

2014

2014 Foreclosure Trends Report

Division of Banks

Commonwealth of Massachusetts

2014 Foreclosure Trends Report

Background

Chapter 206 of the Acts of 2007, An Act Protecting and Preserving Home Ownership (Chapter 206) was enacted to provide added consumer protections for homeowners facing foreclosure.¹ The Right-to-Cure (RTC) Notice became a required pre-foreclosure notification to provide additional time for consumers to become current on past due balances on their mortgages without incurring unrelated fees for 90 days.

Chapter 206 also required the Division of Banks (Division) to prepare an annual report analyzing the number of RTC Notices and foreclosure filings. In August of 2010, the RTC period was extended from 90 to 150 days under Chapter 258 of the Acts of 2010 deemed as an emergency measure for homeowners struggling to keep their homes. The statute required demonstrated ‘good-faith’ efforts on the part of creditors to work with borrowers to develop a possible resolution before opting to foreclose.² In August of 2012, Chapter 194 of the Acts of 2012 was signed into law affording additional protections to consumers in the foreclosure process, most notably a requirement for lenders to provide a specific notification of a borrower’s right to request a mortgage loan modification for certain types of mortgage loans and a requirement that creditors modify a loan if the cost to modify is less than the cost to foreclose.³ The 150 day RTC period remains in effect until January 1, 2016, after which the RTC period will revert back to 90 days.

The Division of Banks utilizes an online registry, the Massachusetts Foreclosure Petition Database, to collect and track foreclosure-related activity within the Commonwealth.⁴ The data submitted by mortgage lenders, mortgage holders, and mortgage servicers is used to analyze and study the trends of RTC Notices, Foreclosure Petitions, Foreclosure Sales, and other mortgage-related activity to produce this annual report.⁵

¹ See <https://malegislature.gov/Laws/SessionLaws/Acts/2007/Chapter206>.

² G.L. c. 244, s. 35A.

³ G.L. c. 244, s. 35B.

⁴ G.L. c. 244, s. 14A.

⁵ The pre-foreclosure (or RTC) data presented in this report does not include activity which has not been accelerated to the “Petition” phase of foreclosure.

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Mortgage & Foreclosure Trends

Mortgage activity in Massachusetts varied significantly from 2008 through 2012 with pronounced periods of home sales decline and elevated foreclosures. During the peak of the housing market, originations increased from 122,236 in 2008 to 223,062 in 2009.⁶ Refinances accounted for 58% of all originations in 2008, and 78% in 2009. But in 2010 mortgage activity began to shift with a 7% drop in originations, followed by a 17% decrease in 2011 to 170,638 originations. Total mortgage originations in 2012 showed a significant increase reporting 346,655 total mortgages originated in Massachusetts⁷; 2012 mortgage originations represent a record year since 2008. The number of mortgage originations in 2013 declined 11% compared to 2012. This decrease can be attributed to a rise in interest rate and a decline in refinancing.

Due to low inventory existing home sales fell 3.1% in 2014 to 4.93 million compared to 5.9 million in 2013. Low inventory in addition to a high median home price can account for the reduction in existing home sales. The National Association of Realtors® reports the national median existing-home price in 2014 was \$208,500, the highest since 2007 (\$219,000) and a 5.8% increase from 2013 (\$197,100).

Massachusetts - Mortgage Delinquencies and Foreclosures

Over the past four years, the pace of mortgage delinquencies and foreclosure activity has been quite volatile. Across the country foreclosures fell dramatically over the past two years. Nationwide, all states experienced a decrease in foreclosures. In Massachusetts foreclosure sales have decreased over 94% since 2011.

⁶ Home Mortgage Disclosure Act (HMDA) mortgage data from 2008-2011 was used for a snapshot of loan originations.

⁷ "Mortgage Originations at a Five-Year High in New England Area" by the Warren Group (March 2013)
<http://www.thewarrengroup.com/2013/03/mortgage-originations-at-five-year-high-in-new-england-area/>

