

# 2012

## 2012 Foreclosure Trends Report



Division of Banks

Commonwealth of Massachusetts

# 2012 Foreclosure Trends Report

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## Background

In November of 2007, to address rising foreclosures in the Commonwealth, an Act Protecting and Preserving Home Ownership (Chapter 206 of the Acts of 2007) was enacted to provide added consumer protections for homeowners facing foreclosure.<sup>1</sup> 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 a new law deemed as an emergency measure for homeowners struggling to keep their homes. The statute requires demonstrated 'good-faith' efforts on the part of creditors to work with borrowers in developing a possible resolution before opting to foreclose.<sup>2</sup> 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.<sup>3</sup> Additional details on the Chapter 194 requirements are included in this report.

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

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

<sup>2</sup> G.L. c. 244, s. 35A.

<sup>3</sup> G.L. c. 244, s. 35B.

<sup>4</sup> G.L. c. 244, s. 14A.

<sup>5</sup> 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 has varied significantly from 2008 through 2011 with pronounced periods of home sales decline, elevated foreclosures, and more recently, with some mobility in the origination side of the market. During the peak of the housing market, originations increased from 122,236 in 2008 to 223,062 in 2009.<sup>6</sup> 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.

Conversely, in 2012 with lower interest rates and competitive home prices, mortgages and real estate sales have shown some sporadic signs of recovery with an increase in existing home sales (306,000) from 2.1% in 2011 to 6.2% in late 2012, according to the National Association of Realtors. The question through this apparent housing upturn is whether home sales will continue to pick up over the next twelve months and whether this may influence the declining rate of completed foreclosures.

## Massachusetts - Mortgage Delinquencies and Foreclosures

Over the past five years, the pace of mortgage delinquencies and foreclosure activity has been quite volatile. Between the first quarter of 2008 and the first quarter of 2010, the national delinquency rate, excluding loans in foreclosure, increased from 6.35% to 10.06%. During the same period, the percentage of loans in foreclosure also climbed from 2.47% to 4.63%. But since late 2011 through 2012, we have seen a decline in delinquencies on a national level from 10.06% to 7.09%, and a similar drop in foreclosures from 4.63% to 3.74%.<sup>7</sup> This development is certainly positive as the nation continues to overcome a period of economic downturn.

Consistent with national delinquency statistics, Massachusetts observed a similar decline in delinquencies from 8.19% in 2011 to 8.09% of loans past due in 2012. Parallel with this noted progress, as of December 2012, the Commonwealth had a foreclosure rate of 2.74%, which accounted for all loans including FHA, VA, Subprime ARM, Subprime Fixed, Prime ARM, and Prime

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<sup>6</sup> Home Mortgage Disclosure Act (HMDA) mortgage data for 2012 is not currently available. HMDA data from 2008-2011 was used for a snapshot of loan originations.

<sup>7</sup> MBA National Delinquency Survey, Fourth Quarter 2011 & Fourth Quarter 2012.

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Fixed. This foreclosure rate was down from 2.95% in December 2011. Although this trend is also encouraging, it is worth noting that Massachusetts slightly ascended in foreclosure ranking from 30<sup>th</sup> in the nation in 2011 to 25<sup>th</sup> place in 2012, possibly indicating that other states may have experienced more active loan modifications or reinstatement of distressed loans.<sup>8</sup>

## Massachusetts Foreclosures - 2012 Report Highlights

- RTC notices dropped by 33.7% since 2011.
- Foreclosure Petition filings increased by 76% (*Refer to Appendix A: Map of Massachusetts Foreclosure Petitions*).
- Foreclosure Sales fell by 27.2% (*Refer to Appendix E: Map of Massachusetts Foreclosure Sales*).
- Approximately 63% of RTC notices involved mortgage loans of less than \$250,000.
- A majority of RTC (54.3%) involved delinquencies of less than \$8,000.
- Worcester County held the largest share of RTC notices (693), Foreclosure Petitions (2,409) (*Refer to Appendix B: Map of Foreclosure Petitions in Worcester County*), and Foreclosure Sales (1,066) of the fourteen counties in Massachusetts.
- The City of Boston<sup>9</sup> led the Commonwealth's municipalities in the number of RTC notices with 169 filings.
- RTC notices sent in 2012 indicate that nearly 53% of loans were originated in 2005-2007.
- Fixed rate mortgages accounted for 74% of all RTC notices, which represents a 4% increase from last year's figures.

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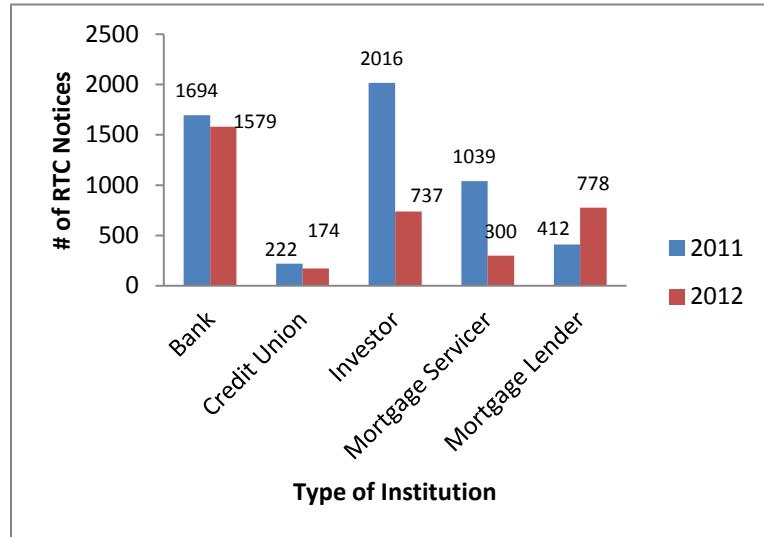
<sup>8</sup> Ibid.

<sup>9</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.

## 2012 Foreclosure Trends Report

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

Five categories of financial entities submitted RTC notices and Foreclosure Petition information. In 2012, banks submitted 44% of total notices and petitions, followed by mortgage lenders (22%) and investors (21%).



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	% of Total	% change (2011)	% change (2010)	# of Notices per 10,000 residents*
1	Worcester	693	19.4%	-28.48%	-40.0%	8.68
2	Middlesex	520	14.6%	-36.04%	-49.7%	3.46
3	Plymouth	379	10.6%	-43.60%	-47.1%	7.66
4	Essex	474	13.3%	-23.67%	-43.3%	6.38
5	Bristol	371	10.4%	-31.68%	-44.9%	6.77
6	Norfolk	257	7.2%	-40.37%	-47.9%	3.83
7	Hampden	313	8.8%	-20.36%	-36.9%	6.75
8	Suffolk	233	6.5%	-40.26%	-59.2%	3.23
9	Barnstable	153	4.3%	-45.74%	-57.7%	7.09
10	Berkshire	81	2.3%	-17.35%	-24.3%	6.17
11	Hampshire	50	1.4%	-37.50%	-39.8%	3.16
12	Franklin	33	0.9%	-45.00%	-54.8%	4.62
13	Dukes	7	0.2%	-65.00%	-79.4%	4.23
14	Nantucket	4	0.1%	-63.64%	-82.6%	3.93
	<b>Total</b>	<b>3568</b>	<b>100%</b>	<b>-33.72%</b>	<b>-46.4%</b>	<b>5.45</b>

\*Based on 2010 Census Data

Overall, each county saw a decrease in RTC notices since 2011. The top four counties accounted for 57.9% of the total share of RTC notices. Nearly 20% involved housing units in Worcester County. When compared to last year's figures, the total number of RTC notices filed was 33.7% less than 2011, and 46.4% lower than 2010.

