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# 2011 FORECLOSURE TRENDS REPORT

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Division of Banks  
Commonwealth of Massachusetts

## Background:

The 90 Day Right to Cure Notice became a required pre-foreclosure notification under Chapter 206 of the Acts of 2007, An Act Protecting and Preserving Home Ownership, which amended M.G.L Chapter 244 sections 14A, and 35A. This Right to Cure period was extended from 90 to 150 days in 2010 in order to provide additional time for consumers to become current on past due balances on their mortgages. In 2008, the Division of Banks launched an online registry to capture and monitor foreclosure-related activity within the Commonwealth. The data submitted by mortgage lenders, mortgage holders, and mortgage servicers is used to analyze foreclosure petitions, foreclosure sales, and mortgage-related activity.

The following report reviews data compiled through the Massachusetts Foreclosure Petition Database for the year of 2011. In total, there were 420 lenders, servicers, and investors who filed completed Right to Cure (RTC) notices with corresponding Foreclosure Petitions.<sup>1</sup>

## Summary of Data:

- In 2011, the Massachusetts Foreclosure Petition Database tracked a total of 5,383 Right to Cure notices and 6,955 foreclosure sales.
- Worcester County experienced the largest share of Right to Cure notices (969), and foreclosure sales (1,332) of the 14 counties in Massachusetts.
- The City of Boston<sup>2</sup> led municipalities in number of Right to Cure Notices, with 390 filings in 2011. Worcester and Brockton followed with 207 and 171 notices, respectively.

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<sup>1</sup> The pre-foreclosure (or RTC) data presented in this report does not include activity which has not accelerated to the 'Petition' phase of foreclosure.

<sup>2</sup> The City of Boston is comprised of the following neighborhoods: Allston, Brighton, Back Bay, Bay Village, Beacon Hill, Charlestown, Chinatown/Leather District, Dorchester, Downtown, East Boston, Fenway/Kenmore, Hyde Park, Jamaica Plain, Mattapan, Mission Hill, North End, Roslindale, Roxbury, South Boston, South End, West End, and West Roxbury.

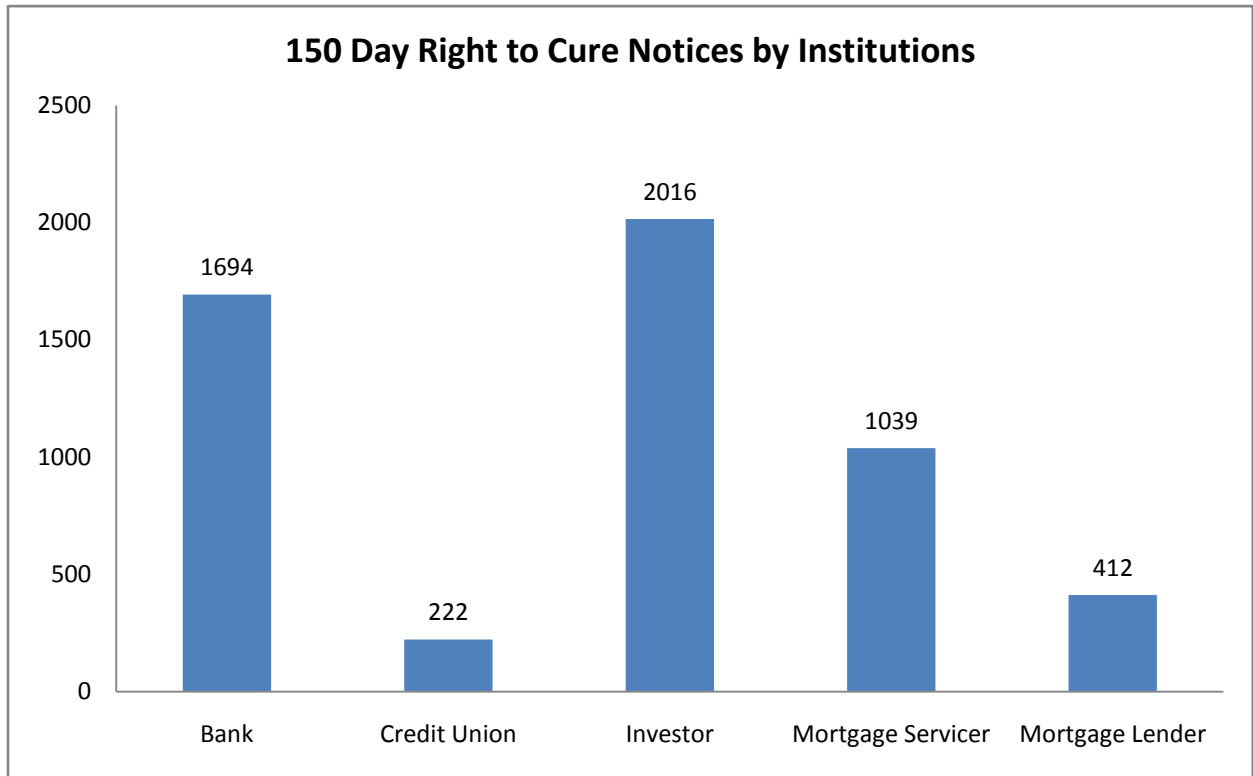
- 56% of Right to Cure Notices mailed in 2011 reflected loans originated in 2005-2007, a time period coinciding with a rise in subprime mortgage products.
- Between 2005 and 2007, there was a rise in adjustable rate mortgages. This trend has since been reversed, with fixed rate mortgages accounting for 70% of delinquent loans. Seventy-one percent of notices involved delinquencies ranging from 61-149 days past due, and 55.4% of all notices reflected a cure default amount of less than \$8,000.