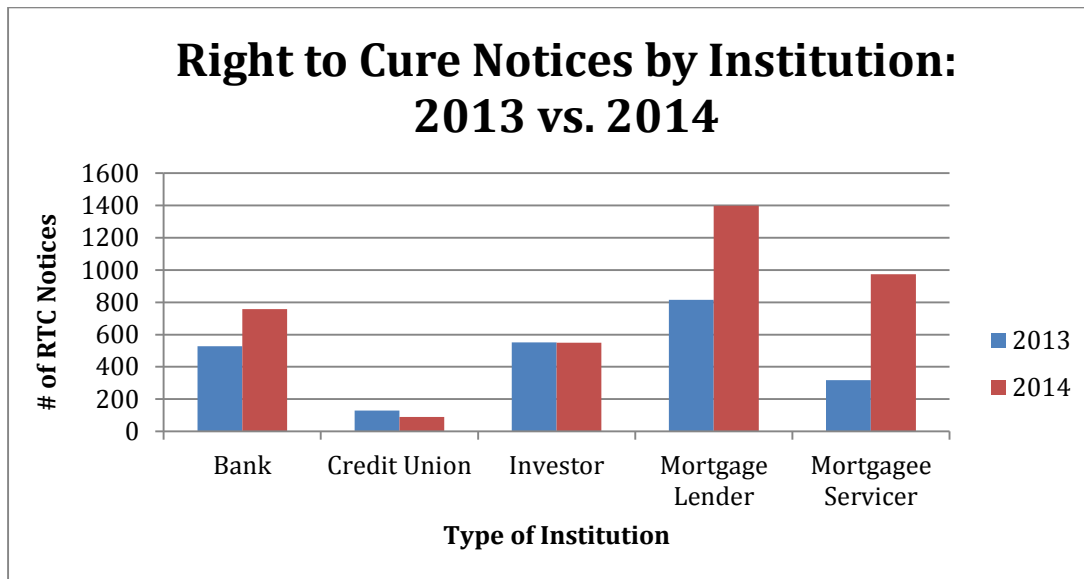
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Report Highlights:

- In 2014 there was a 61.2% increase in RTC Notices. However, there was an 11% reduction in foreclosure sales. Furthermore, foreclosure sales experienced a 92% reduction over the last two years.
- Most of the RTC Notices issued this year were for mortgages originated between 2005 and 2007. Those three years together make up more than 52% of all the RTC Notices.
- Approximately 75% of the RTC Notices issued in 2014 were for fixed rate mortgages.
- In 2014, it was most common for a foreclosure petition to be filed 100-299 days after the RTC Notice, or 3.25 – 10 months.

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FIGURE 1: RIGHT-TO-CURE: BY YEAR OF NOTICE



Mortgage lenders remained the most common entity to file RTC Notices in the Commonwealth in 2014. One thousand three hundred and ninety-nine mortgage lenders comprised 37% of all filers, an increase from 2013 where 34% (815) of filers were mortgage lenders. The remaining RTC Notices were issued by investors (550), banks (758), mortgage servicers (973), and credit unions (90). A total of 3,770 RTC Notices were filed in 2014, a 61.2% increase from 2013 (2,339).

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

TABLE 1: 150 DAY RIGHT-TO-CURE NOTICES BY COUNTY

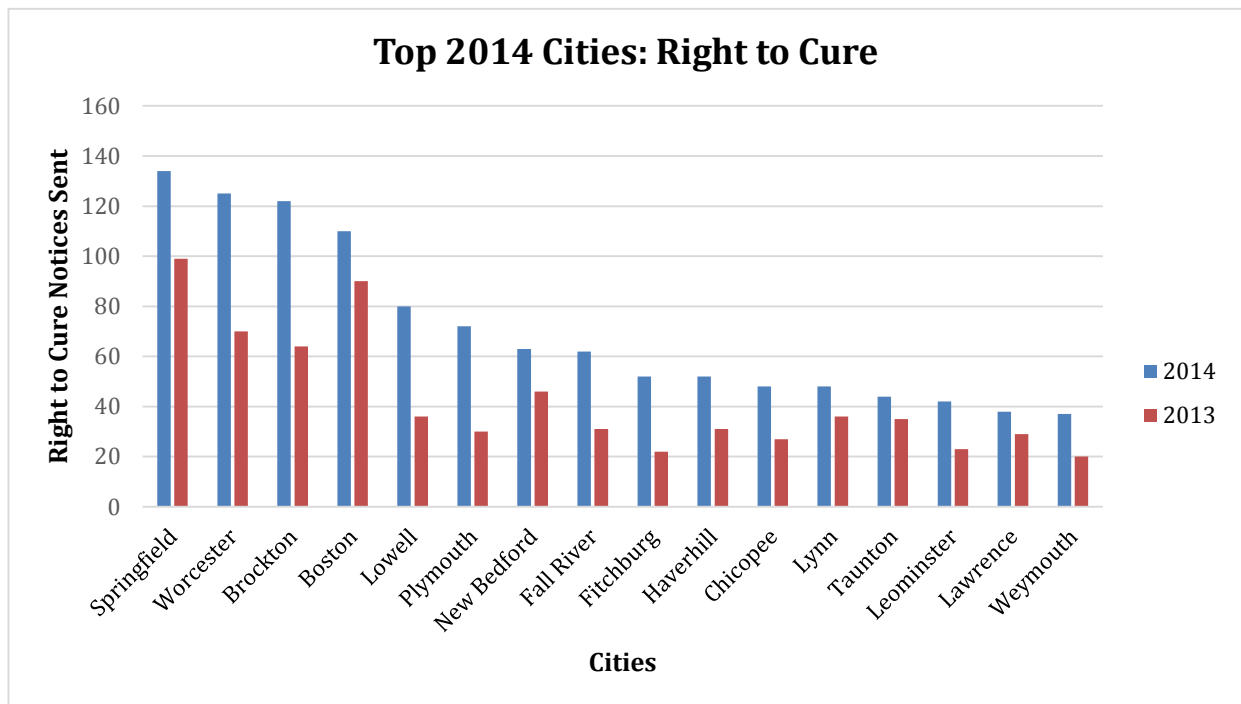
	County	# of Notices 2014	% Total Notices	% change (2013)	% change (2012)	# of Notices per 10,000 residents*
1	Worcester	699	18.5%	75.19%	0.87%	8.75
2	Middlesex	507	13.4%	46.53%	-2.50%	3.37
3	Plymouth	465	12.3%	90.57%	22.69%	9.40
4	Bristol	401	10.6%	61.04%	8.09%	5.32
5	Essex	395	10.5%	48.50%	-16.67%	7.31
6	Hampden	382	10.1%	55.92%	22.04%	4.62
7	Norfolk	310	8.2%	63.16%	20.62%	8.24
8	Suffolk	208	5.5%	44.44%	-10.73%	2.88
9	Barnstable	194	5.1%	90.20%	26.80%	8.99
10	Berkshire	78	2.1%	-6.02%	-3.70%	5.94
11	Hampshire	63	1.7%	90.91%	26.00%	3.99
12	Franklin	50	1.3%	56.25%	51.52%	7.01
13	Nantucket	11	0.3%	266.67%	175.00%	4.23
14	Dukes	7	0.2%	133.33%	0.00%	10.81
	Total	3770	100%	61.18%	5.66%	5.76

