2010 Foreclosure Trends Report

Division of Banks
Commonwealth of Massachusetts

July, 2011

Introduction:

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. In accordance with section 14A, the Division of Banks launched a central registry for foreclosure-related activity filed by mortgage lenders, mortgage holders, and mortgage servicers on mortgage loans within the Commonwealth. The data, which has been collected since May of 2008 through an online database, reflects an analysis of foreclosure petition notices, foreclosure sales activity, patterns relative to the geographic location of residential properties and interest rates on foreclosure-related loans.

The trends in this report's data are influenced by a noteworthy change in Massachusetts legislature. On August 7, 2010, in order to provide additional time for consumers to mitigate past due balances on their mortgages, Chapter 244 section 35A was amended to increase the number of days for borrowers to cure their default from 90 to 150 days (*see Chapter 258, An Act Relative to Mortgage Foreclosures*). The following report represents data compiled from the Massachusetts Foreclosure Petition database for the year of 2010. In total, there were 270 lenders, servicers, and investors who filed Right to Cure notices with the Division of Banks.

Background:

The Division organized the nation's first regulator-sponsored Mortgage Summit in November 2006. The summit convened city, state, and federal government officials, industry representatives, and nonprofit organizations in an effort to address the increasing number of mortgage foreclosures across Massachusetts.

The work completed by the Commonwealth's Mortgage Summit Working Groups (Rules and Enforcement, Consumer Education & Foreclosure Assistance) was finalized in April 2007 and their findings laid the groundwork for legislation immediately filed by Governor Deval Patrick. This far-reaching legislation was enacted in November 2007 as Chapter 206 of the Acts of 2007.

Massachusetts became one of the first states in the nation to address increasing foreclosures by passing comprehensive legislation, implementing increased protections for borrowers, and creating one of the strongest regulatory structures for mortgage lenders and brokers in the country.

Overview of Findings:

In 2010, Massachusetts Foreclosure Petition Database recorded a total of 9,380 foreclosure sales and 6,656 Right to Cure notices. Within this sample data set, the Division identified various noteworthy trends:

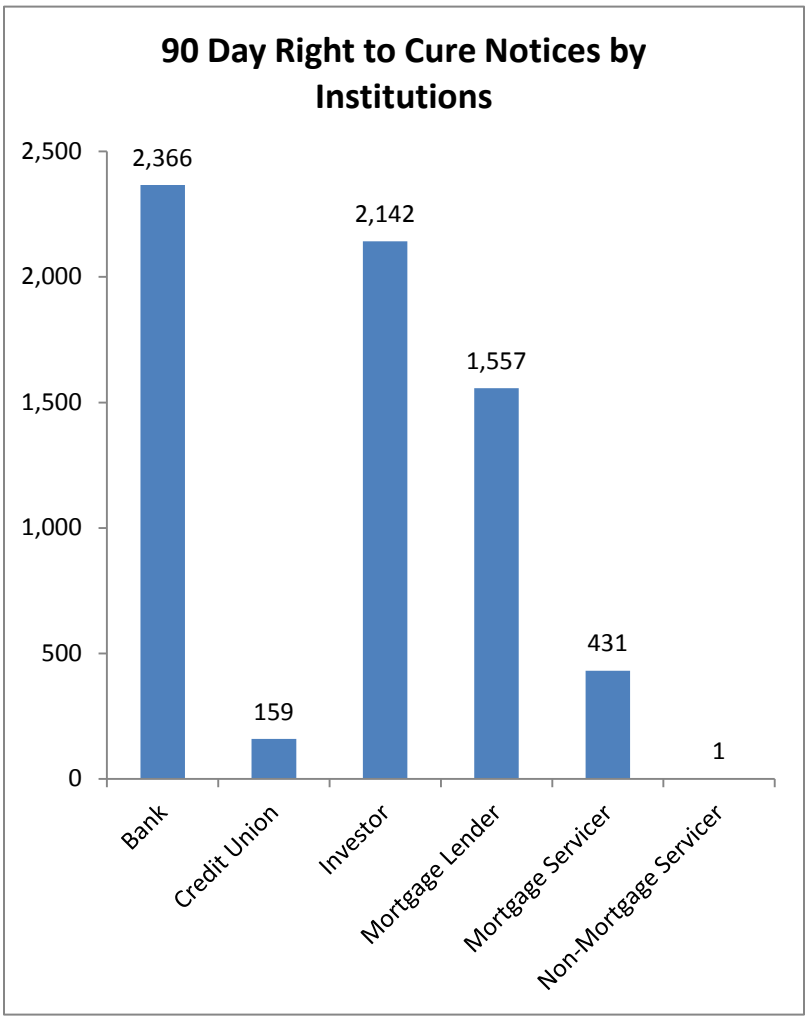
Geographical Trends

- Worcester County surpasses all other counties with the largest quantity of Right to Cure notices (1,155), and foreclosure sales (1,737). This phenomenon is partially explained by its status as the largest county in the State. However, with the number of notices sent as a percentage of mortgages at 0.8%, higher than any other county, it is a notable concern;
- Middlesex and Essex counties follow Worcester in terms of Right to Cure notices sent as well as foreclosure sales activity;
- The city of Boston leads in terms of Right to Cure Notices, with 463 filings in 2010. Worcester and Brockton follow with 266 and 192 notices, respectively.