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SUBMISSIONS OF RIGHT TO CURE NOTICES

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Figure 1



Note: 'Bank' includes state-chartered banks, federal banks, and other non-Massachusetts chartered institutions.

Five categories of financial entities are responsible for the submission of Right to Cure and Foreclosure Petition information. Investors submitted 37.5% of total notices, closely followed by banks (31.5%) and mortgage servicers (19.3%).

Table 1

<b>150 Day Right to Cure Notices by County</b>				
	<b>County</b>	<b># of Notices</b>	<b>% of Total</b>	<b>% change since 2010</b>
<b>1</b>	<b>Worcester</b>	<b>969</b>	<b>18.0%</b>	<b>-16.1%</b>
<b>2</b>	<b>Middlesex</b>	<b>813</b>	<b>15.1%</b>	<b>-21.4%</b>
<b>3</b>	<b>Plymouth</b>	<b>672</b>	<b>12.5%</b>	<b>-6.1%</b>
<b>4</b>	<b>Essex</b>	<b>621</b>	<b>11.5%</b>	<b>-25.7%</b>
<b>5</b>	Bristol	543	10.1%	-19.3%
<b>6</b>	Norfolk	431	8.0%	-12.6%
<b>7</b>	Hampden	393	7.3%	-20.8%
<b>8</b>	Suffolk	390	7.2%	-31.7%
<b>9</b>	Barnstable	282	5.2%	-22.1%
<b>10</b>	Berkshire	98	1.8%	-8.4%
<b>11</b>	Hampshire	80	1.5%	-3.6%
<b>12</b>	Franklin	60	1.1%	-17.8%
<b>13</b>	Dukes	20	0.4%	-41.2%
<b>14</b>	Nantucket	11	0.2%	-52.2%
	<b>Total</b>	<b>5383</b>	<b>100.0%</b>	<b>-19.1%</b>

Overall, each county saw a decrease in pre-foreclosure activity since 2010. Four counties held the largest proportion of Right to Cure notices, claiming 57% of the total share, and nearly 20% involved housing units in the Worcester County. The total number of Right to Cure notices tracked in 2011 represents a 19.1% decline from the number of notices tracked in 2010.