**Based on 2010 Census Data*

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Nearly every county saw an increase in RTC Notices, both in comparison to 2013, as well as compared to 2012. Since 2012 RTC Notices filed have experienced a slight increase of 5.66% overall. Worcester, historically the most dominant county for RTC Notices, experienced a significant increase from 399 notices in 2013 to 699 notices in 2014; the 2014 data parallels the 2012 data with 693 RTC Notices in Worcester. Similarly, Middlesex county saw a 46.53% increase since 2013. The only county in 2014 with a nominal decrease in notices was Berkshire, which had 78 RTC Notices in 2014 compared to 83 notices in 2013.

FIGURE 2: 150 DAY RIGHT-TO CURE NOTICE BY TOP CITY



In 2014, 29.9% of the 3,770 RTC Notices sent were concentrated in sixteen cities. These top cities are seen in Figure 2 above. Springfield remained the top city in 2014, experiencing a 26.12% increase from 2013. Furthermore, four of 2013's top cities, Fall River, Methuen, Pittsfield, and Revere, dropped off the top cities list entirely in 2014.

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TABLE 2: 150 DAY RTC NOTICES BY TOP COUNTIES AND CITIES

Top Counties & Cities	County	City	% of County	% Change Since 2013
Worcester County	700			75.44%
Worcester		125	17.86%	
Fitchburg		52	7.43%	
Leominster		42	6.00%	
Middlesex County	507			46.53%
Lowell		80	15.75%	
Billerica		30	5.91%	
Framingham		24	4.72%	
Plymouth County	465			90.57%
Brockton		122	26.18%	
Plymouth		75	15.45%	
Wareham		29	6.22%	
Bristol County	401			61.04%
New Bedford		63	15.46%	
Fall River		62	15.46%	
Taunton		44	10.97%	

In 2013, the top four counties, Worcester, Middlesex, Plymouth, and Essex combined, represented 1,258 RTC filings. In 2014, while the top four counties still represent a significant portion of the RTC notices (54.9% of all RTC notices sent), they represent a significantly higher number of notices (2,073). It is also worth noting Essex County dropped off the top four list and was replaced by Bristol County.

