

FORECLOSURE TRENDS REPORT

2017

COMMONWEALTH OF MASSACHUSETTS
DIVISION OF BANKS

BACKGROUND

Chapter 206 of the Acts of 2007, An Act Protecting and Preserving Home Ownership (Chapter 206), was enacted to provide 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 their past due mortgage loan balances without incurring unrelated fees for 90 days.

Chapter 206 requires that the Division of Banks (Division) prepare an annual report analyzing the number of RTC Notices and Foreclosure Petition filings. This report reflects activity for the 2017 calendar year. In August 2010, the RTC period was extended from 90 days to 150 days under Chapter 258 of the Acts of 2010. This extension was deemed as an emergency measure for homeowners struggling to keep their homes. As of January 1, 2016, the RTC period reverted to 90 days in accordance with sunset provisions within the statute. The statute requires creditors to demonstrate ‘good-faith’ efforts to work with borrowers to develop a possible resolution before opting to foreclose.² Additionally, in August of 2012, Chapter 194 of the Acts of 2012 was signed into law affording additional protections to consumers in the foreclosure process—including the 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 Division utilizes an online repository, the Massachusetts Foreclosure Petition Database, to collect and track RTC Notices and foreclosure-related activity in the Commonwealth.⁴ The data submitted by mortgage lenders, mortgage holders, and mortgage servicers is analyzed to study the trends of RTC Notices, Foreclosure Petitions, Foreclosure Sales, and other mortgage-related activity to produce this annual report.⁵

REPORT HIGHLIGHTS

- In 2017, there was a 20% decrease in RTC Notices and a 40% decrease in foreclosure sales compared to 2016.
- Approximately 60% of RTC Notices issued in 2017 were for mortgages originated between 2004 and 2007.
- 78% of reported RTC Notices in 2017 were for mortgage loans with interest rates between 4.00% and 7.99%.
- In both 2016 and 2017, the majority of Foreclosure Petitions were filed between 100–399 days, (or between 3–13 months) after the RTC Notice was issued.

¹ [Acts of 2007, Chapter 206: An Act Protecting & Preserving Homeownership](#)

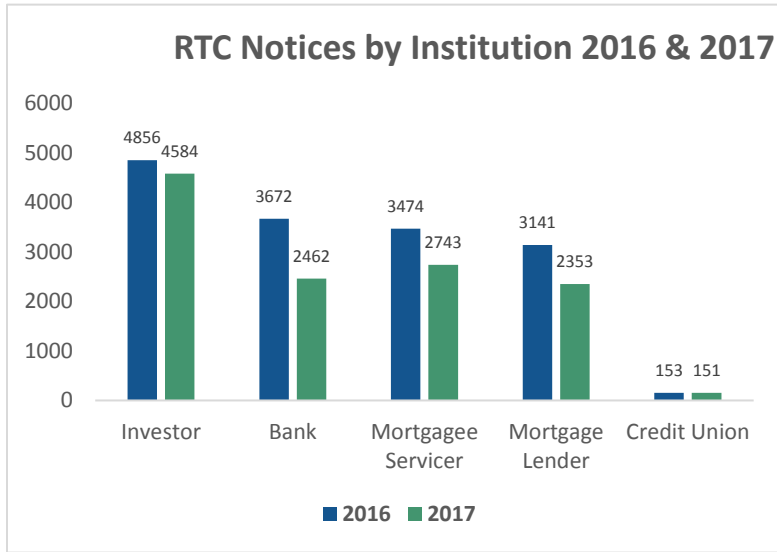
² [Massachusetts General Laws Chapter 244, Section 35A](#)

³ [Massachusetts General Laws Chapter 244, Section 35B](#)

⁴ [Massachusetts General Laws Chapter 244, Section 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.

FIGURE 1



Investors were the most common entity to file RTC Notices in the Commonwealth in 2016 and 2017. Investors comprised over 30% of all filers in both years. RTC Notice filings decreased 33% compared to 2016 for banks⁶, the second most common entity. In 2016, the number of Mortgagee Servicers filing RTC Notices remained consistent with 23% in 2016 and 2017. The remaining RTC Notices were issued by mortgage lenders (20%) and credit unions (1%).