## 2012 Foreclosure Trends Report

**TABLE 2: 150 DAY RTC NOTICES BY COUNTY, AS PERCENT OF OWNER-OCCUPIED HOUSING UNITS**

	County*	# of Notices	Mortgages**	% of Mortgages	On average, less than 0.2% of housing units were sent a RTC notice in 2012. Representative of the overall trend, Middlesex County, despite its high number of mortgages, had a 0.1% RTC notice rate. Worcester, Plymouth and Bristol have the greatest amount of RTC notices sent as a proportion of all mortgages.
1	Worcester	693	197,620	0.4%	
2	Plymouth	379	137,993	0.3%	
3	Bristol	371	133,083	0.3%	
4	Suffolk	233	100,140	0.2%	
5	Barnstable	153	75,751	0.2%	
6	Hampden	313	110,396	0.3%	
7	Essex	474	183,251	0.3%	
8	Franklin	33	20,798	0.2%	
9	Berkshire	81	37,852	0.2%	
10	Norfolk	257	178,856	0.1%	
11	<b>Middlesex</b>	<b>520</b>	<b>362,902</b>	<b>0.1%</b>	
12	Hampshire	50	38,859	0.1%	
	Total	3568	1,577,501	0.2%	
*US Census Data not available for counties with populations smaller than 20,000. **Owner-occupied housing units with a mortgage (estimate) Data Set: 2009-2011 American Community Survey 3-Year Estimates					

**TABLE 3: 150 DAY RIGHT-TO-CURE NOTICE BY TOP CITIES: 2012/2011**

City	2012	2011	% Change	Ten cities and towns were referenced in 990 notices or 27.7% of all notices sent. The remaining 72.3% of notices were distributed among other cities and towns without a particular trend or concentration. The City of Boston, which is comprised of
Boston	169	390	-56.7%	
Worcester	158	207	-23.7%	
Springfield	135	146	-7.5%	
Brockton	115	171	-32.7%	
Lynn	88	108	-18.5%	
Lowell	85	91	-6.6%	
<b>Fitchburg</b>	<b>66</b>	<b>60</b>	<b>10.0%</b>	
New Bedford	62	90	-31.1%	
<b>Methuen</b>	<b>58</b>	<b>47</b>	<b>23.4%</b>	
Haverhill	54	69	-21.7%	

various neighborhoods, topped this list with 169 notices. Boston saw a drop of nearly 60%, while RTC notices in Worcester fell by 23.7% and in Brockton by 32.7%. Of the top ten cities in 2012, all but Fitchburg and Methuen experienced a decrease in RTC notices since 2011. Several cities that were on the top ten list for 2011, such as Plymouth and Lawrence, experienced substantial decreases in RTC notices, resulting in their dropping out of the top ten.

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TABLE 4: 150 DAY RTC NOTICES BY TOP COUNTIES: 2012/2011

Top County & Cities	City	County	% of County	% change since 2011
Worcester		693		-28.5%
Worcester	158		22.8%	-23.7%
Fitchburg	66		9.5%	10.0%
Leominster	32		4.6%	-20.0%
Middlesex		520		-36.0%
Lowell	85		12.3%	-6.6%
<b>Marlborough</b>	<b>22</b>		<b>3.2%</b>	<b>-60.0%</b>
Framingham	28		4.0%	-39.1%
Everett	26		3.8%	-35.0%
Malden	25		3.6%	-26.5%
Plymouth		379		-43.6%
Brockton	115		16.6%	-32.7%
<b>Plymouth</b>	<b>46</b>		<b>6.6%</b>	<b>-52.6%</b>
Essex		474		-23.7%
Lynn	88		12.7%	-18.5%
<b>Lawrence</b>	<b>32</b>		<b>4.6%</b>	<b>-54.3%</b>
Haverhill	54		7.8%	-21.7%
Methuen	58		8.4%	23.4%

The top four counties, when combined, represent 57.9% of total filings. A substantial decline has been observed in Plymouth and Middlesex Counties by 43.6%, and 36%, respectively. When compared to 2011 figures, cities such as Marlborough, Lawrence, and Plymouth experienced most notable decreases in RTC and foreclosure petition filings.