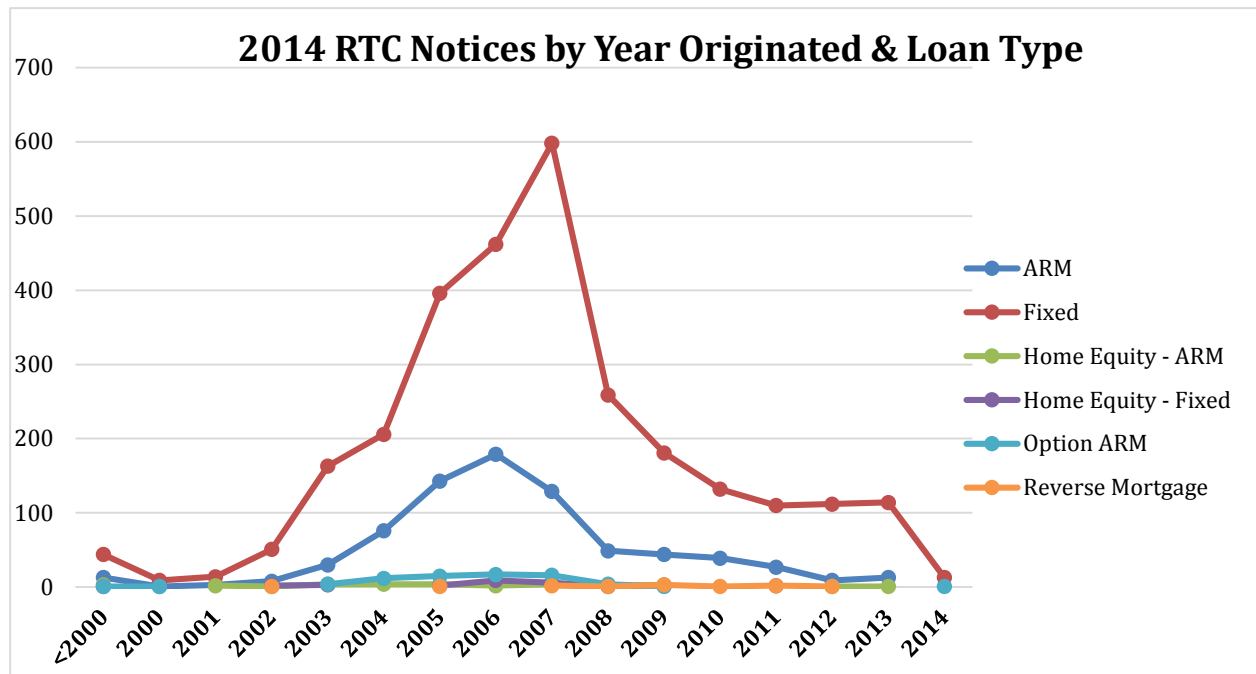
TABLE 3: 150 DAY RIGHT-TO-CURE NOTICE BY MORTGAGE ORIGINATION YEAR

Of all the loans related to an RTC Notice in 2014, only 7.03% were originated in 2012-2014. Loans originated during the sub-prime period, 2005 – 2007, account for 52.66% of the RTC Notices filed. RTC Notices resulting from loans originating during the subprime period seem to be trending upward; a 6.32% increase since 2013, when 46.34% of total notices reflected loans from the 2005-2007 period.

Year	# of Notices	% of Total
Before 2000	62	1.64%
2000	11	0.29%
2001	19	0.50%
2002	63	1.67%
2003	204	5.41%
2004	298	7.90%
2005	561	14.88%
2006	669	17.75%
2007	755	20.03%
2008	316	8.38%
2009	234	6.21%
2010	172	4.56%
2011	141	3.74%
2012	123	3.26%
2013	128	3.40%
2014	14	0.37%
Total	3770	100%

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FIGURE 3: RIGHT-TO-CURE NOTICES BY YEAR OF LOAN ORIGINATION AND LOAN TYPE



As the graph indicates, most notices in 2014 were the result of fixed rate mortgages, regardless of what year the loan originated, specifically, 75.97% of the notices. Additionally, many RTC Notices reflected adjustable rate mortgages (ARM) originated from 2003-2008 and overall ARM loans comprised 20.24% of RTC Notices reported in 2014. All other loan types accounted for 3.82% of the total of RTC Notices sent.

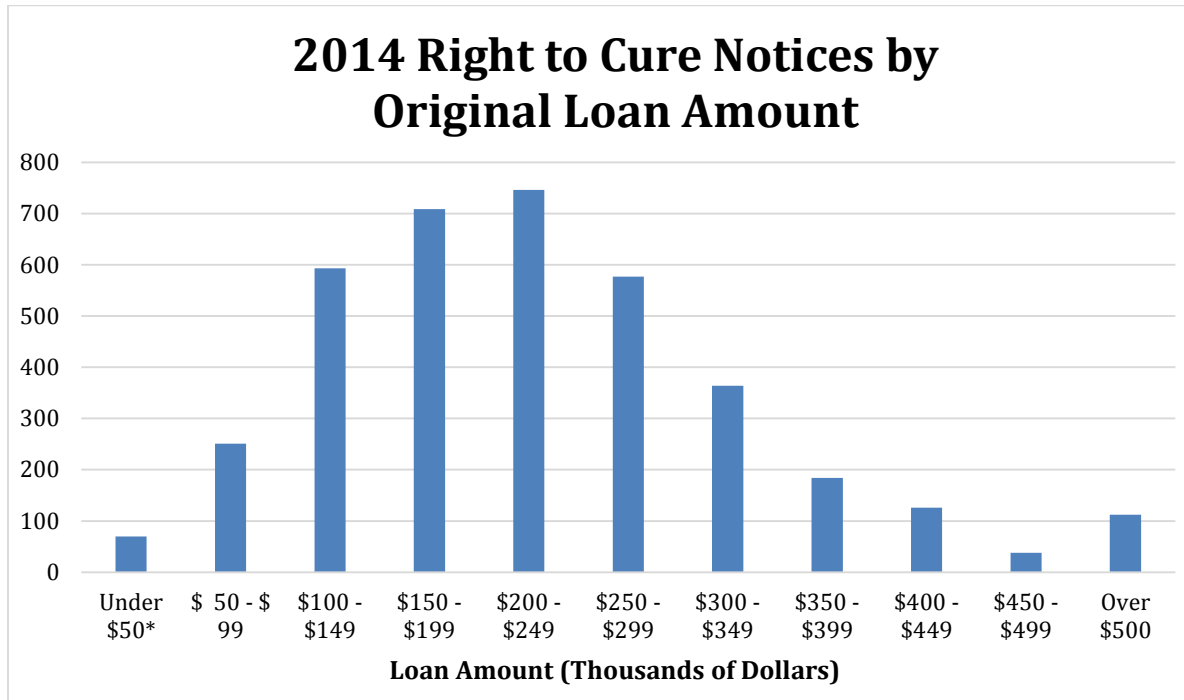
TABLE 4: 150 DAY RTC NOTICES BY DELINQUENCY DAYS

