

2013

2013 Foreclosure Trends Report



Division of Banks

Commonwealth of Massachusetts

2013 Foreclosure Trends Report

Background

To address rising foreclosures in the Commonwealth, 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 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 Right-to-Cure 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.

2013 Foreclosure Trends Report

Mortgage & Foreclosure Trends

Mortgage activity in Massachusetts 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 2009.⁶ 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.

Real estate sales have continued to show some sporadic signs of recovery with an increase in existing home sales to 7.9 million in 2013. This is a 10% increase from 2012, and a 21% increase since 2011, according to the National Association of Realtors.

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 quarters of 2008, 2010, and 2013, the national delinquency rate, excluding loans in foreclosure, increased from 6.35% to 10.06%, and then declined back down to 5.35%. During the same period, the percentage of loans in foreclosure also climbed from 2.47% to 4.63%, and then more recently to 7.25%. But although these figures indicate a volatile market, the overall national trends still indicate a decline in delinquencies.

When examining foreclosure starts, Massachusetts ranks 49th out of 50, with the second lowest rate in the country. However, in terms of mortgage-related delinquencies, in 2013, Massachusetts had a “90+ Day Delinquency Rate” of 3.54%, giving it the 4th highest rate nationally.⁷

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

⁷ Mortgage Bankers Association National Delinquency Survey Results Q1 2014- Briefing Material.

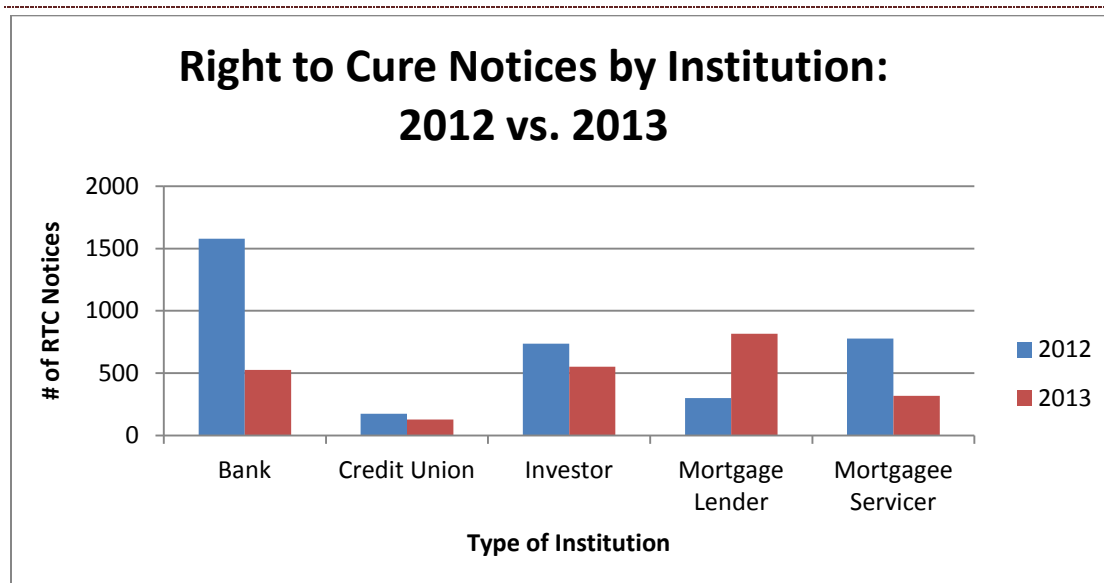
2013 Foreclosure Trends Report

Report Highlights:

- In 2013 there was a 16% reduction in RTC notices. More critically, there was nearly an 89% reduction in foreclosure sales.
- During the last four years, there has been a reduction in RTC notices across nearly all demographics reviewed by the Division.
- Most of the RTC notices issued this year were for mortgages originated in 2006 and 2007. Those two years alone make up more than 32% of all the RTC notices.
- Approximately 70% of the RTC notices issued in 2013 were for fixed rate mortgages.
- In 2013, it was most common for a foreclosure petition to be filed 200-299 days after the RTC notice, or 6.5-10 months.