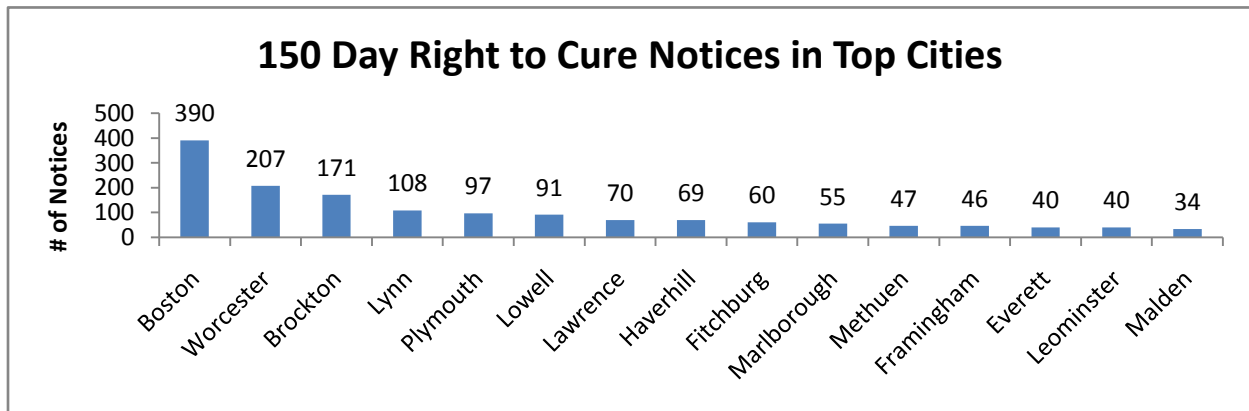
Table 2

150 Day Right to Cure Notices as a Percent of Total Mortgages by County					
	County*	# of Notices	Mortgages**	% of Mortgages	
1	Worcester	969	200,124	0.5%	
2	Plymouth	672	139,101	0.5%	
3	Bristol	543	133,587	0.4%	
4	Suffolk	390	99,666	0.4%	
5	Barnstable	282	78,161	0.4%	
6	Hampden	393	111,342	0.4%	
7	Essex	621	183,718	0.3%	
8	Franklin	60	21,268	0.3%	
9	Berkshire	98	38,031	0.3%	
10	Norfolk	431	178,844	0.2%	
<b>11</b>	<b>Middlesex</b>	<b>813</b>	<b>364,628</b>	<b>0.2%</b>	
12	Hampshire	80	39,597	0.2%	
	Total	5383	1,588,067	0.3%	

\*US Census Data not available for counties with populations smaller than 20,000  
 \*\*Owner-occupied housing units with a mortgage (estimate)  
 Data Set: 2008-2010 American Community Survey 3-Year Estimates  
 Survey: American Community Survey

When analyzing the rate of mortgages associated with a Right to Cure notice, on average less than 0.3% of housing units faced foreclosure in 2011. With the exception of Worcester and Plymouth, all other counties had lower percentages overall. Even more pertinent, Middlesex County, despite its high number of mortgages, had a 0.2% pre-foreclosure rate.

Figure 2



Fifteen cities and towns were referenced in 1,525 notices or 28% of all notices sent. The remaining 72% of notices were distributed among other cities and towns without a particular trend or meaningful concentration. The City of Boston, which is comprised of various neighborhoods, topped this list with 7.2% or 390 notices while the cities of Worcester, Brockton, and Lynn experienced a drop in activity from 2010. Collectively, these communities were linked to 9% of Right to Cures. (See Figure 2)

Table 3

<b>Top County/Cities</b>	<b>Notices per City</b>	<b>Total Notices per County</b>	<b>% of County Total</b>	<b>% change since 2010</b>
<b>Worcester</b>		969		
<b>Worcester</b>	207		21.4%	-22.2%
<b>Fitchburg</b>	60		6.2%	-32.6%
<b>Leominster</b>	40		4.1%	-23.1%
<b>Middlesex</b>		813		
<b>Lowell</b>	91		11.2%	-41.3%
<b>Marlborough</b>	55		6.8%	+37.5%
<b>Framingham</b>	46		5.7%	-34.3%
<b>Everett</b>	40		4.9%	-24.5%
<b>Malden</b>	34		4.2%	-43.3%
<b>Plymouth</b>		672		
<b>Brockton</b>	171		25.4%	-10.9%
<b>Plymouth</b>	97		14.4%	0.0%
<b>Essex</b>		621		
<b>Lynn</b>	108		17.4%	-37.2%
<b>Lawrence</b>	70		11.3%	-36.9%
<b>Haverhill</b>	69		11.1%	-2.8%
<b>Methuen</b>	47		7.6%	-43.4%

The top four counties, when combined, represent nearly 60% of total filings. A general decline has been observed in Essex, Worcester and Middlesex counties by approximately 30%, 26% and 21%, respectively. Although Middlesex County observed a smaller decrease from the other two counties, actual filings in the City of Lowell fell by 41.3%, and in Marlborough, notices and petition volume became more notable, increasing by 37.5% in 2011. The increase in Marlborough can be potentially attributed to an increase in Land Court petition filings, which may have been delayed during the prior year.