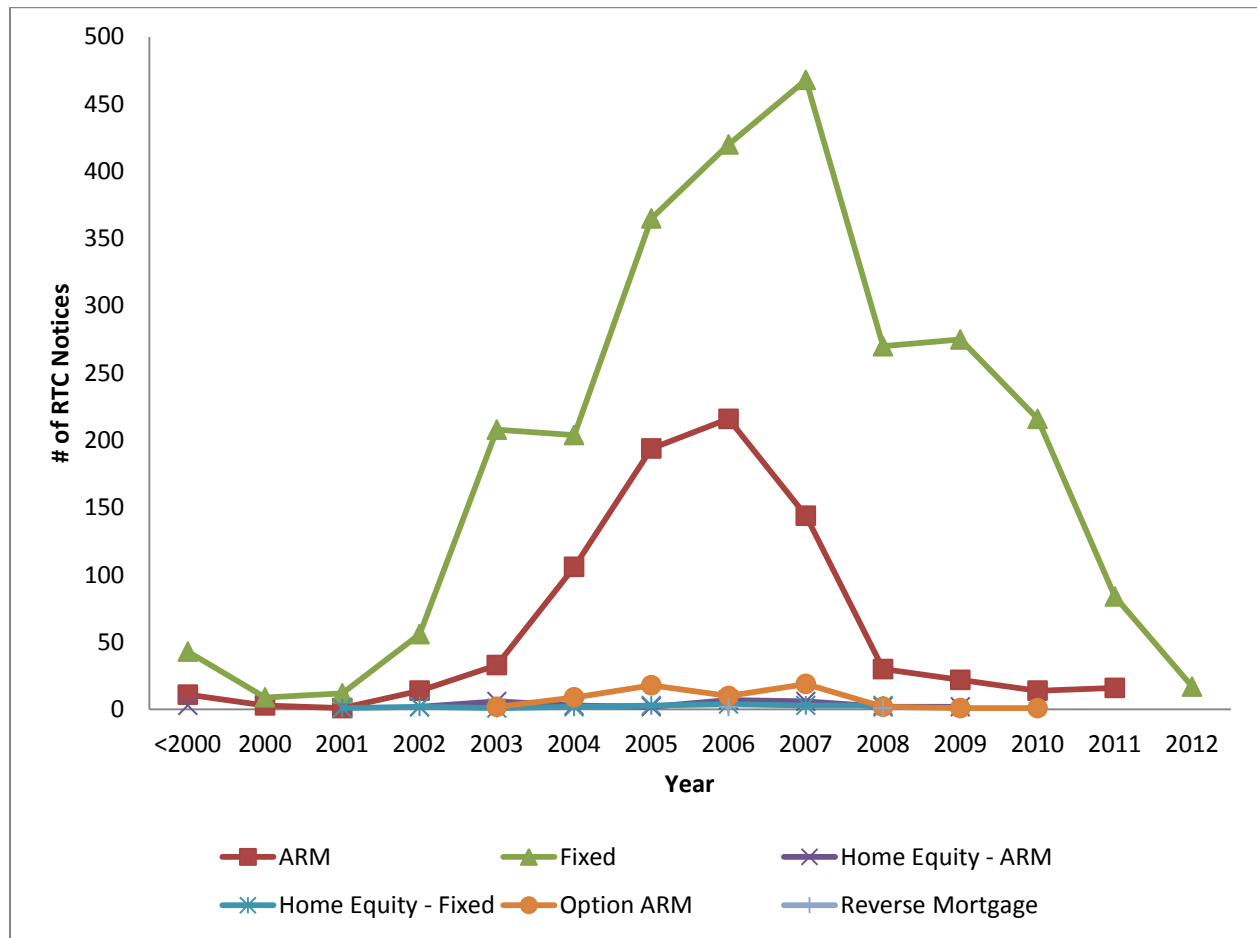
TABLE 5: 150 DAY RIGHT-TO-CURE NOTICE BY MORTGAGE ORIGINATION YEAR

Year	# of Notices	% of Total
Before 2000	57	1.60%
2000	12	0.34%
2001	14	0.39%
2002	74	2.07%
2003	250	7.01%
2004	324	9.08%
<b>2005</b>	<b>582</b>	<b>16.31%</b>
<b>2006</b>	<b>659</b>	<b>18.47%</b>
<b>2007</b>	<b>640</b>	<b>17.94%</b>
2008	308	8.63%
2009	300	8.41%
2010	231	6.47%
2011	100	2.80%
2012	17	0.48%
<b>Total</b>	<b>3568</b>	<b>100%</b>

Generally, the breakdown of RTC notices by year of origination follows the same concentration as in 2011. Nearly 53% of total RTC notices were associated with loans originated in 2005 through 2007. This period also coincides with the time when subprime lending was more prevalent in Massachusetts.

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FIGURE 2: RIGHT-TO-CURE NOTICES BY LOAN TYPE AND YEAR OF LOAN ORIGINATION



The chart above shows the year of origination and type of mortgages that were issued RTC notices in 2012. Most RTC notices reflecting adjustable rate mortgages were originated from 2003-2008. However, since 2008, a consistent volume of RTC notices indicated a shift from adjustable rate mortgages to fixed rate mortgages. Fixed rate mortgages represented 74.2% of loans that received RTC notices in 2012, an increase from 70% in 2011. It is expected that with the gradual drop in mortgage interest rates, originations and mortgage defaults will continue to involve a fixed rate loan product. Nevertheless, ARM loans still comprised 22.5% of total RTC notices reported in 2012, an 81.2% decrease since 2010, when ARM loans comprised 64.2% of total RTC notices.