150 Day Right to Cure Notices by Delinquency Days		
Delinquency Length	2014 # of Notices	% of Total
Less than 60 Days	24	0.64%
61-120 Days	697	18.49%
120 - 149 Days	2749	72.92%
150 - 199 Days	180	4.77%
Over 200 Days	120	3.18%
Total	3770	100.00%

In 2014, loans delinquent between 2 and 5 months (61-149 days) comprised 91.41% of all RTC filings with a large majority (72.92%) of servicers sending the RTC Notice during the 120-149 delinquency period.

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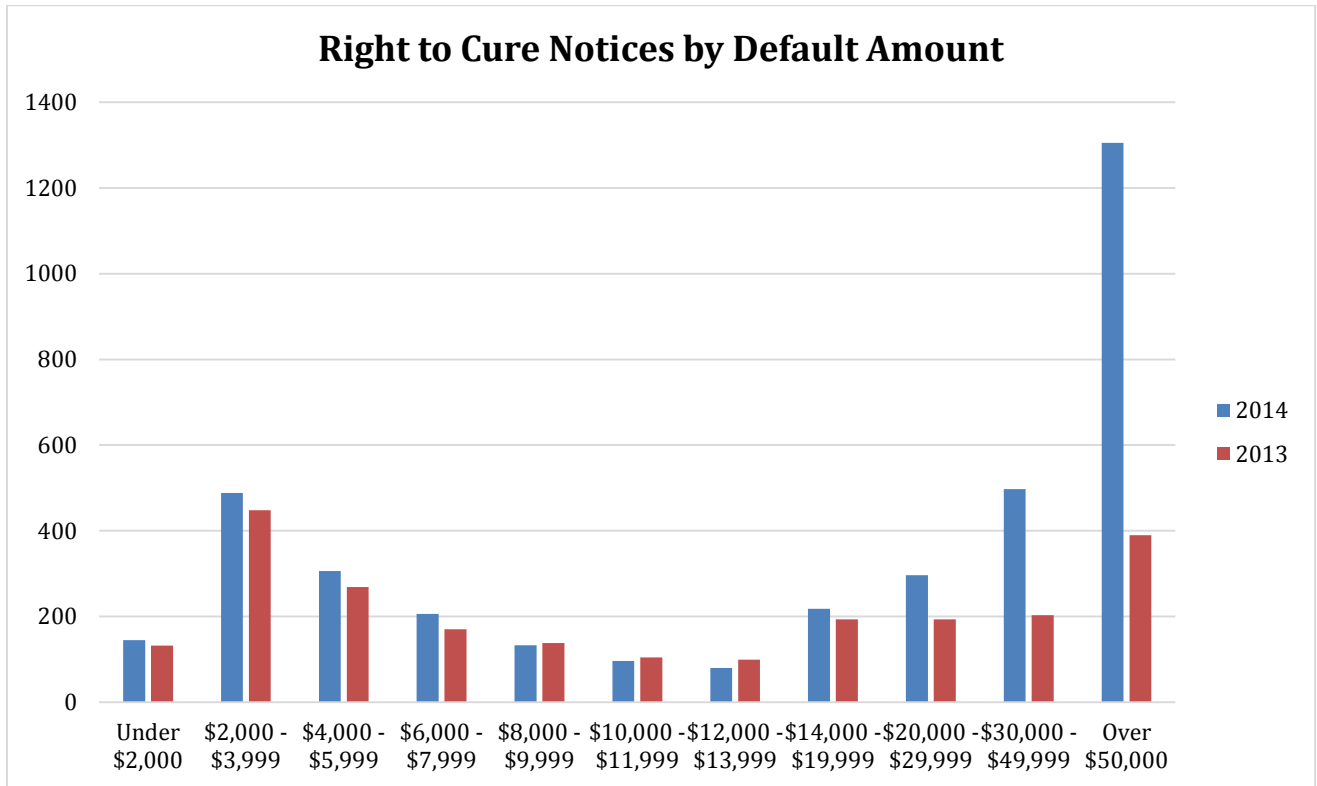
FIGURE 4: RIGHT-TO-CURE NOTICE BY ORIGINAL LOAN AMOUNT