Loan Patterns

- 66.4% of Right to Cure Notices mailed to borrowers reflected loans originated in 2005-2007, a time period coinciding with a rise in subprime mortgage products;
- The period of 2005-2007 underwent an unusual rise in adjustable rate mortgages. In 2010, this trend has been reversed, with fixed rate mortgages accounting for 64.2% of Right to Cure Notices;
- 63.4% of notices involved delinquencies ranging from 61-149 days past due, and nearly 50% of all notices reflected a cure default amount of less than $6,000;
- Over half of Right to Cure Notices were associated with loans between $150,000 and $300,000;
- Over half of Right to Cure notices were associated with mortgage notes bearing interest rates between 6.00% and 7.99%;
- The bulk of the foreclosure petitions filed in 2010 (11,922 or 53.7%) corresponded to Right to Cure Notices sent in 2009.

2010 Analysis of Right to Cure Notices and Foreclosure Petitions:

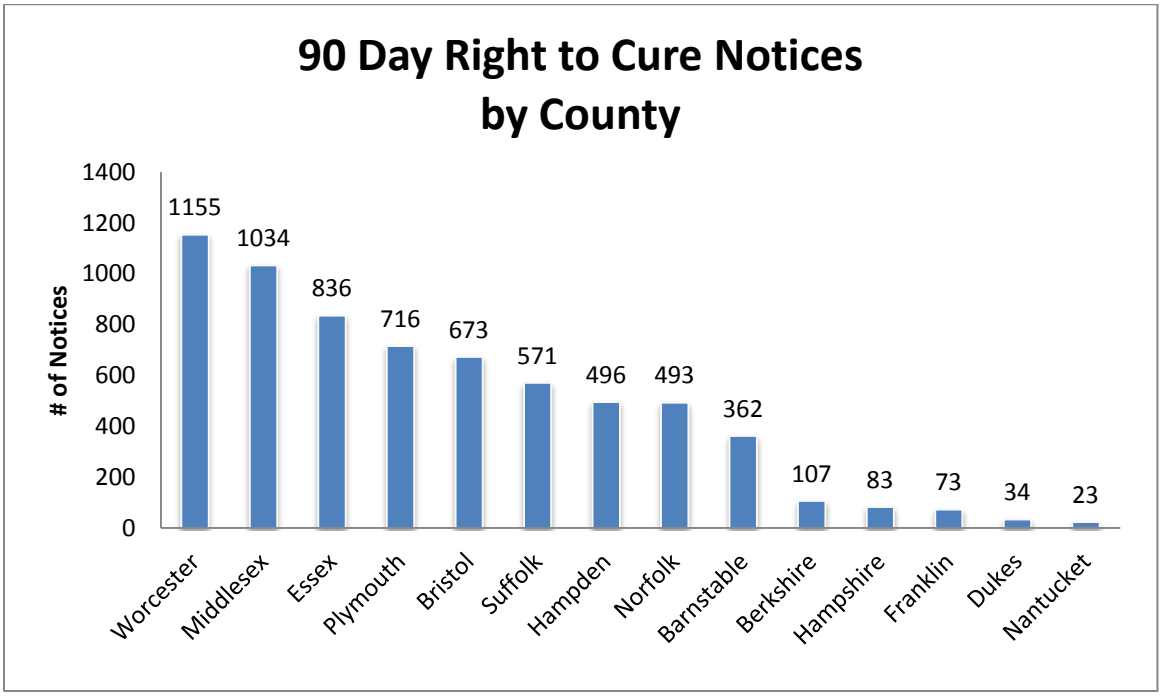


National banks sent the majority of notices with investors and mortgage lenders having a significant share as well.

Note: Under the Bank category, national banks, and other non-state chartered banking institutions are included.

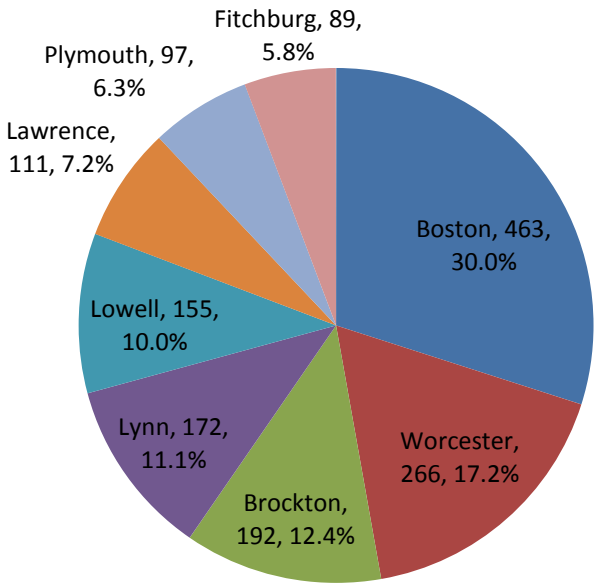
90 Day Right to Cure Notices by County			
	County	**# of Notices**	**% of Total**
1	Worcester	1155	17.4%
2	Middlesex	1034	15.5%
3	Essex	836	12.6%
4	Plymouth	716	10.8%
5	Bristol	673	10.1%
6	Suffolk	571	8.6%
7	Hampden	496	7.5%
8	Norfolk	493	7.4%
9	Barnstable	362	5.4%
10	Berkshire	107	1.6%
11	Hampshire	83	1.2%
12	Franklin	73	1.1%
13	Dukes	34	0.5%
14	Nantucket	23	0.3%
	Total	6656	100.0%

The four counties in the Commonwealth with the largest share of Right to Cure notices sent in 2010 totaled 56.3 percent. Worcester County had the largest proportion of notices filed with nearly a fifth of the Commonwealth's total notices sent. It should be noted that Worcester County is the largest county in the Commonwealth and second in terms of owner-occupied housing units with a mortgage[1].



