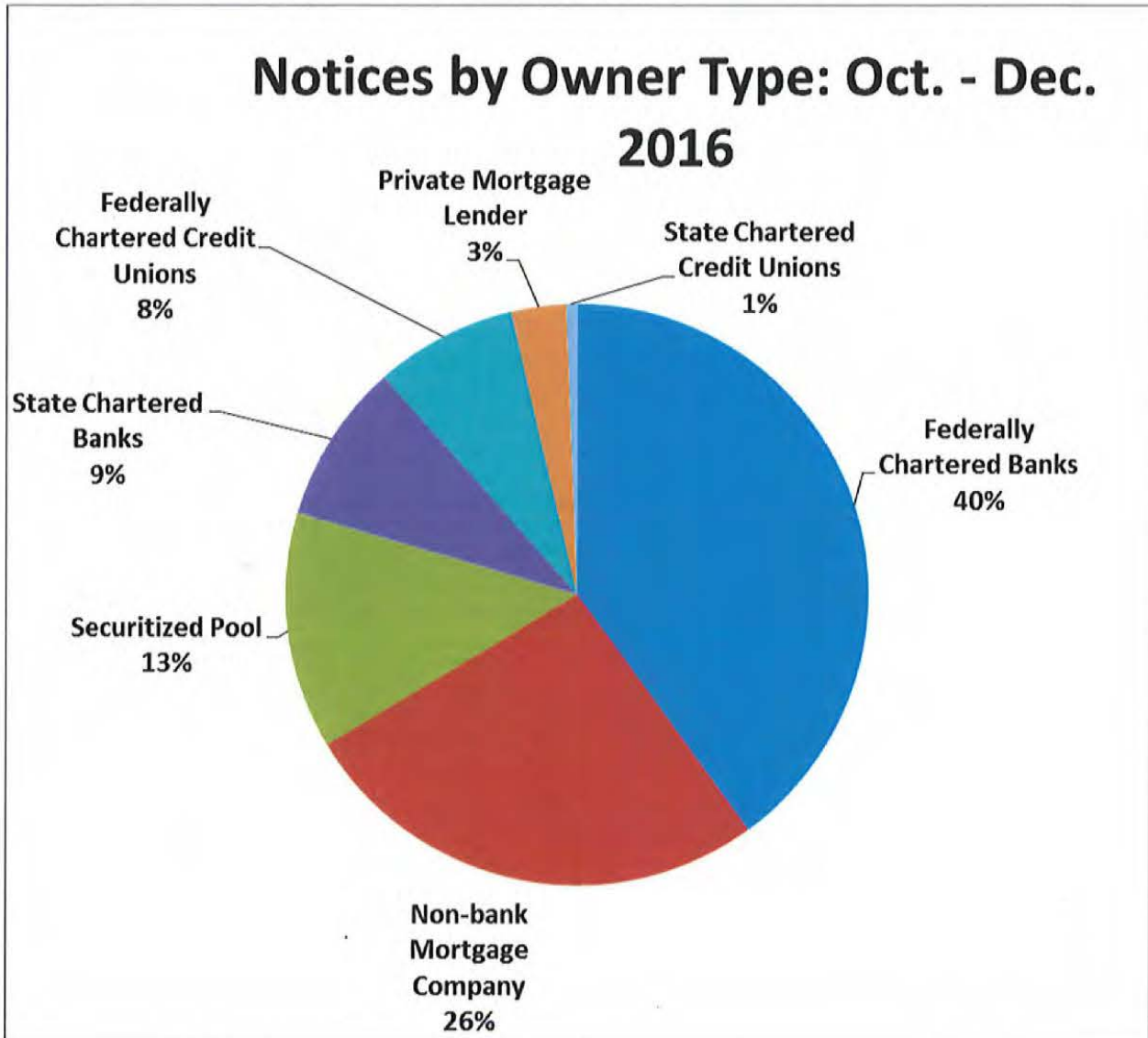
Notices of Right to Cure Filed

The following chart shows the number of informational letters the Bureau mailed to homeowners who had received notices of default and right to cure in the last quarter (October 1 – December 31) of 2016.

| County | Oct-16 | Nov-16 | Dec-16 | Total |
|---------------------|---------------|---------------|---------------|--------------|
| Androscoggin | 158 | 170 | 197 | 525 |
| Aroostook | 62 | 77 | 84 | 223 |
| Cumberland | 285 | 257 | 280 | 822 |
| Franklin | 53 | 49 | 58 | 160 |
| Hancock | 65 | 58 | 74 | 197 |
| Kennebec | 152 | 155 | 156 | 463 |
| Knox | 84 | 94 | 43 | 221 |
| Lincoln | 82 | 77 | 29 | 188 |
| Oxford | 116 | 95 | 110 | 321 |
| Penobscot | 206 | 184 | 188 | 578 |
| Piscataquis | 34 | 17 | 26 | 77 |
| Sagadahoc | 81 | 66 | 40 | 187 |
| Somerset | 79 | 80 | 81 | 240 |
| Waldo | 54 | 70 | 53 | 177 |
| Washington | 31 | 29 | 20 | 80 |
| York | 381 | 330 | 374 | 1085 |
| | | | | 0 |
| Total | 1923 | 1808 | 1813 | 5544 |

This total of 5,544 informational letters sent to Maine consumers between October 1, 2016 and December 31, 2016 represents a 7% reduction from the same three-month period in 2015, when the Bureau mailed 5,960 informational letters to homeowners.