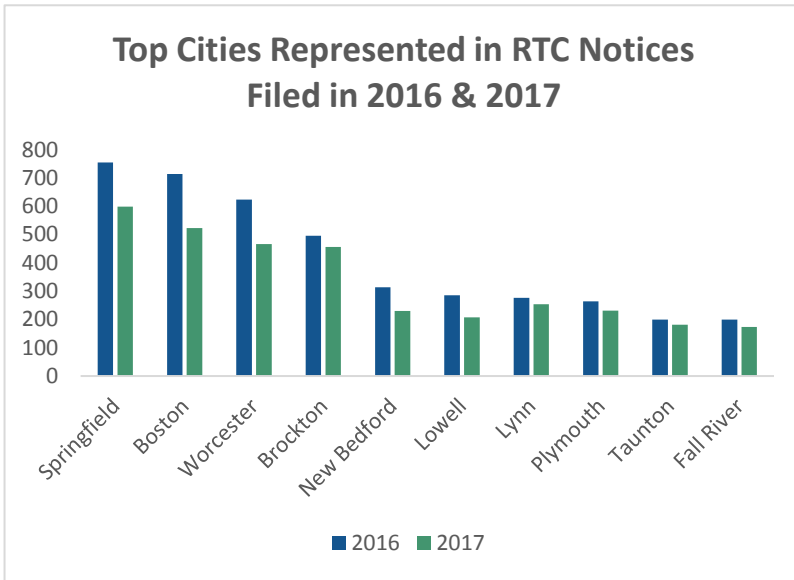
TABLE 1: RTC NOTICES BY COUNTY

County	No. of RTC Notices in 2016	% of Total Notices in 2016	No. of RTC Notices in 2017	% of Total Notices in 2017	% Change from 2016 to 2017
Worcester	2676	17.49%	1955	15.90%	-26.94%
Middlesex	2029	13.26%	1608	13.08%	-20.75%
Plymouth	1744	11.40%	1428	11.62%	-18.12%
Bristol	1565	10.23%	1237	10.06%	-26.52%
Essex	1648	10.77%	1265	10.29%	-23.24%
Hampden	1647	10.77%	1277	10.39%	-22.47%
Norfolk	1249	8.17%	926	7.53%	-25.86%
Suffolk	1104	7.22%	1359	11.06%	23.10%
Barnstable	771	5.04%	562	4.57%	-27.11%
Berkshire	345	2.26%	312	2.54%	-9.57%
Hampshire	255	1.67%	186	1.51%	-27.06%
Franklin	192	1.26%	123	1.00%	-35.94%
Nantucket	32	0.21%	18	0.15%	-43.75%
Dukes	39	0.25%	37	0.30%	-5.13%

In 2017, nearly every county in the Commonwealth saw a decrease in RTC Notices in comparison to 2016. Worcester, historically the most dominant county for RTC Notices, experienced a substantial 27% decrease in 2017 from 2,676 RTC Notices in 2016 to 1,955 RTC Notices. The only county in 2017 with an increase in notices was Suffolk with a significant 23% change, having 1,104 RTC Notices in 2016 up to 1,359 RTC Notices in 2017.

⁶ Banks noted include state chartered banks, federal banks, and other non-Massachusetts chartered institutions.

FIGURE 2



In both 2016 and 2017, approximately 30% of RTC Notices were concentrated in ten cities. Figure 2 shows Springfield remained the top city in 2017, experiencing a 20% decrease from 2016. In 2017, Boston⁷ decreased 27% from 2016, still remaining the 2nd city among the top cities. While all 2016 top cities experienced a decrease in RTC notices, Lynn and Plymouth moved up in ranking while New Bedford and Lowell saw a decrease in notices.