[1] 2007-2009 American Community Survey 3-Year Estimates

90 Day Right to Cure Notices in Top 8 Cities



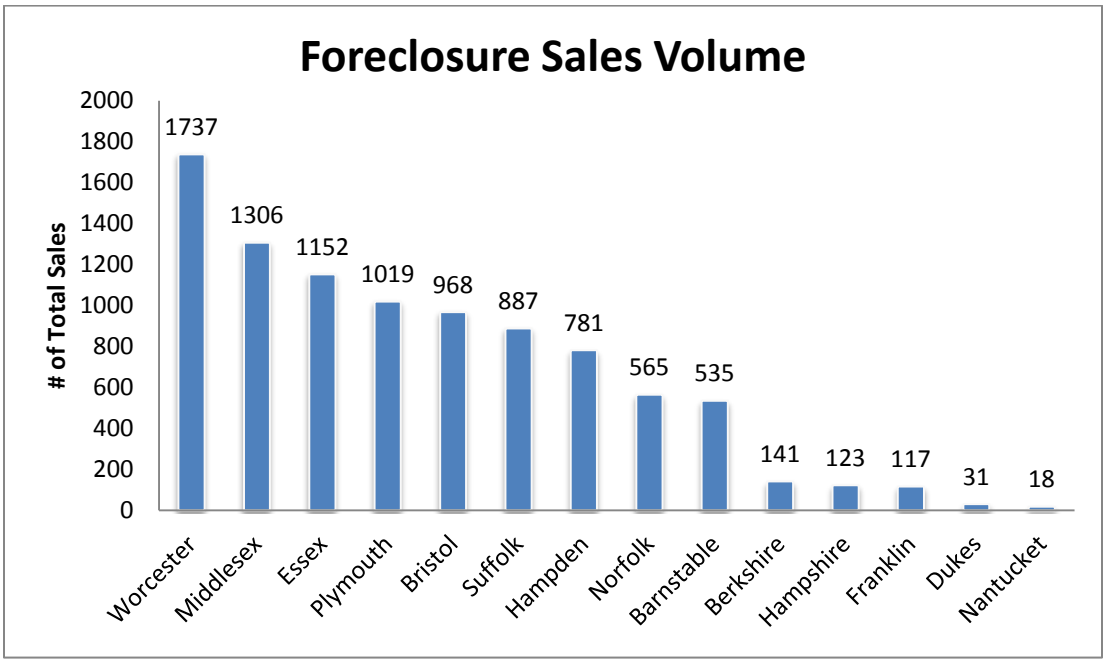
Eight cities accounted for 1,545 notices, or about 23 percent of all notices sent. Boston is the leading of the eight cities, with 30 percent, or 463, of the 1,545 notices. The cities of Worcester, Brockton, Lynn, and Lowell accounted for approximately 51 percent of the top cities' total.

Top County/Cities	Notices per City	Total Notices per County	% of County Total
Worcester		1155	
Worcester	266		23.0%
Fitchburg	89		7.7%
Leominster	52		4.5%
Middlesex		1034	
Lowell	155		15.0%
Framingham	70		6.8%
Malden	60		5.8%
Everett	53		5.1%
Essex		836	
Lynn	172		20.6%
Lawrence	111		13.3%
Methuen	83		9.9%
Haverhill	71		8.5%
Plymouth		716	
Brockton	192		26.8%
Plymouth	97		13.5%

The table to the left illustrates the number of notices sent by the top four counties, and the cities accounting for the largest concentration of these notices.

Foreclosure Sales in 2010 by County			
	County	**Sales Volume**	**% of Total**
1	Worcester	1737	18.5%
2	Middlesex	1306	13.9%
3	Essex	1152	12.3%
4	Plymouth	1019	10.9%
5	Bristol	968	10.3%
6	Suffolk	887	9.5%
7	Hampden	781	8.3%
8	Norfolk	565	6.0%
9	Barnstable	535	5.7%
10	Berkshire	141	1.5%
11	Hampshire	123	1.3%
12	Franklin	117	1.2%
13	Dukes	31	0.3%
14	Nantucket	18	0.2%
	Total	9380	100.0%

Foreclosure sales in 2010 mirrored the data from foreclosure notices with Worcester County leading in this category by a margin of 4.6 percent over Middlesex County.



90 Day Right to Cure Notices as a Percentage of Mortgages by County				
	County*	**# of Notices**	**Mortgages****	**% of Mortgages**
1	Worcester	1155	151,851	0.8%
2	Barnstable	362	50,753	0.7%
3	Suffolk	571	80,803	0.7%
4	Bristol	673	96,075	0.7%
5	Plymouth	716	103,157	0.7%
6	Hampden	496	77,827	0.6%
7	Essex	836	135,043	0.6%
8	Franklin	73	14,105	0.5%
9	Berkshire	107	23,983	0.4%
10	Middlesex	1034	262,646	0.4%
11	Norfolk	493	130,388	0.4%
12	Hampshire	83	26,777	0.3%
	Total	6599	1,153,408	0.6%