## 2012 Foreclosure Trends Report

FIGURE 3: RIGHT-TO-CURE NOTICES BY LOAN TYPE: 2010 - 2012

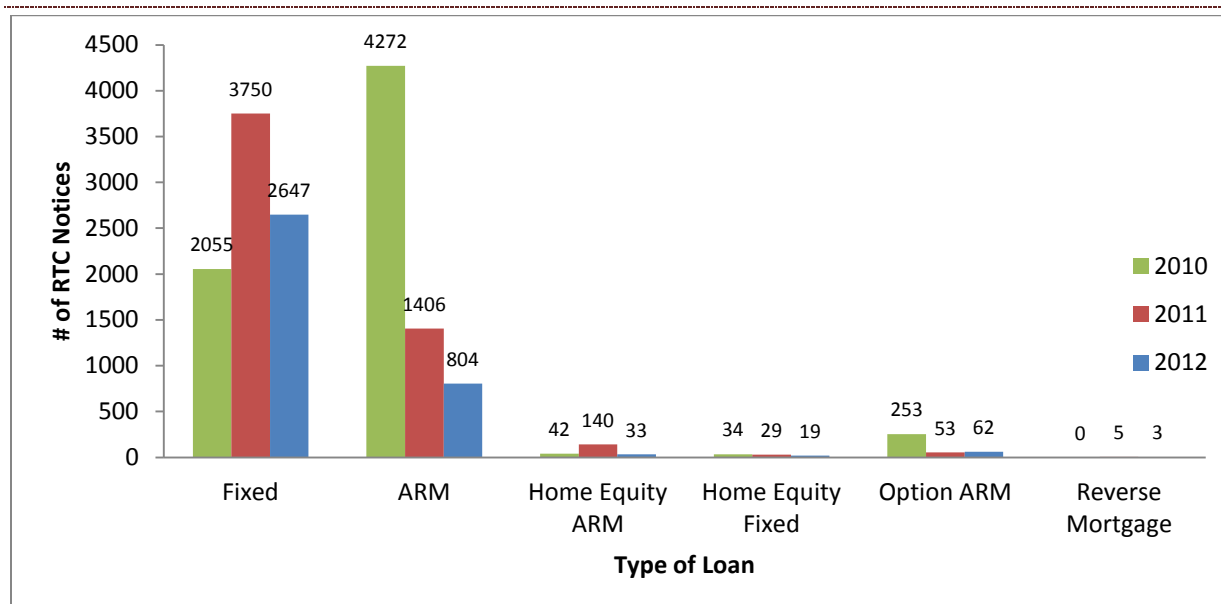


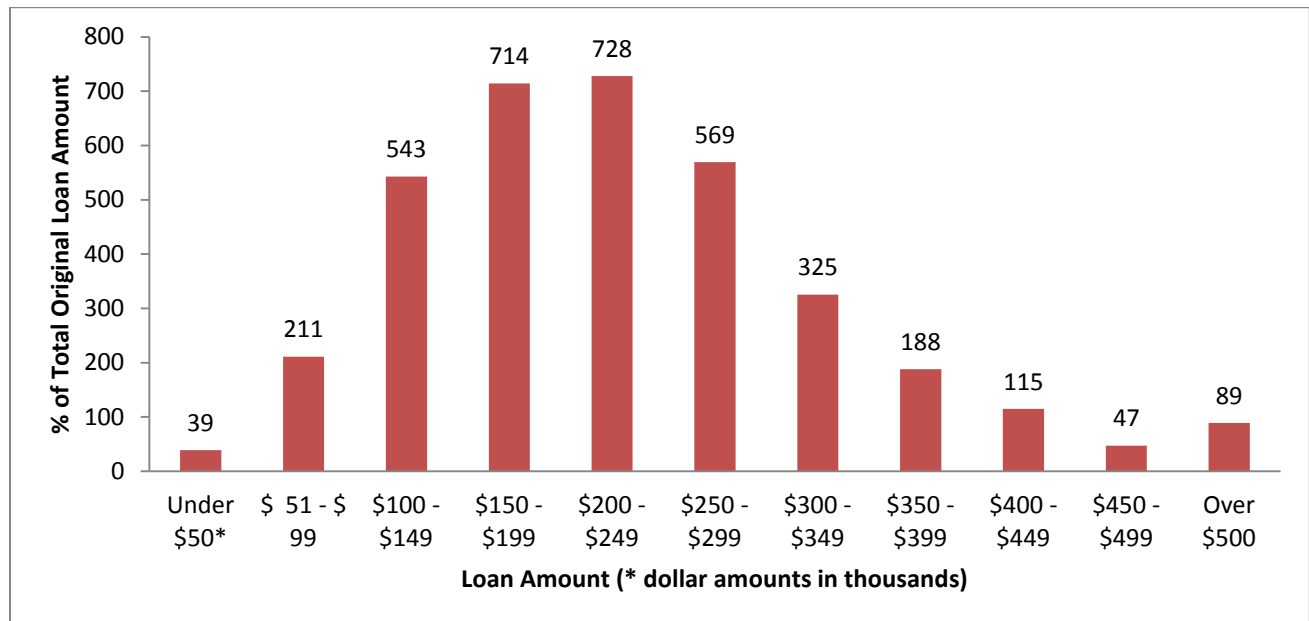
TABLE 6: 150 DAY RTC NOTICES BY DELINQUENCY DAYS

Delinquency Length	# of Notices	% of Total	% change since 2011
Less than 60 Days	227	6.4%	-23.6%
<b>61-120 Days</b>	<b>778</b>	<b>21.8%</b>	<b>-40.7%</b>
<b>120 - 149 Days</b>	<b>1689</b>	<b>47.3%</b>	<b>-33.2%</b>
150 - 199 Days	521	14.6%	-32.2%
Over 200 Days	353	9.9%	-26.2%
<b>Total</b>	<b>3568</b>	<b>100.0%</b>	<b>-33.7%</b>

Typically, loan servicers are waiting 61-150 days to send a RTC notice. In 2012, loans delinquent between 2 and 5 months (61-149 days) comprised 69.1% of all RTC filings but a general decrease was observed in all categories compared to 2011. With only 6.4% of notices mailed at less than 60 days of delinquency, it is evident that lenders are opting to delay the sending of RTC notices beyond the 60-day mark.

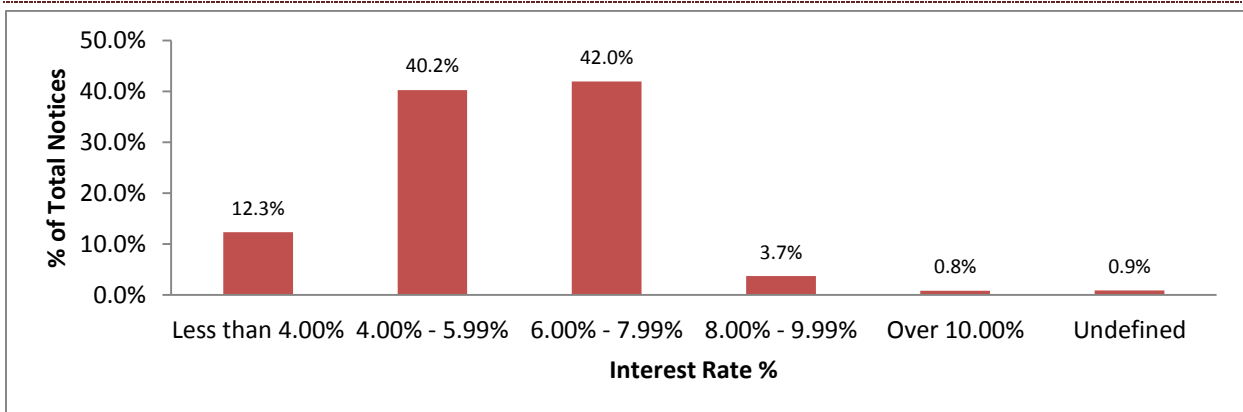
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FIGURE 4: RIGHT-TO-CURE NOTICE BY ORIGINAL LOAN AMOUNT



Of those delinquencies reported, 56.4% of loans in default were loans with original values between \$150,000 and \$300,000. Additionally, 21% of troubled mortgages involved loans exceeding \$300,000, while 2.5% exceeded \$500,000.

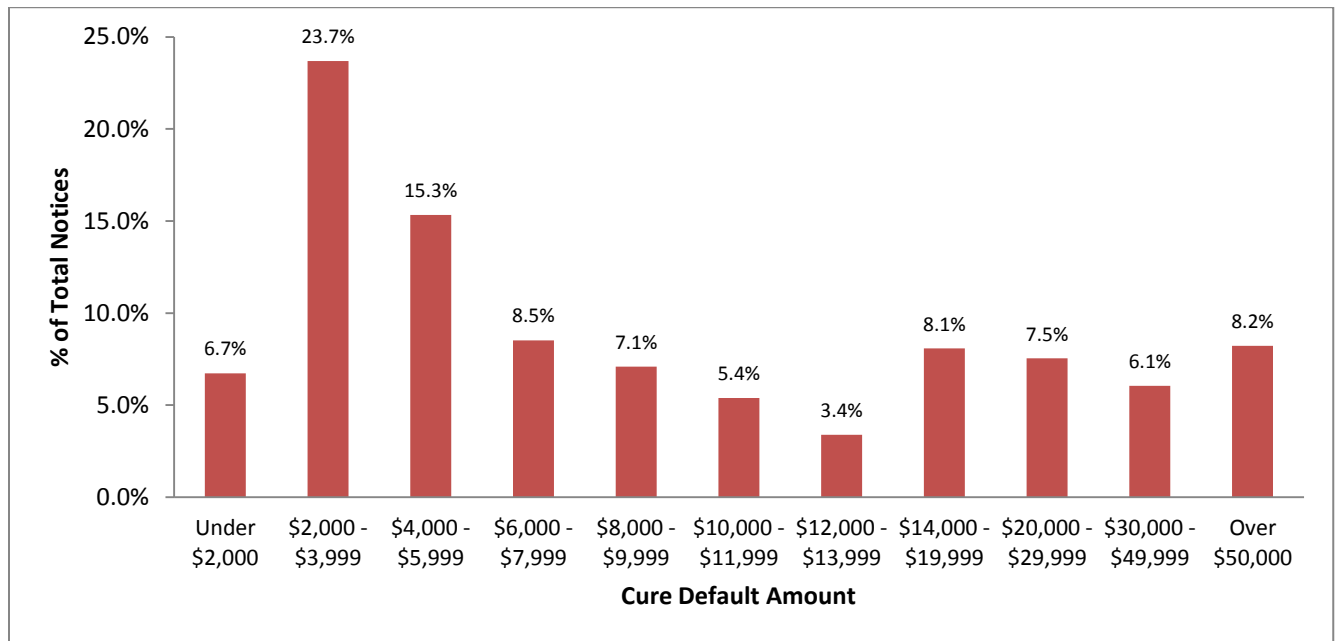
FIGURE 5: RIGHT-TO-CURE NOTICE BY LOAN INTEREST RATE



The majority of reported loans, 82.2%, were linked to interest rates between 4.00% and 7.99%, with 52.6% of loans associated with rates lower than 6%. However, those mortgages with rates exceeding 6% (47.7%) still make up a large part of all RTC notices sent in 2012.