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**YEAR OF MORTGAGE ORIGINATIONS, LOAN TYPE & DELINQUENCY INFORMATION**

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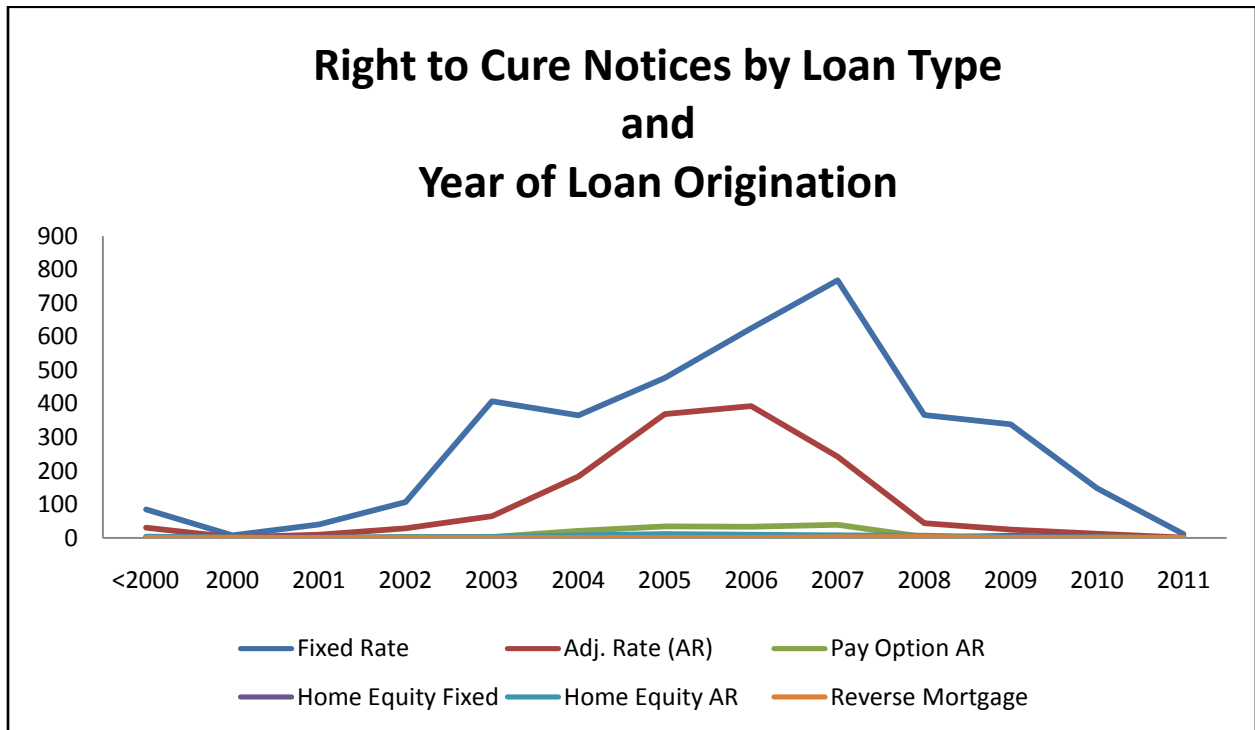
Table 4

<b>150 Day Right to Cure Notices by Mortgage Origination Year</b>		
<b>Year</b>	<b># of Notices</b>	<b>% of Total</b>
<b>Before 1990</b>	16	0.3%
<b>1990</b>	6	0.1%
<b>1991</b>	4	0.1%
<b>1992</b>	5	0.1%
<b>1993</b>	7	0.1%
<b>1994</b>	12	0.2%
<b>1995</b>	3	0.1%
<b>1996</b>	5	0.1%
<b>1997</b>	13	0.2%
<b>1998</b>	26	0.5%
<b>1999</b>	26	0.5%
<b>2000</b>	12	0.2%
<b>2001</b>	52	1.0%
<b>2002</b>	141	2.6%
<b>2003</b>	479	8.9%
<b>2004</b>	579	10.8%
<b>2005</b>	<b>894</b>	<b>16.6%</b>
<b>2006</b>	<b>1064</b>	<b>19.8%</b>
<b>2007</b>	<b>1065</b>	<b>19.8%</b>
<b>2008</b>	424	7.9%
<b>2009</b>	373	6.9%
<b>2010</b>	164	3.0%
<b>2011</b>	13	0.2%
<b>Total</b>	<b>5383</b>	<b>100.0%</b>

Nearly 56% of total Right to Cure notices were associated with loans originated in 2005 through 2007.