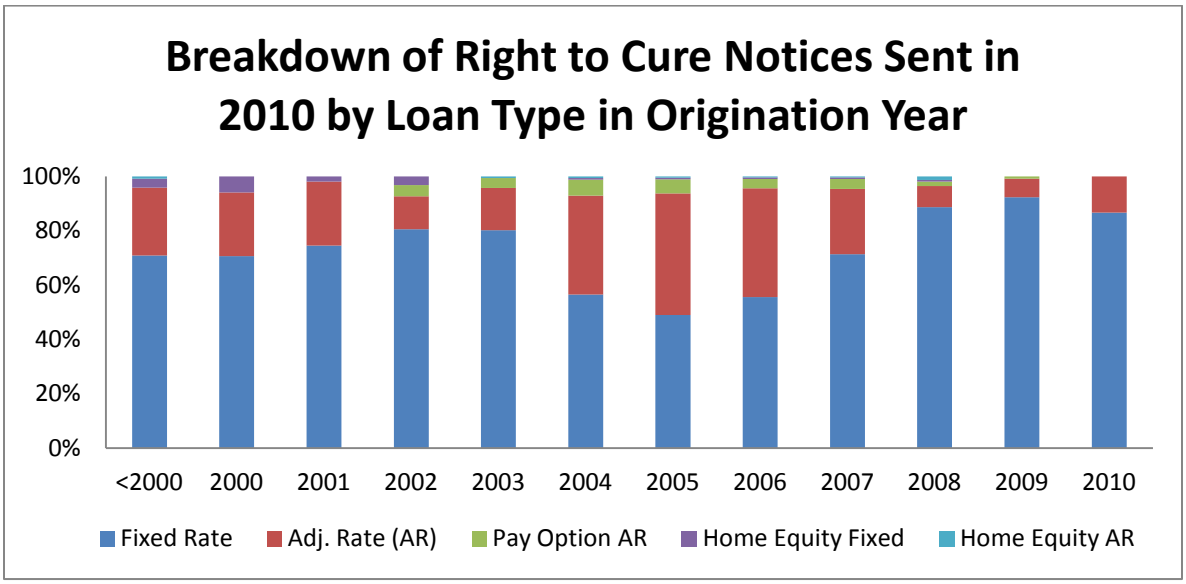
*US Census Data not available for counties with populations smaller than 20,000
**Owner-occupied housing units with a mortgage (estimate)
Data Set: 2007-2009 American Community Survey 3-Year Estimates
Survey: American Community Survey

The number of notices sent per owner-occupied housing units indicates that while some smaller counties may have a lower volume of pre-foreclosure notices sent in 2010, their proportion of owner-occupied units is also lower. Therefore, counties such as Barnstable, with 362 notices, have a greater percentage of notices sent per owner-occupied units.

90 Day Right to Cure Notices by Mortgage Origination Year		
Year	**# of Notices**	**% of Total**
Before 1990	10	0.2%
1990	2	0.0%
1991	5	0.1%
1992	8	0.1%
1993	6	0.1%
1994	9	0.1%
1995	8	0.1%
1996	13	0.2%
1997	13	0.2%
1998	21	0.3%
1999	25	0.4%
2000	17	0.3%
2001	51	0.8%
2002	123	1.8%
2003	464	7.0%
2004	675	10.1%
2005	**1345**	**20.2%**
2006	**1608**	**24.2%**
2007	**1464**	**22.0%**
2008	527	7.9%
2009	247	3.7%
2010	15	0.2%
Total	6656	100.0%

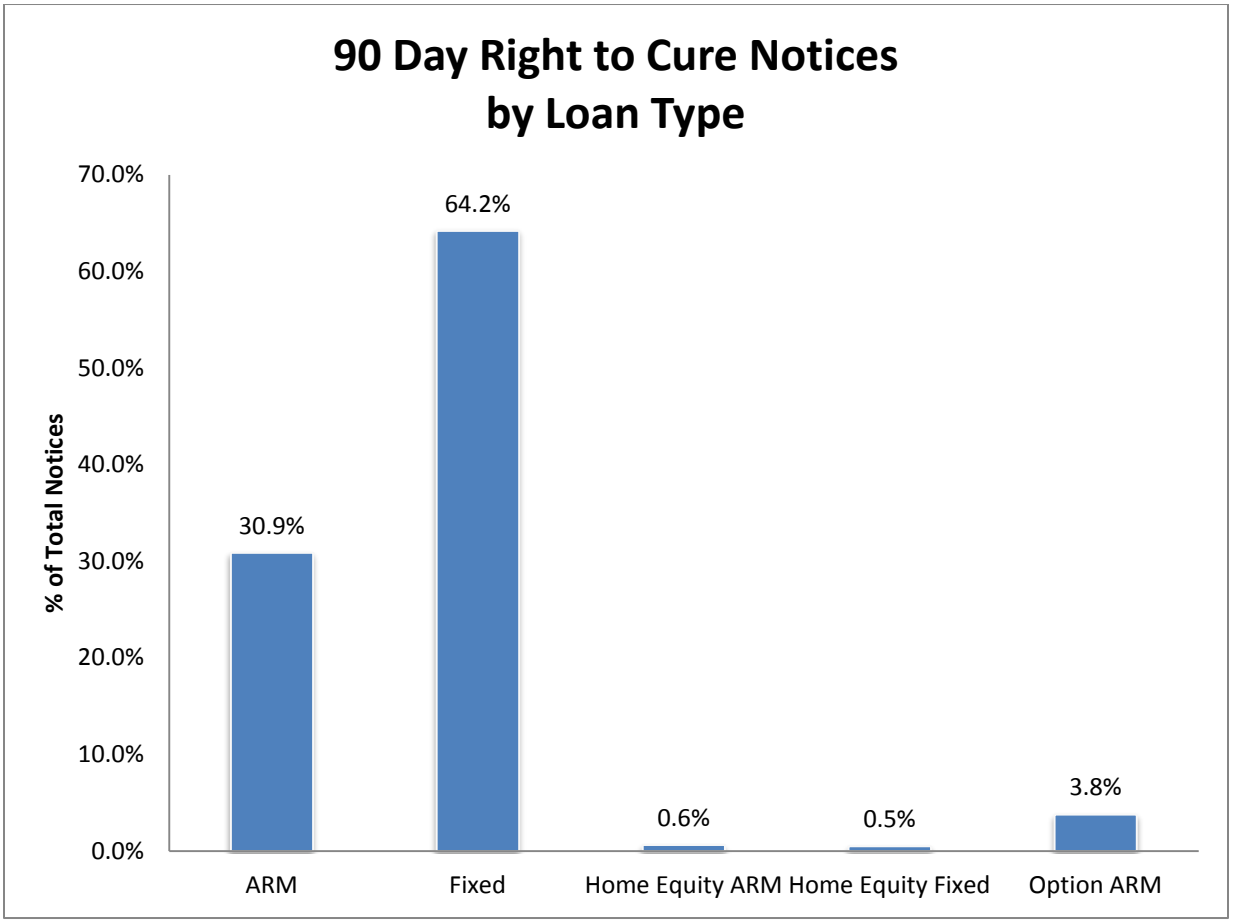
Nearly sixty-seven percent (66.4%) of the 6,656 Right to Cure notices sent to borrowers in 2010 were associated with loans originated in 2005 through 2007.