TABLE 2: RTC NOTICES BY MORTGAGE

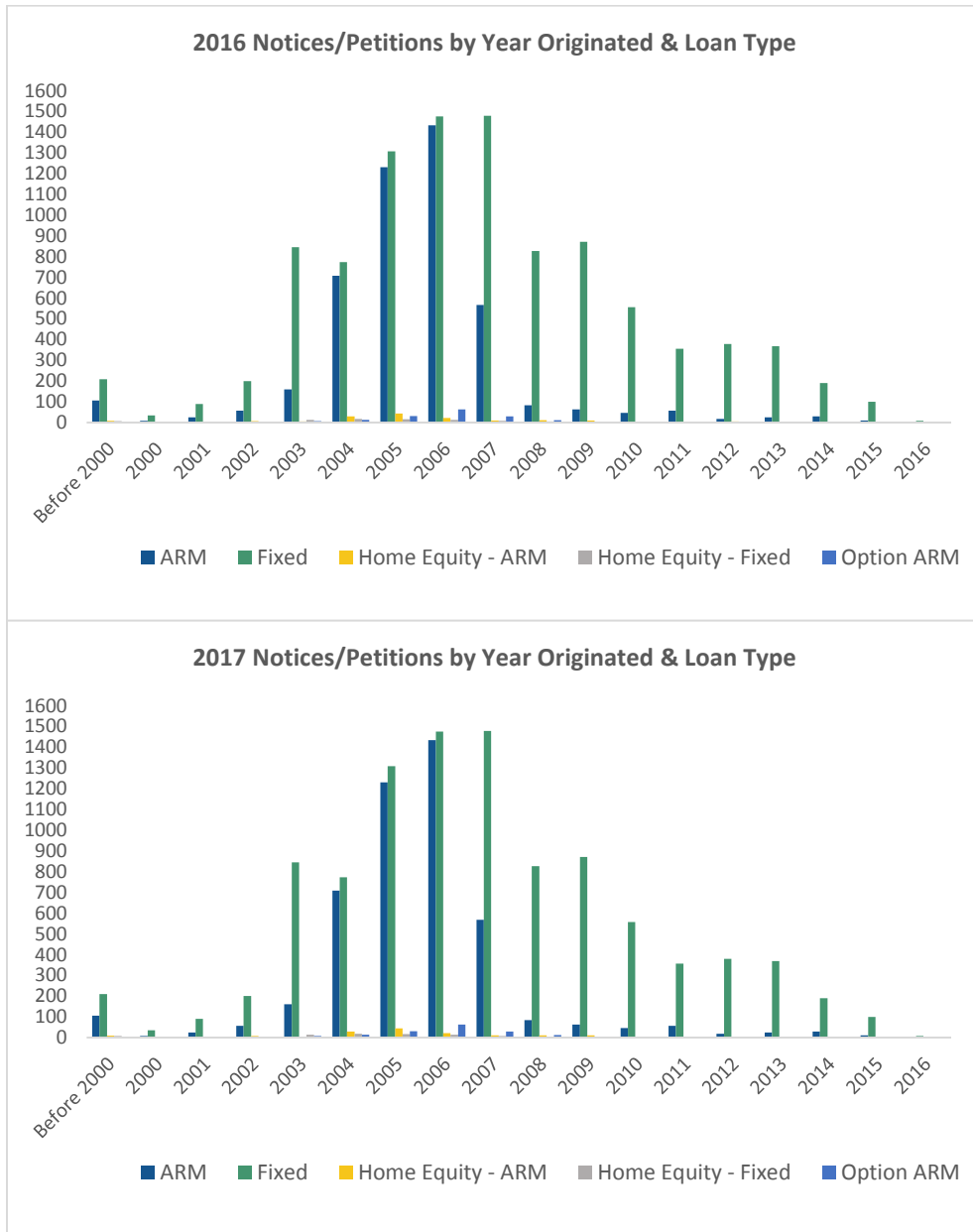
ORIGINATION YEAR

Loan Origination Year	No. of Notices in 2016	% of Total Notices in 2016	No. of Notices in 2016	% of Total Notices in 2016	% Change from 2015 to 2016
Before 2000	329	2.15%	281	2.29%	-15%
2000	50	0.33%	39	0.32%	-22%
2001	121	0.79%	96	0.78%	-21%
2002	270	1.77%	222	1.81%	-17%
2003	1031	6.74%	817	6.65%	-21%
2004	1545	10.10%	1153	9.38%	-25%
2005	2638	17.25%	1923	15.64%	-27%
2006	3025	19.78%	2296	18.68%	-24%
2007	2108	13.78%	1776	14.45%	-16%
2008	953	6.23%	800	6.51%	-16%
2009	976	6.38%	692	5.63%	-29%
2010	640	4.18%	520	4.23%	-19%
2011	438	2.86%	371	3.02%	-15%
2012	421	2.75%	365	2.97%	-13%
2013	401	2.62%	313	2.55%	-22%
2014	223	1.46%	233	1.90%	4%
2015	116	0.76%	238	1.94%	105%
2016	11	0.07%	145	1.18%	1218%
2017	--	--	13	0.11%	--
Total	15296		12293		

Of mortgage loans associated with an RTC Notice in 2016, only 2% originated between 2014 and 2016. However, 5% of RTC Notices in 2017 originated between 2014 and 2016. Loans originated during the sub-prime period, 2005 – 2007, continue to account for the majority (50%) of RTC Notices filed in both 2016 and 2017.

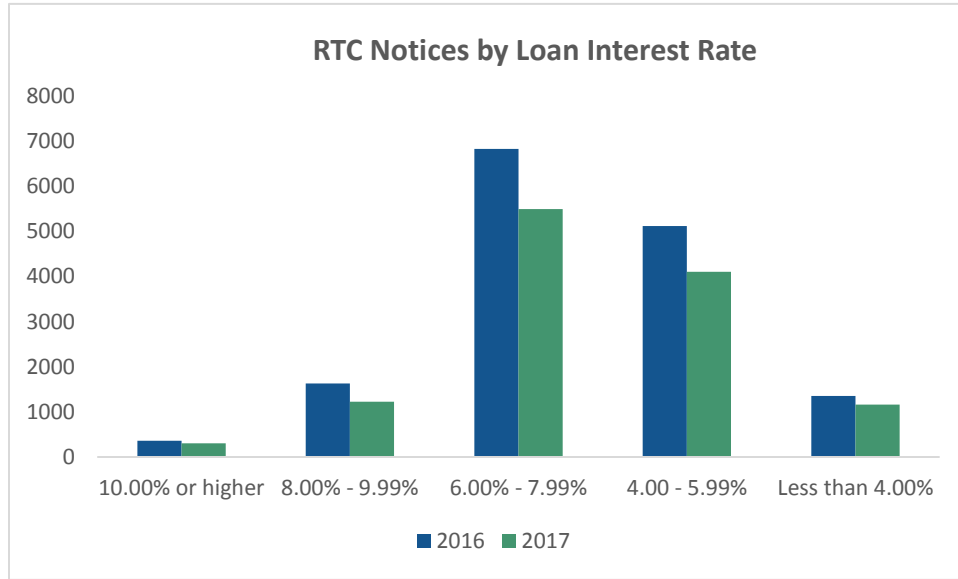