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FIGURE 6: RIGHT-TO-CURE NOTICE BY DEFAULT AMOUNT

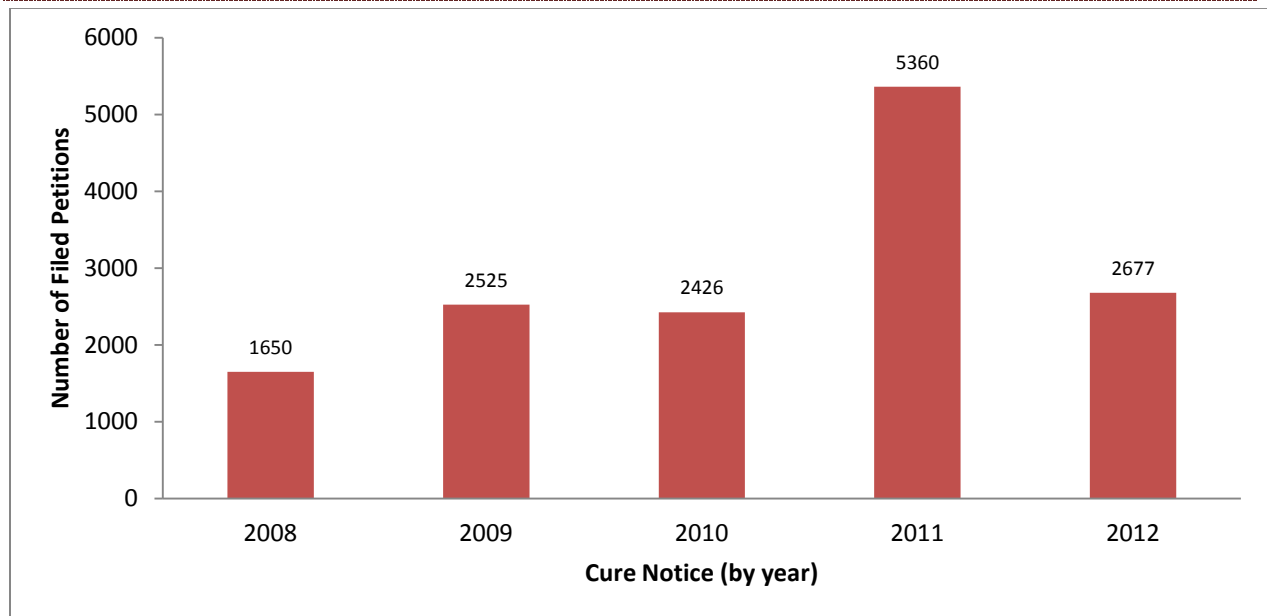


A majority of RTC notices, 54.3%, involved mortgage defaults less than \$8,000. A reduced number of notices correspond to higher defaults, with 21.8% exceeding \$20,000.

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## Foreclosure Petitions

FIGURE 7: FORECLOSURE PETITIONS FILED IN 2012 BY RTC NOTICE YEAR



*Note: The chart illustrates Foreclosure Petitions filed with Land or Superior Court only after an RTC notice had been formally sent or delivered to a borrower.*

As evident through the above chart, the delivery of RTC notices does not usually coincide with the timing of foreclosure petition filings. Of the 14,638 foreclosure petitions filed in 2012, 45% were linked to 2008 through 2010 RTC notifications, while the remaining 55% (8,037) were related to more recent RTC activity in 2011 and 2012. Because the RTC period is designed to provide borrowers with 150 days to resolve the mortgage default, the actual petition process may not be initiated until at minimum this period is finalized, which explains the gap of time between the RTC and foreclosure petition.

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### Foreclosure Sales

**TABLE 7: FORECLOSURE SALES BY COUNTY: PERCENT CHANGE FROM 2011/2010**

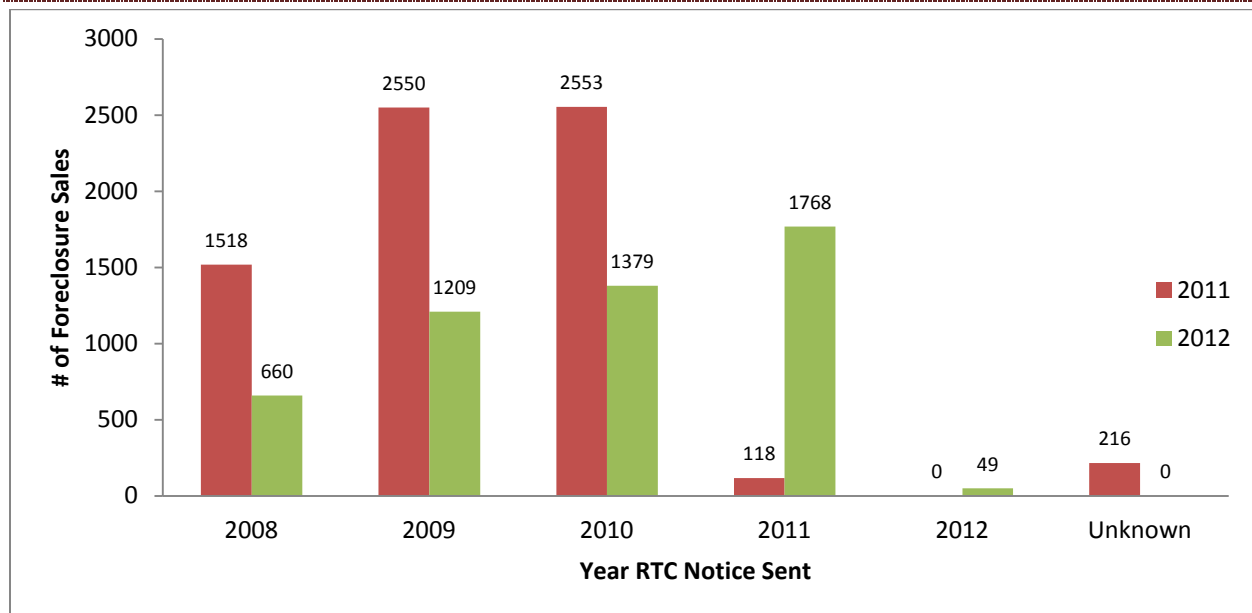
County	Sales	% Total	Sales Per 10,000 Residents	% Change (2011)	% Change (2010)
Worcester	1066	21.0%	13.35	-20.0%	-38.6%
Middlesex	684	13.5%	4.55	-31.7%	-47.6%
Essex	554	10.9%	7.45	-32.0%	-51.9%
Plymouth	601	11.9%	12.14	-21.7%	-41.0%
Bristol	552	10.9%	10.06	-23.1%	-43.0%
Suffolk	265	5.2%	3.67	-48.1%	-70.1%
Hampden	488	9.6%	10.5	-22.3%	-37.5%
Norfolk	313	6.2%	4.66	-36.0%	-44.6%
Barnstable	241	4.8%	11.16	-34.3%	-55.0%
Berkshire	125	2.5%	9.52	6.8%	-11.3%
Hampshire	77	1.5%	4.87	-1.3%	-37.4%
Franklin	64	1.3%	8.96	-22.9%	-45.3%
Dukes	14	0.3%	8.46	-50.0%	-54.8%
Nantucket	21	0.4%	29.64	5.0%	16.7%
<b>Total</b>	<b>5065</b>	<b>100.0%</b>		<b>-27.2%</b>	<b>-46.0%</b>

The number of foreclosure sales decreased in nearly all counties since 2011, with the exception of Berkshire and Nantucket counties. Worcester County led in total foreclosure sales.