Figure 3



Adjustable Rate Mortgages (ARM) were reported in 26% of loans that received Right to Cure notices, with a sizable margin originating in 2004 through 2007. Interestingly, approximately 70% of delinquencies involve a fixed-rate mortgage. Current lower interest rates have made fixed-rate mortgages more advantageous than ARM loans since lower pricing is permanently set for the term of the note. (See Table 5)

Table 5

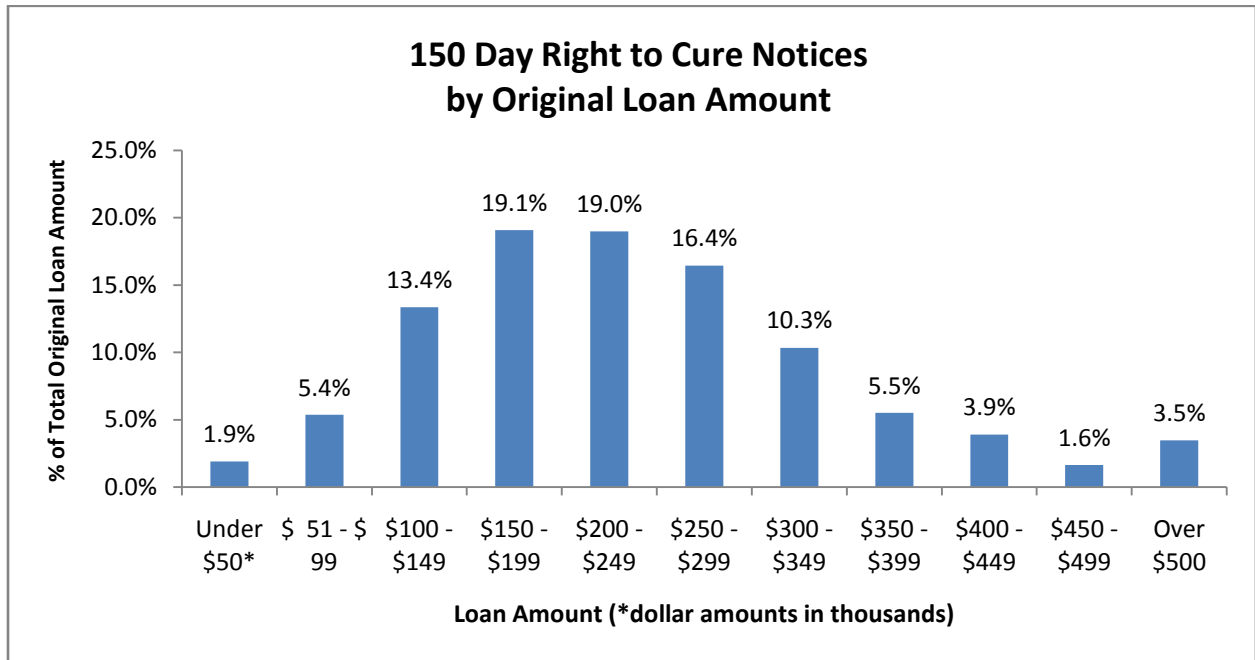
<b>150 Day Right to Cure Notices by Loan Type</b>			
<b>Type of Loan</b>	<b># of Notices</b>	<b>% of Notices</b>	<b>% change since 2010</b>
<b>Fixed</b>	<b>3750</b>	<b>69.7%</b>	<b>82.5%</b>
<b>ARM</b>	<b>1406</b>	<b>26.1%</b>	<b>-67.1%</b>
Home Equity ARM	140	2.6%	233.3%
Home Equity Fixed	29	0.5%	-14.7%
Option ARM	53	1.0%	-79.1%
Reverse Mortgage	5	0.1%	100.0%
<b>Total</b>	<b>5383</b>	<b>100.0%</b>	<b>-19.1%</b>

Table 6

<b>150 Day Right to Cure Notices by Delinquency Days</b>			
<b>Delinquency Length</b>	<b># of Notices</b>	<b>% of Total</b>	<b>% change since 2010</b>
Less than 60 Days	297	5.5%	-12.4%
<b>61-120 Days</b>	<b>1312</b>	<b>24.4%</b>	<b>-30.4%</b>
<b>120 - 149 Days</b>	<b>2527</b>	<b>46.9%</b>	<b>8.5%</b>
150 - 199 Days	768	14.3%	-41.2%
Over 200 Days	478	8.9%	-39.3%
Unclassified	1	0.0%	100.0%
<b>Total</b>	<b>5383</b>	<b>100.0%</b>	<b>-19.0%</b>