This highlighted period, from 2005 -2007, experienced a surge of subprime products within the mortgage market.



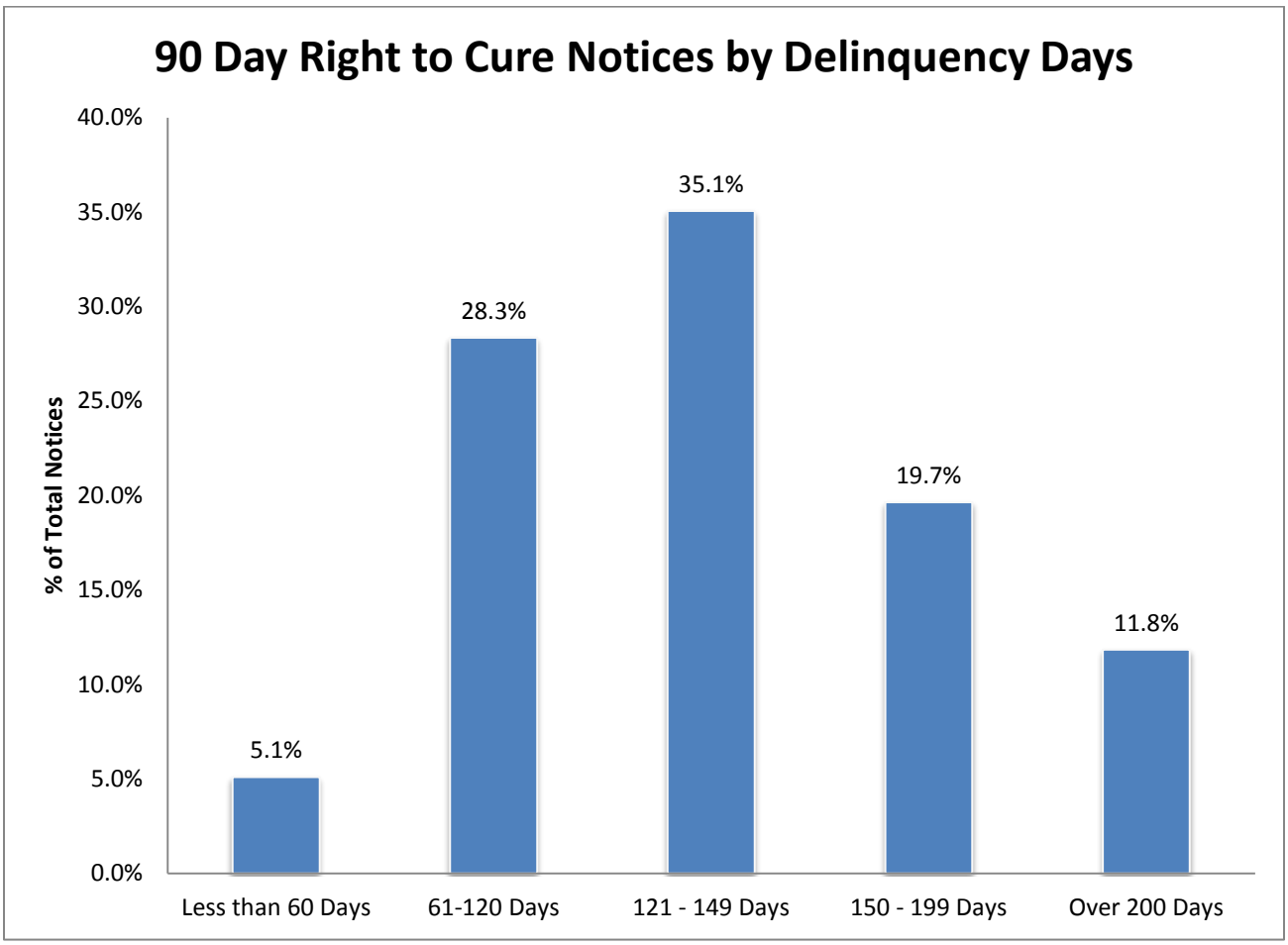
90 Day Right to Cure Notices by Loan Type		
Type of Loan	**# of Notices**	**% of Notices**
ARM	2055	30.9%
Fixed	4272	64.2%
Home Equity ARM	42	0.6%
Home Equity Fixed	34	0.5%
Option ARM	253	3.8%
Total	6656	100.0%

A majority of notices involved a fixed rate loan product. Adjustable Rate Mortgages (ARM) accounted for 30.9 percent or 2,055 of total loans which were mostly originated from 2004 to 2007.