When compared to 2010 figures, most counties are showing progress, with filings plummeting by 46.6% within a period of two years. On a per capita basis, Suffolk County, which includes the City of Boston, experienced the least foreclosure sales, while Nantucket reported the highest volume with 21 sales or 29.64 per 10,000 residents.

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FIGURE 8: 2011/2012 FORECLOSURE SALES BY YEAR OF RTC



According to information submitted to the Division, borrowers who receive RTC notices may eventually face a foreclosure sale within one or two years subsequent to a pre-foreclosure notice or foreclosure petition. Nonetheless, the pace of foreclosure sales has continued to slow down in Massachusetts. Foreclosure sales decreased by 27.2%, or 5,065, from the same period last year. Of those executed foreclosures sales, approximately 62.1% involved RTC notices delivered to borrowers in 2010 through 2011. Further, in 2011, 73% of foreclosure sales were linked to mortgages from 2009 through 2010; this trend suggesting there has been some success in reducing final foreclosures in Massachusetts. Greater emphasis in modification programs, as now required by a new law, Chapter 194 of the Acts of 2012 (*An Act Preventing Unlawful and Unnecessary Foreclosures*),<sup>10</sup> may increase the number of successful loan modifications as borrowers and creditors will likely work closer to reach a financially feasible alternative to foreclosure, potentially resulting in even fewer completed foreclosures in the future.

<sup>10</sup> G.L. c. 244, s. 35b. The statute requires lenders to send a notice to borrowers informing them of their right to request a loan modification for certain mortgage loans with 1 or more of the following loan features: (i) an introductory interest rate granted for a period of 3 years or less and such introductory rate is at least 2 percent lower than the fully indexed rate; (ii) interest-only payments for any period of time, except in the case where the mortgage loan is an open-end home equity line of credit or is a construction loan; (iii) a payment option feature, where any 1 of the payment options is less than principal and interest fully amortized over the life of the loan; (iv) the loan did not require full documentation of income or assets; (v) prepayment penalties that exceed [section 56 of chapter 183](#) or applicable federal law; (vi) the loan was underwritten with a loan-to-value ratio at or above 90 percent and the ratio of the borrower's debt, including all housing-related and recurring monthly debt, to the borrower's income exceeded 38 percent; or (vii) the loan was underwritten as a component of a loan transaction, in which the combined loan-to-value ratio exceeded 95 percent.

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## Conclusion

Drawing from the Division's 2012 foreclosure data, there is indication that the rate of completed foreclosures in Massachusetts has slowed from last year's numbers. RTC notices fell by 33.7% in 2011 and 46.4% when compared to 2010, and despite the notable surge in reported foreclosure petitions from 2011, the number of foreclosure sales seems to be gradually decreasing. The Commonwealth had 2.74% of its loans in foreclosure at the end of 2012 in comparison to the national rate of 3.74%.

Overall with declining foreclosure sales, a strong indication exists that the housing market has improved. The number of foreclosure sales in 2012 fell by 27.2% from 2011 and 46% since 2010. Of 5,065 sales in 2012, more than 60% involved RTC notices from the previous two years (2011 and 2010). Since the sale is the final step in the foreclosure process, it appears that creditors are waiting nearly two years before auctioning the property to recover the unpaid balance of the loan; potentially providing ample opportunities for repayment resolution.

	2010	2011	2012
<b>Right-to-Cure Notices</b>	6,656	5,383	3,568
<b>Petitions Filed<sup>11</sup></b>	14,850	8,299	14,638
<b>Foreclosure Sales</b>	9,380	6,955	5,065

The lower number of RTC notices coupled with foreclosure sales suggests that the Commonwealth is making positive strides towards overcoming the foreclosure crisis. As noted previously, in 2012 the Massachusetts State Legislature passed a statute which offers additional protections to homeowners by requiring creditors to offer loan modifications, for 'certain mortgage loans', if it is less costly than a foreclosure. It is expected that the impact from this statute will become more evident in ensuing years.

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<sup>11</sup> 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.