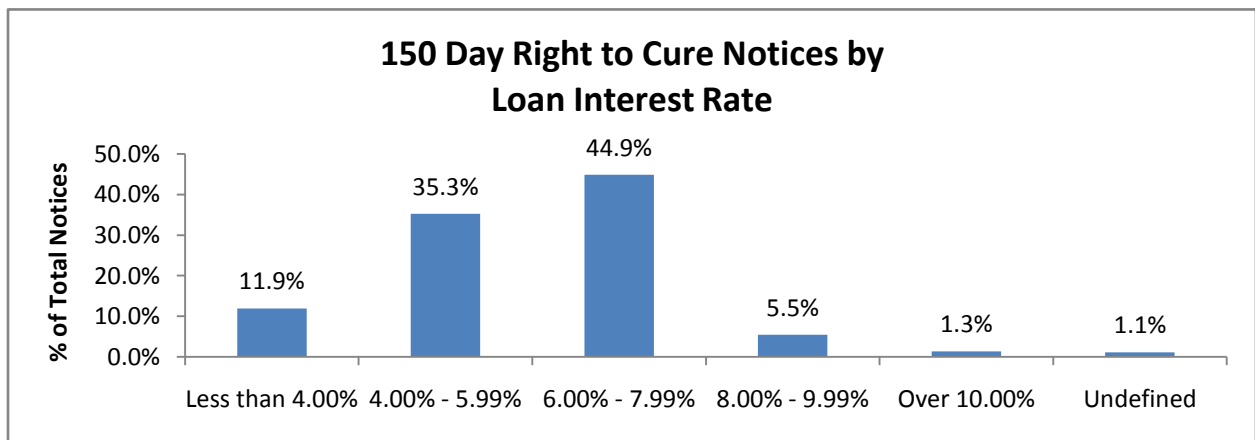
In 2011, loans delinquent between 2 and 5 months (61-149 days) comprised 71.3% of RTC filings. When compared to 2010 notices there has been an obvious decrease in notices sent in the '61-120' and '150-199 days' categories (See Table 6). This shift is also noticeable in the over '200 days' delinquency periods. With only 5.5% of notices mailed when there is less than 60 days of delinquency, it is evident lenders have delayed the sending of RTC notices beyond 60 days, with greater emphasis in waiting after the '120-149 days' delinquency mark.

Figure 4



Of those delinquencies reported, 54.5% of loans in default were between \$150,000 and \$300,000. Additionally, nearly a quarter of mortgages involved loans exceeding \$300,000, with a smaller percent reaching over \$500,000 (3.5%).

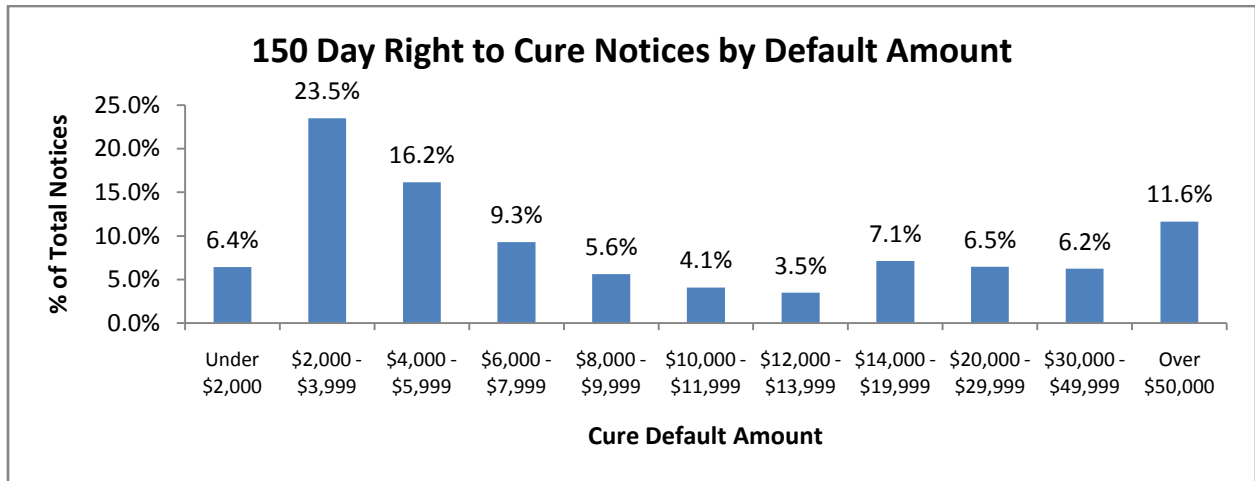
Figure 5



The majority of reported loans, 80.2%, were linked to interest rates between 4.00% and 7.99%, with 47.2% associated with rates lower than 6%. However, those mortgages with rates exceeding