⁷ The RTC Notices filed in Boston include Boston and its neighborhoods: Allston, Brighton, Charlestown, Dorchester, East Boston, Hyde Park, Jamaica Plain, Mattapan, Roslindale, Roxbury, South Boston and West Roxbury.

FIGURES 3 & 4: RTC NOTICES BY YEARS OF LOAN ORIGINATION AND LOAN TYPE



As Figures 3 and 4 indicate, the majority of RTC Notices in both 2016 and 2017 were fixed rate mortgages, regardless of what year the loan originated. Specifically, 66% of RTC Notices in 2016 and 64% in 2017 were fixed rate mortgages. It is anticipated with the gradual increase in mortgage loan interest rates, originations as well as mortgage defaults will continue to involve fixed rate mortgage products. RTC Notices from 2004-2007 reflected the bulk of Adjustable Rate Mortgages (ARM). Overall, ARM loans comprised approximately 30% of all RTC Notices in both 2016 and 2017. All other loan types accounted for 4% of the total of RTC Notices sent in 2016 and 5% in 2017.

FIGURE 5



The majority of reported RTC Notices, approximately 78%, were linked to mortgage loans with interest rates between 4.00% and 7.99% in both 2016 and 2017. RTC Notices associated with interest rates lower than 6.00% stayed consistent, making up 42% of total RTC Notices in 2016 and 43% in 2017.