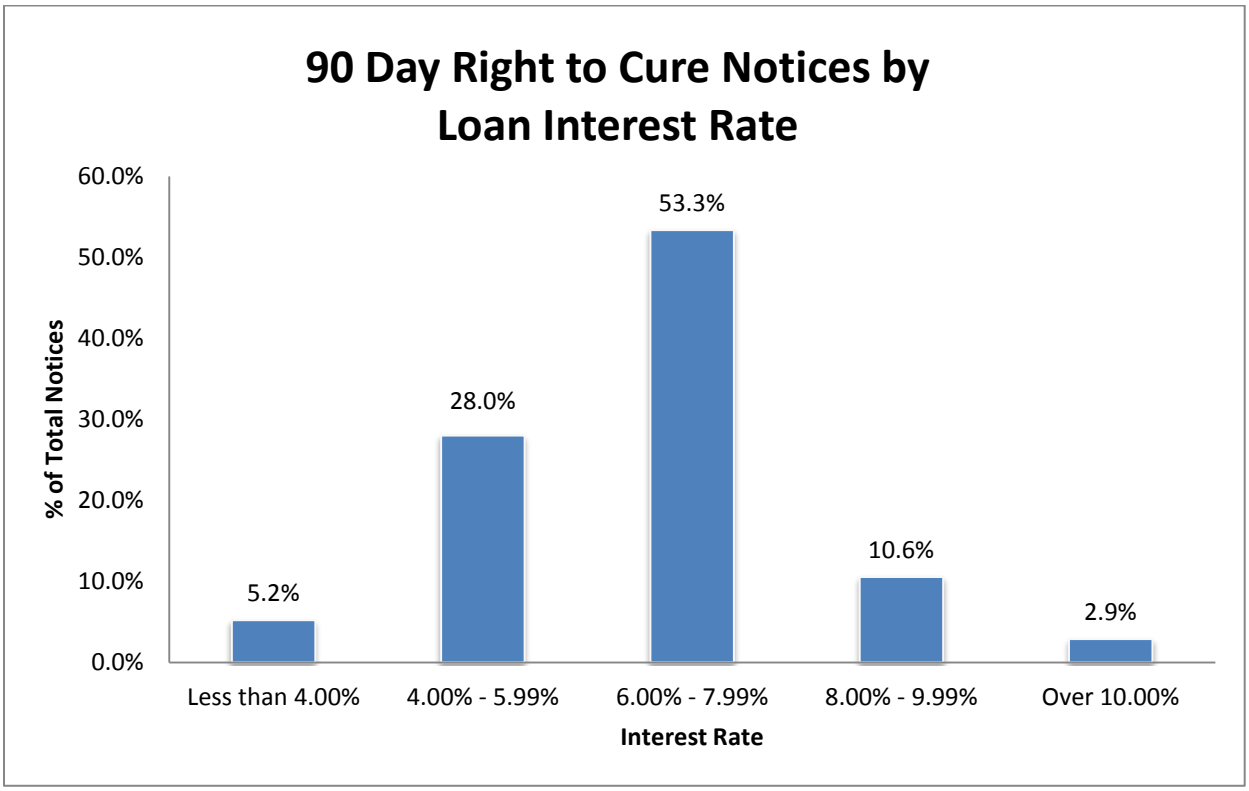
90 Day Right to Cure Notices by Delinquency Days		
Delinquency Length	**# of Notices**	**% of Total**
Less than 60 Days	339	5.09%
61-120 Days	**1884**	**28.31%**
120 - 149 Days	**2330**	**35.01%**
150 - 199 Days	1306	19.62%
Over 200 Days	787	11.82%
Unclassified	10	.15%
Total	6656	100.0%

In 2010, seriously delinquent loans of 150 or more days accounted for 31.44 percent of all notices sent. Loans delinquent between two and five months (61-149 Days) accounted for 63.32 percent. With 5.09 percent of notices mailed with less than 60 days delinquency, it is evident that lenders are allowing some length of time prior to proceeding with the Right to Cure notification.