6% (52.8%) still make up a large part of outstanding loans classified as seriously delinquent and facing foreclosure. (See Figure 5)

Figure 6



A substantial number of Right to Cure notices (55.4%) revealed default amounts less than \$8,000.

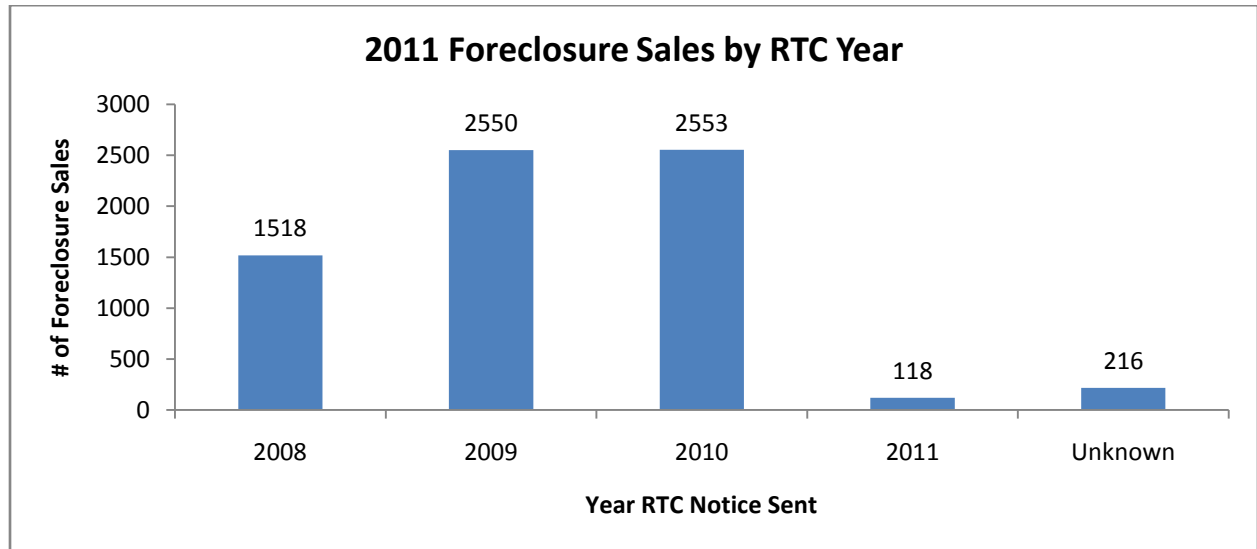
A reduced number of notices corresponded to higher defaults, with 24.3% exceeding \$20,000.

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## FORECLOSURE SALES

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Figure 7



A significant number of borrowers who receive RTC notices may eventually face a final foreclosure sale within one or two years subsequent to a pre-foreclosure notice. Of the foreclosed properties sold in 2011, approximately 73% involved RTC notices which originated in 2009 and 2010. Greater emphasis in loss mitigation programs in 2012, at state and national levels, may increase the number of successful loan modifications, and may ultimately result in fewer foreclosures.

Table 7

<b>Foreclosure Sales by County</b>				
	<b>County</b>	<b>Sales Volume</b>	<b>% of Total</b>	<b>% change since 2010</b>
1	Worcester	1332	19.2%	-23.3%
2	Middlesex	1001	14.4%	-23.4%
3	Essex	815	11.7%	-29.3%
4	Plymouth	768	11.0%	-24.6%
5	Bristol	718	10.3%	-25.8%
6	Suffolk	511	7.3%	-42.4%
7	Hampden	628	9.0%	-19.6%
8	Norfolk	489	7.0%	-13.5%
9	Barnstable	367	5.3%	-31.4%
10	Berkshire	117	1.7%	-17.0%
11	Hampshire	78	1.1%	-36.6%
12	Franklin	83	1.2%	-29.1%
13	Dukes	28	0.4%	-9.7%
14	Nantucket	20	0.3%	11.1%
<b>Total</b>		<b>6955</b>	<b>100.0%</b>	<b>-25.9%</b>

Worcester County led in total sales volume by a margin of 4.8% in comparison to Middlesex County, the county with the next highest number of foreclosure sales. The number of foreclosure sales decreased in all counties except Nantucket County, which observed an increase of 11.1%. The total number of sales tracked in 2011 represents a 25.9% decrease from the number of notices tracked in 2010.