Of the total loans in default, 54% are linked to the original loan amounts between \$100,000 and \$250,000; and 18% of these troubled mortgages involved loans exceeding \$300,000, with a small margin, of 3%, exceeding \$500,000. The 2014 data aligns with the 2013 data reporting the same percentages in each loan amount range.

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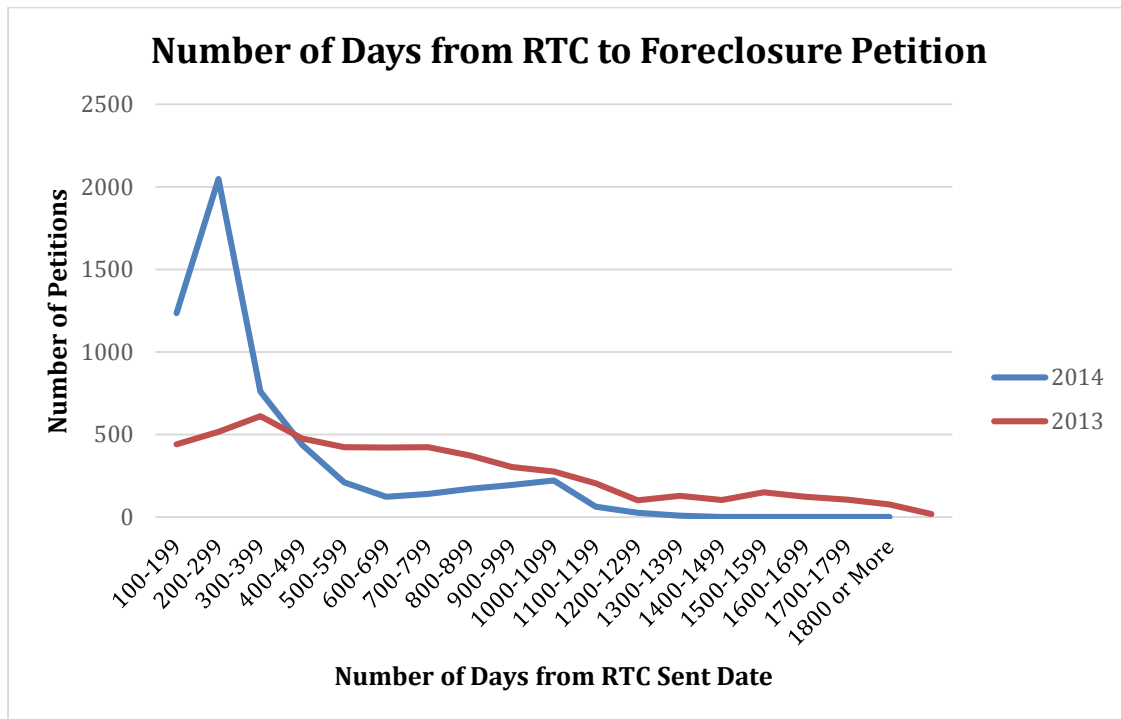
FIGURE 5: RIGHT-TO-CURE NOTICE BY DEFAULT AMOUNT



A large portion of RTC Notices, 34.62% of total reported notices, correspond to defaults over \$50,000. However, 21% of RTC Notices were in the \$2,000-\$6,000 range. This represents a substantially higher rate than in 2013, when 16.67% of notices were classified in the over \$50,000 category and 30.65% of notices fell in the \$2,000-\$6,000 range. The overall trend seems to indicate higher mortgage default amounts as borrowers move into the pre-foreclosure phase.