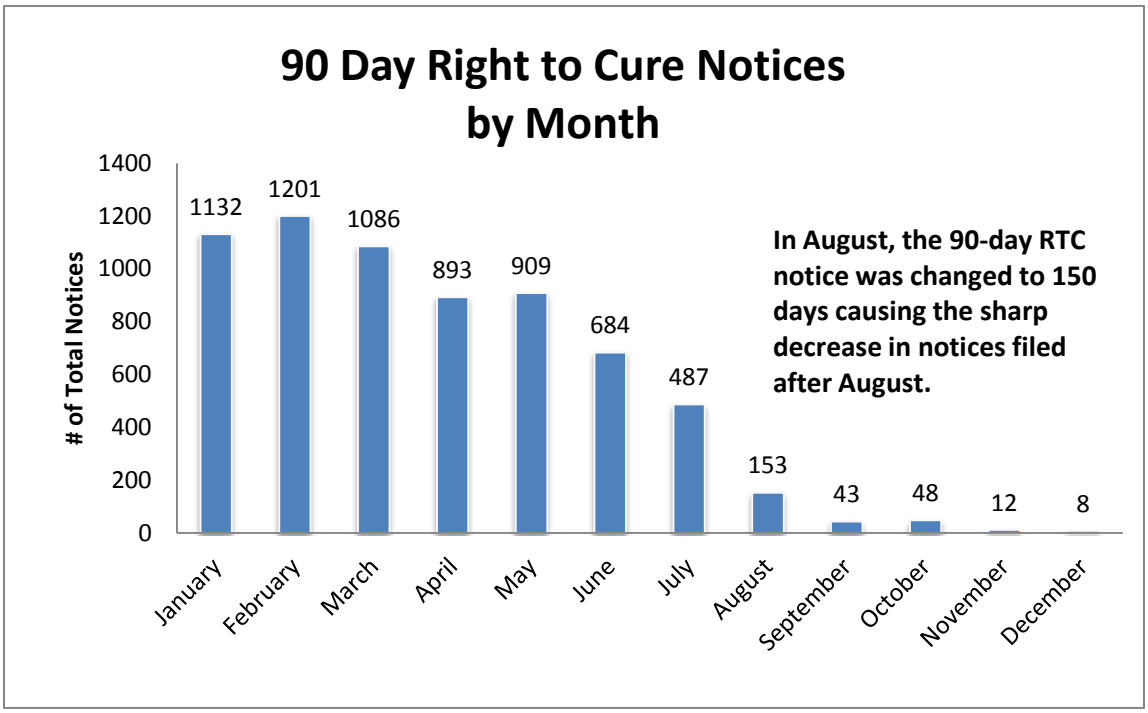
90 Day Right to Cure Notices by Interest Rate		
Interest Rate	**# of Notices**	**% of Notices**
Less than 4.00%	344	5.2%
4.00% - 5.99%	1850	28.0%
6.00% - 7.99%	**3522**	**53.3%**
8.00% - 9.99%	**697**	**10.6%**
Over 10.00%	190	2.9%
Total	6603	100.0%

A substantial number of notices (63.9 percent) involved mortgages with interest rates between 6.00 and 9.99 percent. 53.3 percent or 3,522 notices, a notable volume, bore an interest rate between 6.00 and 7.99 percent. A much lower rate of 33 percent of notices had an interest rate lower than 6 percent.



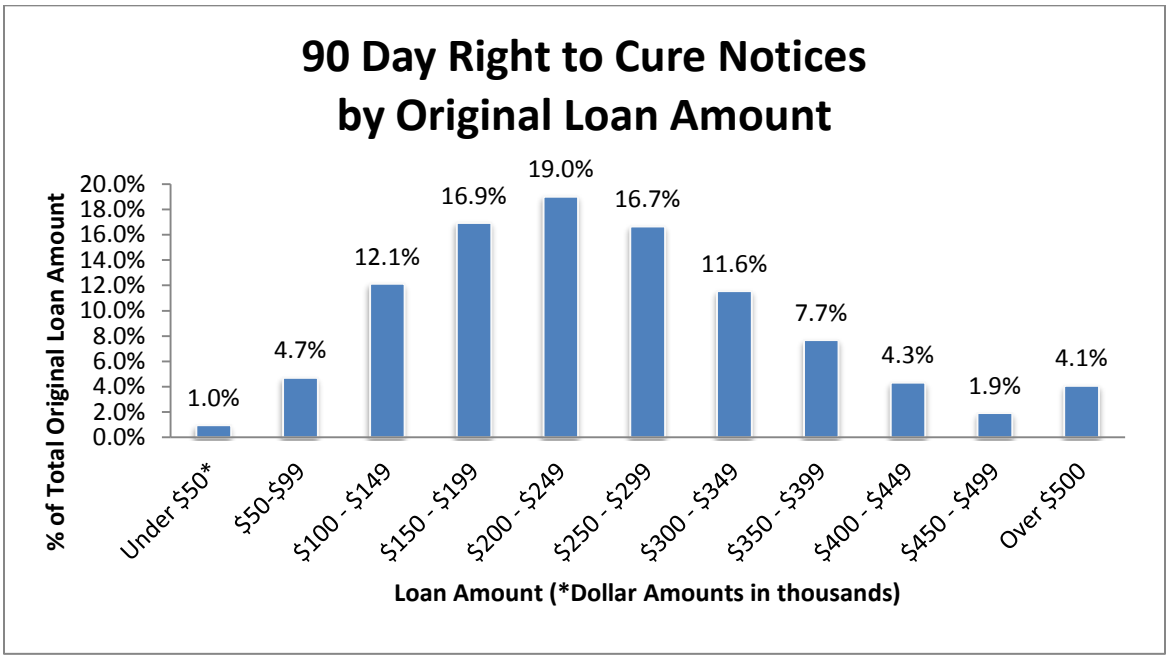
90 Day Right to Cure Notices by Month		
Month	**# of Notices**	**% of Notices**
January	1132	17.0%
February	1201	18.0%
March	1086	16.3%
April	893	13.4%
May	909	13.7%
June	684	10.3%
July	487	7.3%
August	153	2.3%
September	43	0.6%
October	48	0.7%
November	12	0.2%
December	8	0.1%
Total	6656	100.0%

There was a steady decline in notices mailed after March with a slight increase of 13.7 percent in May from 13.4 percent in April. A sharp decrease was observed from August to September (from 2.3 percent to 0.6 percent). As referenced above, on August 7, 2010, Chapter 244 § 35A was amended by Chapter 258, an Act Relative to Mortgage Foreclosures, which extended the 90 Day Right to Cure period to 150 days.