TABLE 3: RTC NOTICES BY DELINQUENCY DAYS

Delinquency Length	No. of Notices in 2016	% of Total Notices in 2016	No. of Notices in 2017	% of Total Notices in 2017
Less than 60 Days	1561	10.21%	1839	14.96%
61 – 120 Days	1861	12.17%	2337	19.01%
120 – 149 Days	11874	77.63%	8117	66.03%
Total	15296	100.00%	12293	100.00%

In both 2016 and 2017, over 85% of reported mortgage loans were delinquent between 61 – 149 days (2 and 5 months). Table 4 depicts the large majority of servicers sending RTC Notices during the ‘120 – 149 days’ delinquency period. No notices filed reflected a delinquency past 149 days.

FIGURE 6

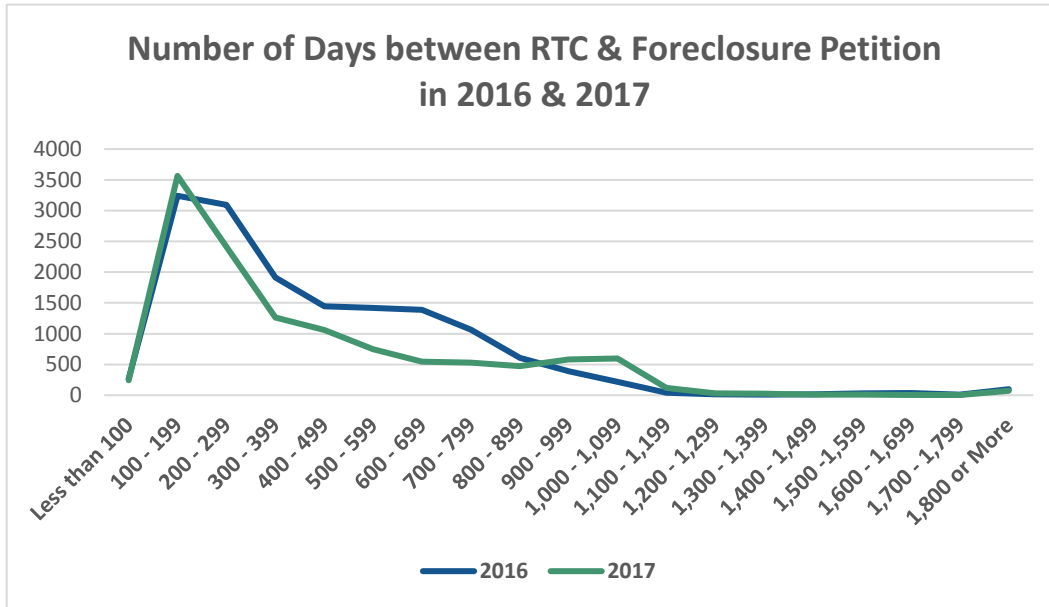


TABLE 4: RTC NOTICE TO FORECLOSURE PETITION FILE DATE IN DAYS

RTC to Petition (Days)	No. of Notices in 2016	% of Total Petitions in 2016	No. of Notices in 2017	% of Total Notices in 2017
Less than 100	265	1.73%	244	1.98%
100 – 199	3241	21.19%	3565	29.00%
200 – 299	3094	20.23%	2411	19.61%
300 – 399	1911	12.49%	1261	10.26%
400 – 499	1443	9.43%	1060	8.62%
500 – 599	1421	9.29%	747	6.08%
600 – 699	1386	9.06%	546	4.44%
700 – 799	1067	6.98%	528	4.30%
800 – 899	606	3.96%	473	3.85%
900 – 999	389	2.54%	584	4.75%
1,000 – 1,099	217	1.42%	600	4.88%
1,100 – 1,199	40	0.26%	117	0.95%
1,200 – 1,299	17	0.11%	33	0.27%
1,300 – 1,399	10	0.07%	26	0.21%
1,400 – ,1499	14	0.09%	8	0.07%
1,500 – ,1599	31	0.20%	9	0.07%
1,600 – 1,699	36	0.24%	7	0.06%
1,700 – 1,799	12	0.08%	4	0.03%
1,800 or more	96	0.63%	10	0.57%

Figure 6 and Table 4 depict the time between submissions of RTC Notices and Foreclosure Petitions. It should be noted more Foreclosure Petitions were filed in 2016 than in 2017 (15,296 versus 12,293). In 2016, 54% of Foreclosure Petitions were filed between 100 and 400 days after the RTC Notice, compared to 59% in 2017 during the same time period. Approximately 30% of Foreclosure Petitions were filed between 200 – 400 days after the RTC Notice filing in both 2016 and 2017.