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FIGURE 6: 2013-2014 FORECLOSURE PETITIONS: TIMING FROM RTC NOTICE



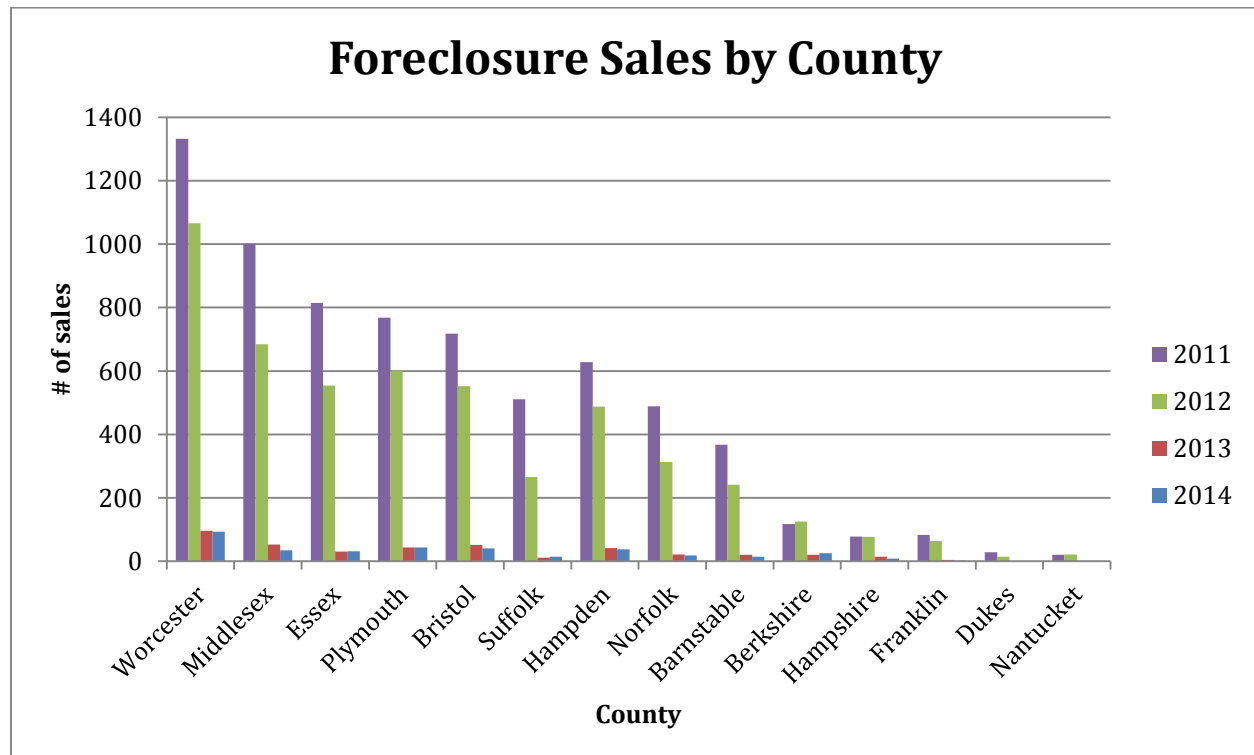
The above chart depicts the time between submission of RTC Notices to the actual foreclosure petition filing date. It should be noted that fewer foreclosure petitions were filed in 2013 compared to 2014 (8,229 versus 11,270). The year-by-year comparison shows it is most common for a foreclosure petition to be filed between 100-400 days after an RTC Notice.

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TABLE 5: 2014 AND 2013 CURE TO PETITION IN DAYS

2014 RTC to Petition (Days)	# of Petitions	% of all Petitions	2013 RTC Cure to Petition (Days)	# of Petitions	% of all Petitions
less than 100	441	7.26%	less than 100	440	8.36%
100-199	1236	20.34%	100-199	516	9.81%
200-299	2048	33.71%	200-299	610	11.59%
300-399	760	12.51%	300-399	475	9.03%
400-499	436	7.18%	400-499	423	8.04%
500-599	210	3.46%	500-599	421	8.00%
600-699	123	2.02%	600-699	423	8.04%
700-799	140	2.30%	700-799	373	7.09%
800-899	170	2.80%	800-899	302	5.74%
900-999	194	3.19%	900-999	275	5.23%
1000-1099	222	3.65%	1000-1099	203	3.86%
1100-1199	63	1.04%	1100-1199	101	1.92%
1200-1299	26	0.43%	1200-1299	128	2.43%
1300-1399	7	0.12%	1300-1399	102	1.94%
1400-1499	0	0.00%	1400-1499	149	2.83%
1500-1599	0	0.00%	1500-1599	123	2.34%
1600-1699	0	0.00%	1600-1699	104	1.98%
1700-1799	0	0.00%	1700-1799	76	1.44%
1800 or more	0	0.00%	1800 or more	18	0.34%