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## **Appendices:**

### **Maps of Foreclosure Petition and Sale Activity by State and Top Three Counties<sup>12</sup>**

Appendix A: Map of Massachusetts Foreclosure Petitions

Appendix B: Map of Worcester County: Foreclosure Petition Filings

Appendix C: Map of Middlesex County: Foreclosure Petition Filings

Appendix D: Map of Essex County: Foreclosure Petition Filings

Appendix E: Map of Massachusetts Foreclosure Sales

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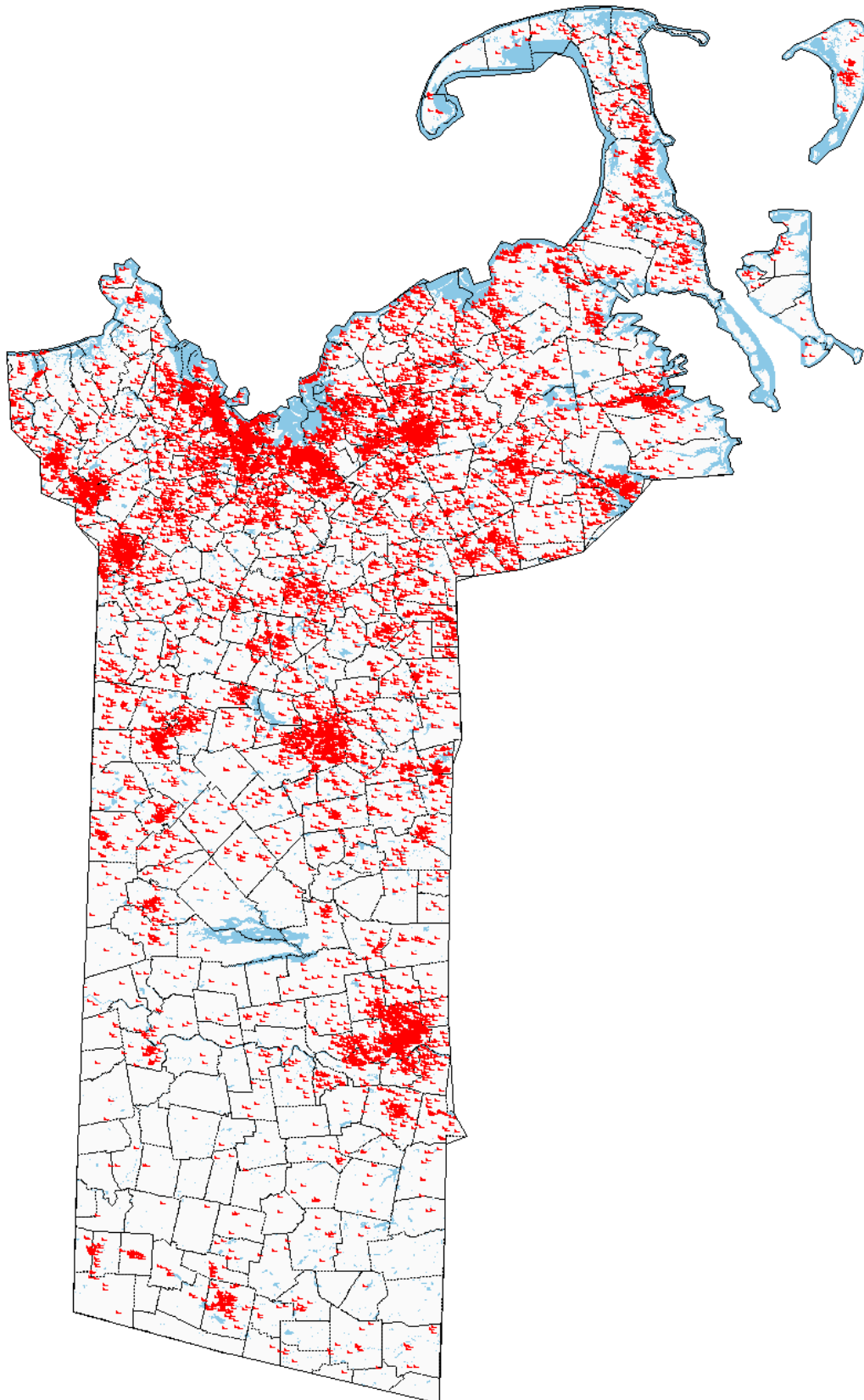
<sup>12</sup> Commonwealth of Massachusetts, Division of Banks Foreclosure Petition Data.



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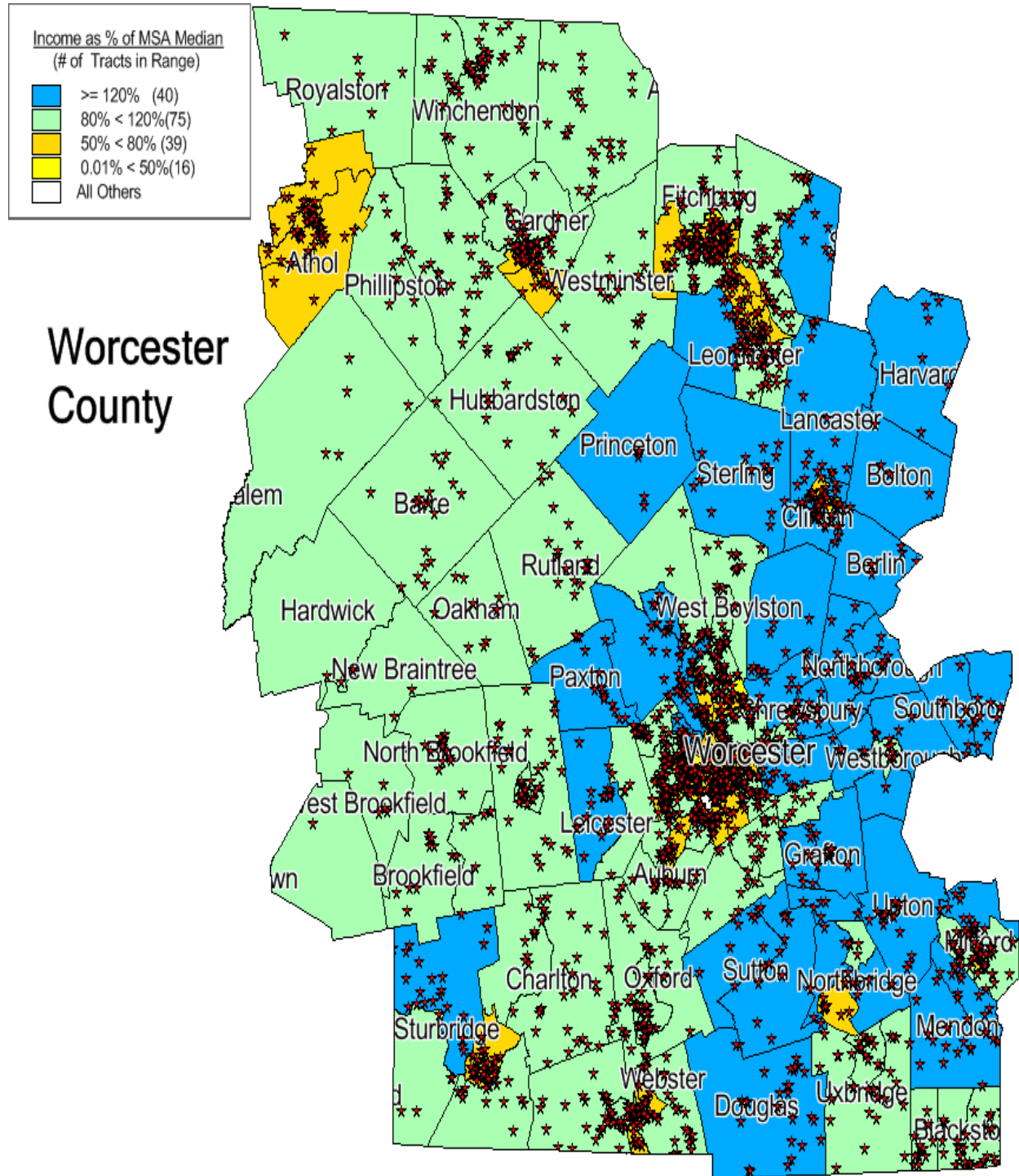
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## Appendix A: Map of Massachusetts 2012 Foreclosure Petitions