The types of entities filing notices of default and right to cure and the proportion of notices filed by each type of entity are shown on the following chart:



FORECLOSURE CASES FILED IN COURT

The following chart, based on information provided by the Maine Judicial System, shows the number of foreclosure cases filed in state courts during calendar year 2016:

| Region/Court | 1st Qtr Jan- Mar 2016 | 2nd Qtr Apr- Jun 2016 | 3rd Qtr Jul-Sep 2016 | 4th Qtr Oct-Dec 2016 | CY 2016 TOTAL |
|--------------------------------|--------------------------------|--------------------------------|----------------------------|----------------------------|------------------|
| STATEWIDE TOTAL | 705 | 891 | 633 | 590 | 2819 |
| Alfred Superior Court | 18 | 43 | 23 | 14 | 98 |
| York District Court | 7 | 15 | 14 | 21 | 57 |
| Biddeford District Court | 31 | 42 | 27 | 31 | 131 |
| Springvale District Court | 45 | 46 | 32 | 40 | 163 |
| Region 1 Subtotal | 101 | 146 | 96 | 106 | 449 |
| Portland Superior Court | 78 | 112 | 57 | 56 | 303 |
| Bridgton District Court | 24 | 32 | 20 | 22 | 98 |
| Portland District Court | 0 | 0 | 0 | 0 | 0 |
| Region 2 Subtotal | 102 | 144 | 77 | 78 | 401 |
| South Paris Superior Court | 10 | 17 | 9 | 5 | 41 |
| Auburn Superior Court | 15 | 20 | 13 | 16 | 64 |
| Farmington Superior Court | 4 | 3 | 4 | 2 | 13 |
| Lewiston District Court | 51 | 56 | 38 | 45 | 190 |
| Farmington District Court | 20 | 12 | 14 | 8 | 54 |
| Rumford District Court | 5 | 19 | 12 | 9 | 45 |
| Livermore Falls District Court | 0 | 0 | 0 | 0 | 0 |
| South Paris District Court | 11 | 15 | 10 | 15 | 51 |
| Region 3 Subtotal | 116 | 142 | 100 | 100 | 458 |
| Skowhegan Superior Court | 5 | 12 | 10 | 8 | 35 |
| Augusta Superior Court | 15 | 19 | 11 | 14 | 59 |
| Skowhegan District Court | 29 | 44 | 18 | 21 | 112 |
| Waterville District Court | 19 | 23 | 20 | 14 | 76 |
| Augusta District Court | 39 | 34 | 31 | 24 | 128 |
| Region 4 Subtotal | 107 | 132 | 90 | 81 | 410 |
| Dover Foxcroft Superior Court | 1 | 4 | 1 | 3 | 9 |
| Bangor Superior Court | 21 | 32 | 19 | 23 | 95 |
| Millinocket District Court | 0 | 0 | 0 | 0 | 0 |
| Dover Foxcroft District Court | 17 | 8 | 10 | 8 | 43 |
| Lincoln District Court | 10 | 14 | 13 | 5 | 42 |
| Newport District Court | 20 | 16 | 17 | 9 | 62 |
| Bangor District Court | 45 | 54 | 54 | 52 | 205 |
| Region 5 Subtotal | 114 | 128 | 114 | 100 | 456 |