FIGURE 7

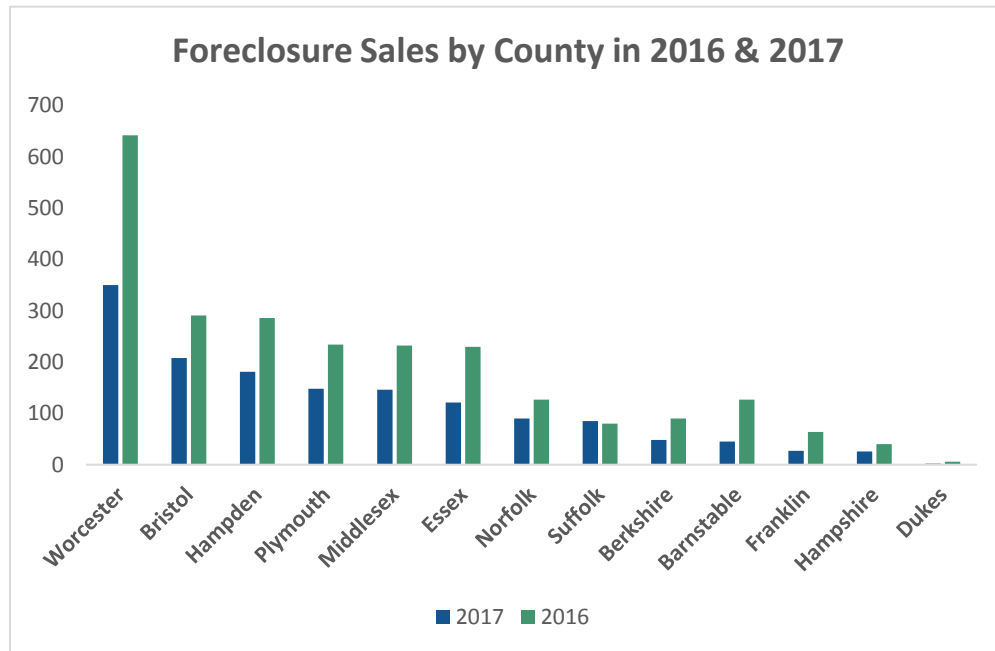


TABLE 5: FORECLOSURE SALES BY COUNTY

County	No. of Foreclosure Sales in 2017	Foreclosure Sales per 10,000 Residents ⁸	% Change from 2016 to 2017
Worcester	350	4.38	-45.48%
Bristol	208	15.85	-28.52%
Hampden	181	11.45	-36.71%
Plymouth	148	2.99	-36.75%
Middlesex	146	0.97	-37.07%
Essex	121	1.63	-47.39%
Norfolk	90	1.34	-29.13%
Suffolk	85	1.27	6.25%
Berkshire	48	3.66	-46.67%
Barnstable	45	0.82	-64.57%
Franklin	27	0.36	-57.81%
Hampshire	26	0.17	-35.00%
Dukes	2	0.04	-66.67%
Nantucket	0	0.00	-300%
Total	1477	44.93	-39.76%

Figure 7 above shows that the largest concentration of foreclosure sale activity is evident in Worcester County, 26%, for both 2016 and 2017. However, it is worth noting that Worcester County’s foreclosure sale volume has in fact decreased by 45% since 2016.

Additionally, Table 5 illustrates that the Commonwealth saw a 40% decrease of foreclosure sale activity in 2017 from the prior year. While in 2016 the state observed 1,665 in foreclosure sales, 2017 culminated with a drop in foreclosure sales at 1,477.

⁸ Residential data is based on the 2010 United States Census information.