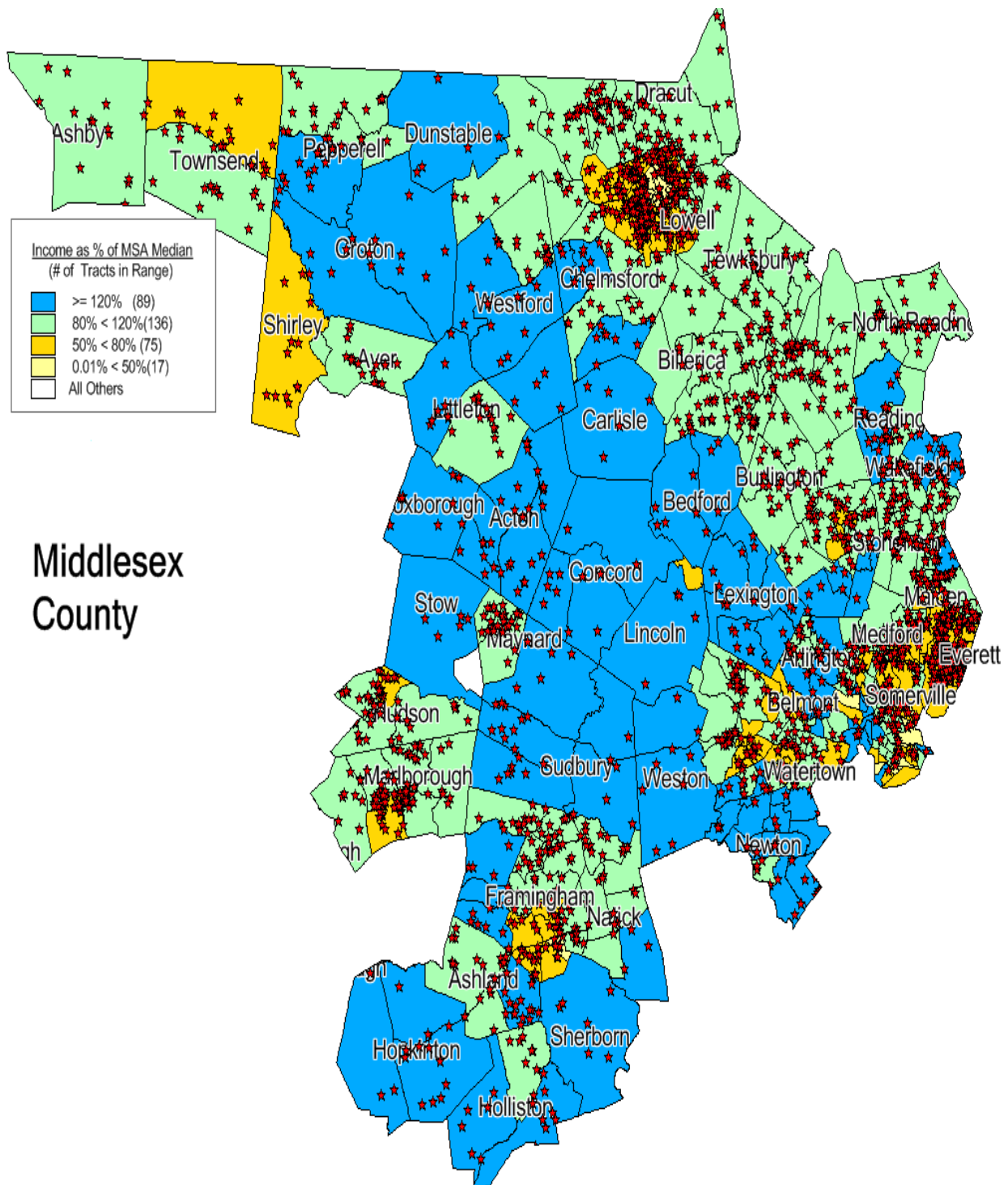
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## Appendix B: Map of Worcester County: Foreclosure Petition Filings



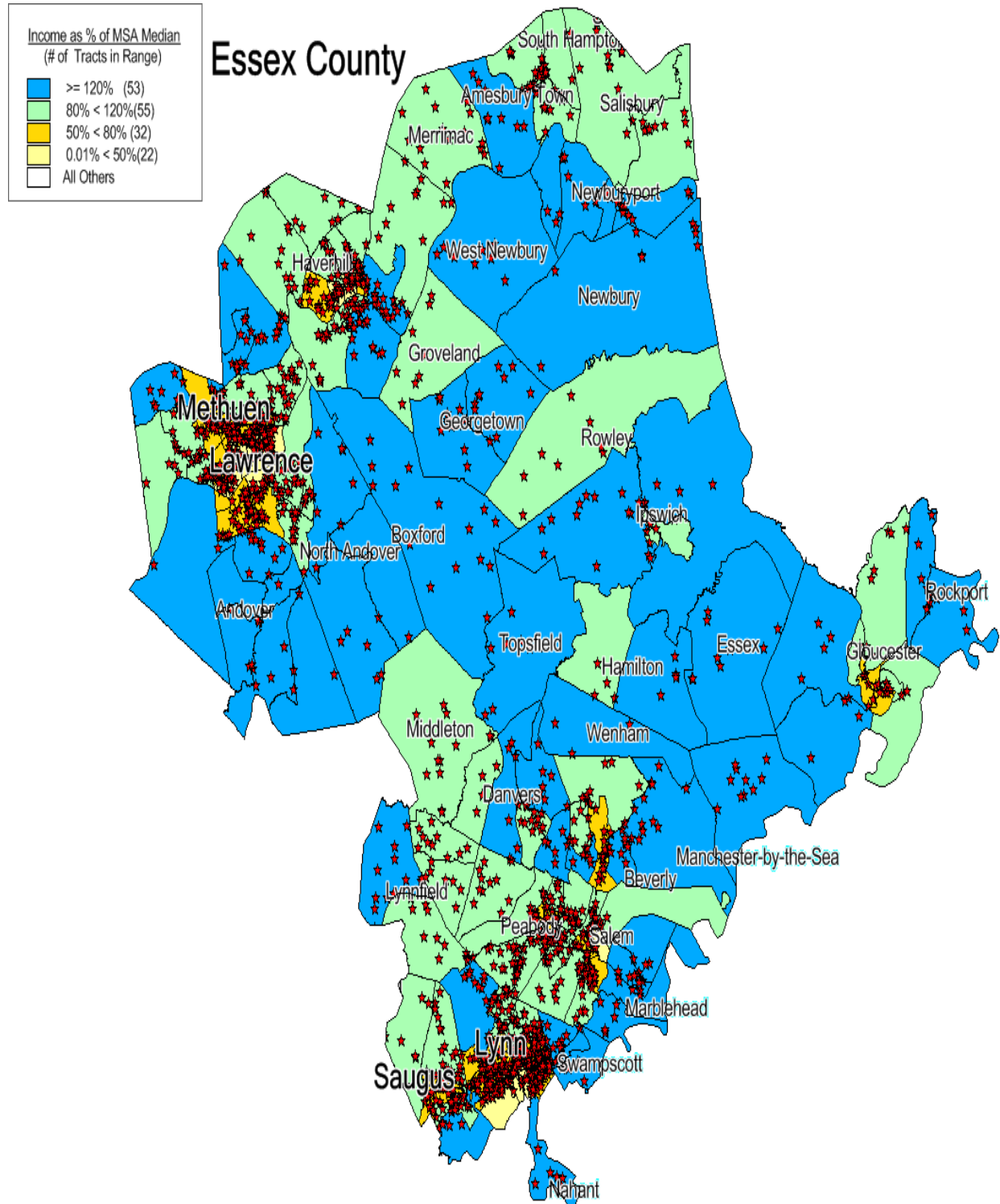
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## Appendix C: Map of Middlesex County: Foreclosure Petition Filings



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## Appendix D: Map of Essex County: Foreclosure Petition Filings



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## Appendix E: Map of Massachusetts 2012 Foreclosure Sales