FIGURE 7: FORECLOSURE SALES BY COUNTY



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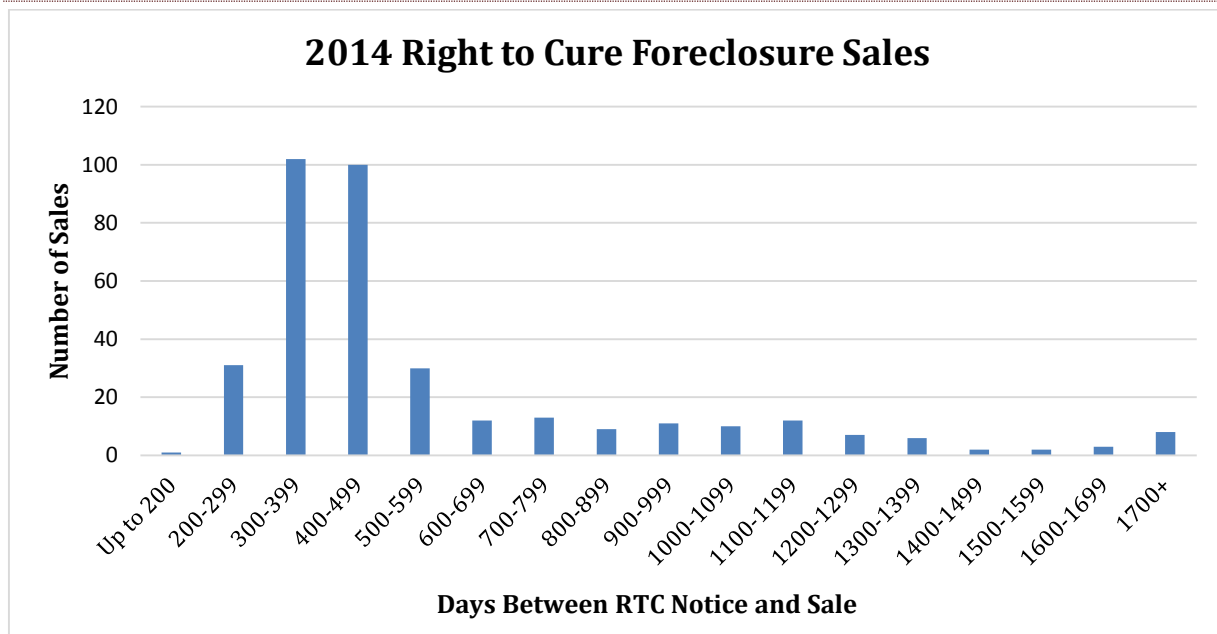
TABLE 6: 2014 FORECLOSURE SALES BY COUNTY

County	Sales	% Total	Sales Per 10,000 Residents*	% Change (2013)	% Change (2012)
Worcester	93	25.83%	1.20	-3.13%	-91.28%
Plymouth	43	11.94%	0.35	0.00%	-92.85%
Bristol	40	11.11%	0.40	-23.08%	-92.75%
Hampden	37	10.28%	0.87	-9.76%	-92.42%
Middlesex	34	9.44%	0.95	-35.85%	-95.03%
Essex	31	8.61%	0.15	3.33%	-94.40%
Berkshire	25	6.94%	0.88	-25.00%	-80.00%
Norfolk	18	5.00%	0.31	-14.29%	-94.25%
Suffolk	14	3.89%	0.93	27.27%	-94.72%
Barnstable	14	3.89%	1.52	-30.00%	-94.19%
Hampshire	8	2.22%	0.89	-42.86%	-89.61%
Franklin	2	0.56%	0.56	-50.00%	-96.88%
Nantucket	1	0.28%	0.00	0.00%	-95.24%
Dukes	0	0.00%	0.98	0.00%	100.00%
Total	360	100.00%		-11.33%	-92.89%

**Based on 2010 Census data*

Table 6 and Figure 7 indicate the largest concentration of foreclosure sales have occurred in Worcester County, 25.83%. However, the number of Worcester County’s foreclosure sales (93) are down 3.13% since 2013 and 91.28% since 2012. Additionally, all of the top counties experienced an 11.33% decrease in foreclosure sales activity overall.

FIGURE 8: 2014 FORECLOSURE SALES BY NUMBER OF DAYS FROM RTC NOTICE FILING



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Consistent with the analysis presented on Figure 6, emphasizing “200-400 days” as the common length of time between an RTC notice and a Petition filing, foreclosure sales are occurring at a pace not too far beyond this period. Foreclosure sales are being finalized between 1 to 2 years past the initial RTC notice, with some remaining sales activity delayed beyond two years.

Conclusion

	2012	2013	2014
Right-to-Cure Notices	3,568	2,339	3,770
Petitions Filed⁷	14,638	5,253	2,316
Foreclosure Sales	5,065	406	359

This year alone, RTC notices increased by 37.96% compared to 2013, and 5.66% as compared to 2012. Furthermore, over the past three years foreclosure petition and sale activity continues to decline, with sales falling by 11.6 % and 92% from 2013 and 2012, respectively.

⁸ The total number of foreclosure petitions submitted to the Division of Banks may differ from the figure provided by third-party data providers. The Division’s foreclosure data is based on information provided by loan holders and/or servicers and the timing of such may vary depending on regulatory or statutory initiatives.