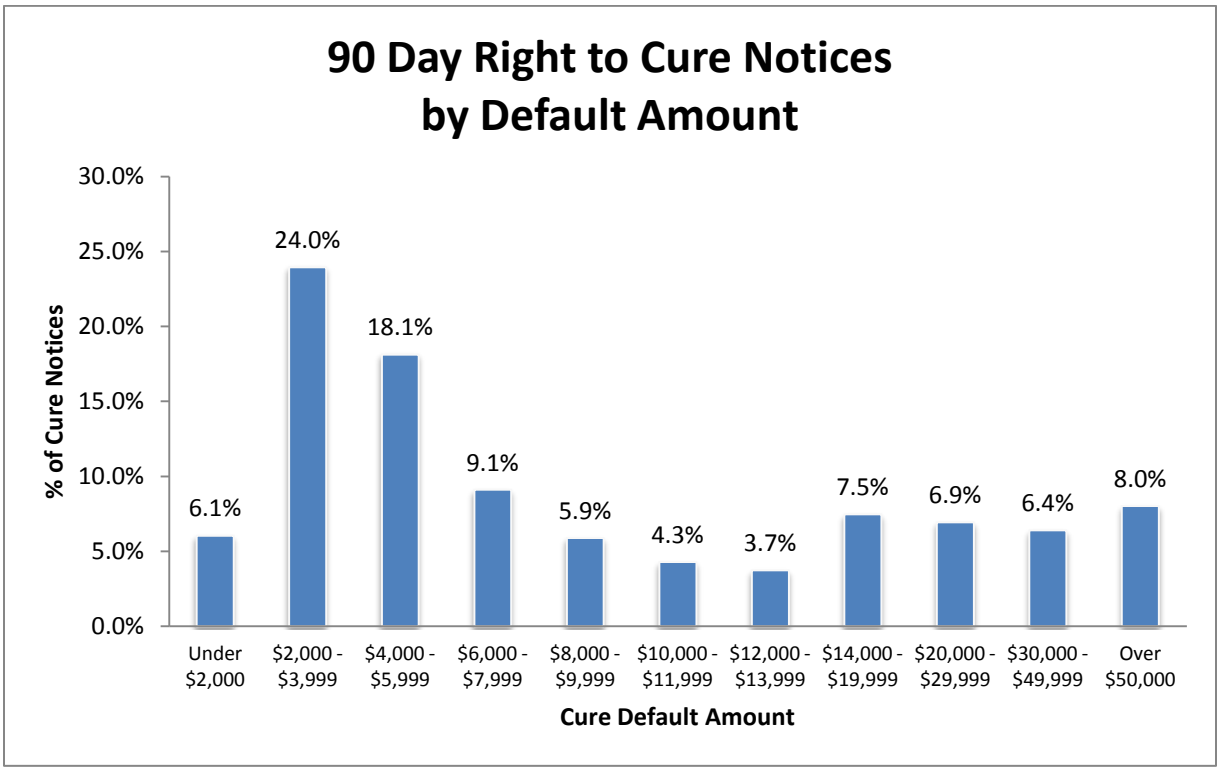
90 Day Right to Cure Notices by Original Loan Amount		
Loan Amount	**# of Notices**	**% of Total**
Under $50,000	64	1.0%
$ 51,000 - $ 99,000	314	4.7%
$100,000 - $149,000	807	12.1%
$150,000 - $199,000	**1127**	**16.9%**
$200,000 - $249,000	**1265**	**19.0%**
$250,000 - $299,000	**1108**	**16.7%**
$300,000 - $349,000	769	11.6%
$350,000 - $399,000	512	7.7%
$400,000 - $449,000	288	4.3%
$450,000 - $499,000	128	1.9%
Over $500,000	272	4.1%
Total	6654	100.0%

When notices are grouped by loan amount, the median loan ranged from $150,000 to $300,000 with 52.6 percent of loans falling under this category. Nearly 30 percent of mortgages in default in 2010 involved loans exceeding $300,000 with a small margin over $500,000 (4.1 percent).



90 Day Right to Cure Notices by Cure Default Amount		
Cure Amount	**# of Notices**	**% of Total**
Under $2,000	**402**	**6.1%**
$2,000 - $3,999	**1591**	**24.0%**
$4,000 - $5,999	**1204**	**18.1%**
$6,000 - $7,999	**605**	**9.1%**
$8,000 - $9,999	392	5.9%
$10,000 - $11,999	285	4.3%
$12,000 - $13,999	248	3.7%
$14,000 - $19,999	496	7.5%
$20,000 - $29,999	461	6.9%
$30,000 - $49,999	425	6.4%
Over $50,000	533	8.0%
Total	6642	100.0%

A substantial number of Right to Cure notices (57.3%) reflected default amounts less than $8,000. A reduced number of Right to Cure notices corresponded to higher default amounts, with 21 percent of defaults exceeding $20,000.



Summary of Petitions and Right to Cure notices by year of origination:

Foreclosure Petitions Filed in 2010		**Foreclosure Petitions Filed in 2009**	
Year Right to Cure Notice Sent	**Filed Petitions by year of RTC notice**	**Year Right to Cure Notice Sent**	**Filed Petitions by year of RTC notice**
2007	19	**2007**	26
2008	3,928	**2008**	13,286
2009	11,922	**2009**	11,995
2010	6,329	Total	25,281
Combined Petitions: 2010 Total	22,198		

*Note: Petitions to foreclose are filed with Land Court after a Right to Cure notice has been delivered to a borrower.

Conclusion:

Notwithstanding the total number of Petitions filed with Land Court in 2010 (22,198), the Division continues to track the origination year of mortgages that have fallen into default over the past five years by relying on Right to Cure information. The Massachusetts Foreclosure Petition Database provides sufficient data on the types of mortgage products and terms associated with each Right to Cure notice to generate a snapshot of the mortgage market during a specific time period. The Division's goal is to utilize this information as an indicator of current and long-term trends, particularly as we monitor industry changes in lending products and policies.