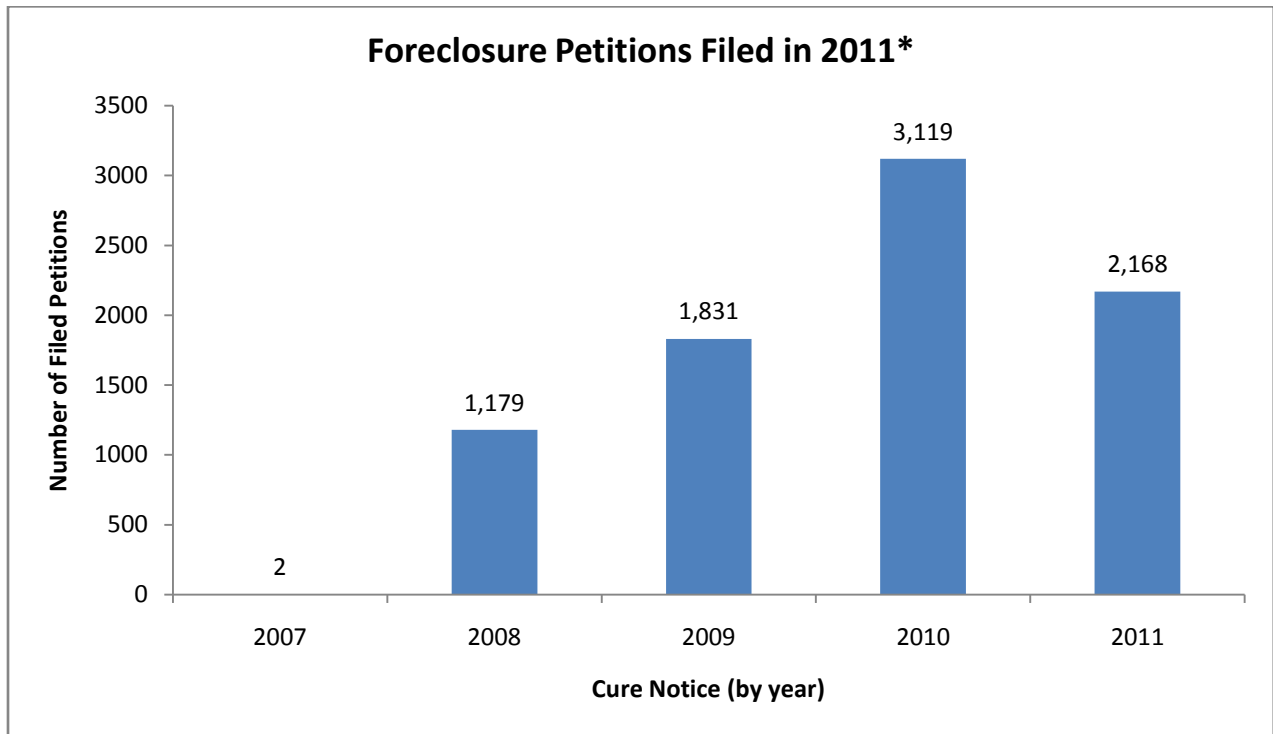
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SUMMARY OF FORECLOSURE PETITIONS AND RIGHT TO CURE NOTICES

BY YEAR OF RTC MAILED

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Figure 8



\*Note: The chart depicts Foreclosure Petitions filed with Land Court only after a Right to Cure notice had been formally sent or delivered to a borrower.

A total of 8,299 Foreclosure Petitions were reported to the Massachusetts Division of Banks, and 64%, or 5,287, were associated with Right to Cure (RTC) notices mailed in 2010 and 2011. Of reported delinquencies, 40%, or 2,168, with a 2011 RTC notice, accelerated to the Foreclosure Petition process. As of year-end, 3,215 (60%) RTC notices remained as active but without a related Foreclosure Petition filed during 2011. This remaining volume of notices is therefore linked to future foreclosure petition activity, and it is not reflected in the chart above. Additional activity, beyond 2011, will be covered in the 2012 Foreclosure Trends report.