| Region/Court | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | CY 2016 |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|------------|
| | Jan-Mar 2016 | Apr-Jun 2016 | Jul-Sep 2016 | Oct-Dec 2016 | TOTAL |
| Wiscasset Superior Court | 7 | 4 | 9 | 1 | 21 |
| Bath Superior Court | 4 | 8 | 3 | 0 | 15 |
| Rockland Superior Court | 3 | 8 | 5 | 1 | 17 |
| Belfast Superior Court | 7 | 6 | 6 | 4 | 23 |
| Belfast District Court | 14 | 25 | 9 | 14 | 62 |
| Wiscasset District Court | 10 | 15 | 12 | 12 | 49 |
| West Bath District Court | 20 | 28 | 19 | 17 | 84 |
| Rockland District Court | 6 | 12 | 13 | 10 | 41 |
| Region 6 Subtotal | 71 | 106 | 76 | 59 | 312 |
| Machias Superior Court | 5 | 5 | 3 | 4 | 17 |
| Ellsworth Superior Court | 4 | 7 | 9 | 3 | 23 |
| Bar Harbor District Court | 0 | 0 | 0 | 0 | 0 |
| Machias District Court | 11 | 7 | 11 | 10 | 39 |
| Calais District Court | 4 | 7 | 6 | 5 | 22 |
| Ellsworth District Court | 19 | 23 | 22 | 12 | 76 |
| Region 7 Subtotal | 43 | 49 | 51 | 34 | 177 |
| Houlton Superior Court | 3 | 6 | 5 | 4 | 18 |
| Caribou Superior Court | 37 | 28 | 16 | 19 | 100 |
| Caribou District Court | 2 | 2 | 3 | 5 | 12 |
| Houlton District Court | 2 | 5 | 2 | 1 | 10 |
| Madawaska District Court | 0 | 0 | 0 | 0 | 0 |
| Fort Kent District Court | 2 | 2 | 0 | 1 | 5 |
| Presque Isle District Court | 5 | 1 | 3 | 2 | 11 |
| Region 8 Subtotal | 51 | 44 | 29 | 32 | 156 |

The statewide totals for 2015 were as follows:

| Region/Court | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | CY '15 |
|------------------------|------------------|------------------|-----------------|-----------------|-------------|
| | Jan- Mar 2015 | Apr- Jun 2015 | Jul-Sep 2015 | Oct-Dec 2015 | TOTAL |
| STATEWIDE TOTAL | 381 | 458 | 520 | 547 | 1906 |

Comparing the 2,819 foreclosures filed in 2016 to the 1,906 cases filed in 2015 reveals there was an increase of more than 900 cases filed in 2016 over 2015.

INFORMATION FROM NATIONAL SOURCES

In its *National Foreclosure Report* for November 2016, Corelogic, a global property information and analytics company, reported that the national foreclosure inventory – those homes in some stage of foreclosure – dropped 30% from a year previously. Corelogic reports that Maine’s foreclosure inventory is the 4th highest in the country (as a percentage of mortgaged residences) at 1.7%, down 15% from a year ago. The numeric spread in the nationwide foreclosure inventory among different states ranges from a low of .2% to a high of 2.8%, with the average being .8%.

Maine’s seriously delinquent rate – meaning those mortgages 90 days or greater delinquent – is 3.7%, down 21% from one year ago. The national average is 2.5%.

STATEWIDE OUTREACH PROGRAM

During October, November and December of 2016, counselors under contract with the Bureau were assigned 67 cases (households) as the result of calls that came in through the Bureau’s Outreach Hotline. Counselors took on cases from an additional 51 homeowners who called directly after receiving the Bureau’s packet through the mail, and another 55 cases from other sources such as U. S. Senators’ and Representatives’ offices.

For the year 2016, the Bureau’s counselors took on 881 cases for homeowners in distress on their mortgages.

For the year, the Bureau’s counselors helped 287 Maine homeowners obtain results which allowed them to remain in their homes. 49 were able to bring their loans current. 16 obtained refinancing or reverse mortgages. 12 received forbearances or repayment plans. 2 received partial claim payments from their loan guarantor to bring their loans current. 208 were granted loan modifications.

In 61 cases in which the homeowners could not afford to stay in their homes and did not qualify for modifications or financial assistance, counselors also helped the homeowners achieve “soft-landings” that let them control their circumstances. 28 homeowners sold their homes and paid off the mortgages. 24 deeded their homes to their lenders, a process called “deed in lieu of foreclosure.” 9 were able to sell their homes through a short sale, a process in which the lender agrees to allow the property to be sold for less than is owed on the mortgage. In these cases of short sales or deeds in lieu of foreclosure, the lenders generally, but not always, waive the right to pursue deficiency balances on the loans.

FINANCIAL CONDITION OF THE OUTREACH PROGRAM

The outreach program began fiscal year 2017 with cash of \$640,150. The budgeted expenditures for the year are \$781,000, and revenue is budgeted at \$600,000. As of February 10, 2017, the program had revenue of \$265,170. With 61.6% of the fiscal year gone, expenditures (primarily counselor contracts, printing and postage) were at 47.5% of budgeted amounts. While revenues from the designated source for funding the program (a transfer tax on foreclosure sales

by lenders to themselves) are lagging behind projections, the program received an influx of funds in the amount of \$381,000 from other sources, including \$300,000 from settlement of a multistate lawsuit.

As of February 10th, 2017 the Bureau has \$836,323 in cash on hand. Review of the budgeted expenses for the remainder of the fiscal year indicates further expenditures of approximately \$400,000. Further revenue at the current average rate projected for the balance of the year would be \$190,000, leaving slightly over \$600,000 in cash to begin the next fiscal year. Further cuts in expenses have been proposed for fiscal year 2018. The program should be financially stable through 2018, but continuation thereafter will be dependent on future revenue and a continuing need for the program's services.