2013 Foreclosure Trends Report

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



Contrary to 2012, in 2013 banks were not the most common entity to file RTC Notices in the Commonwealth. Eight hundred and fifteen mortgage lenders comprised 34% of all filers. The remaining RTC notices were issued by investors (552), banks (527), mortgage servicers (317), and credit unions (128).

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

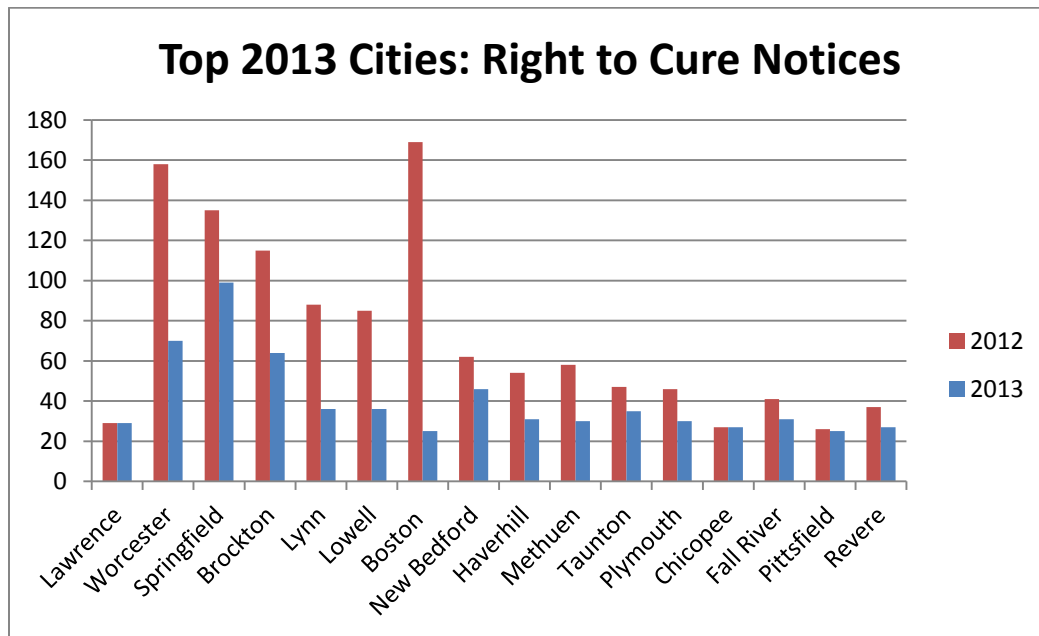
TABLE 1: 150 DAY RIGHT-TO-CURE NOTICES BY COUNTY

	County	# of Notices 2013	% Total Notices	% change (2012)	% change (2011)	# of Notices per 10,000 residents*
1	Worcester	399	17.1%	-42.42%	-58.8%	5.00
2	Middlesex	346	14.8%	-33.46%	-57.4%	2.30
3	Plymouth	244	10.4%	-35.62%	-63.7%	4.93
4	Essex	266	11.4%	-43.88%	-57.2%	3.58
5	Bristol	249	10.6%	-32.88%	-54.1%	4.54
6	Norfolk	190	8.1%	-26.07%	-55.9%	2.83
7	Hampden	245	10.5%	-21.73%	-37.7%	5.29
8	Suffolk	144	6.2%	-38.20%	-63.1%	1.99
9	Barnstable	102	4.4%	-33.33%	-63.8%	4.72
10	Berkshire	83	3.5%	2.47%	-15.3%	6.33
11	Hampshire	33	1.4%	-34.00%	-58.8%	2.09
12	Franklin	32	1.4%	-3.03%	-46.7%	4.48
13	Dukes	3	0.1%	-57.14%	-85.0%	1.81
14	Nantucket	3	0.1%	-25.00%	-72.7%	2.95
	Total	2339	100%	-34.45%	-56.5%	3.57
<i>*Based on 2010 Census Data</i>						

2013 Foreclosure Trends Report

Nearly every county saw a decrease in RTC notices, both in comparison to 2012, as well as compared to 2011. In fact, compared to 2011- 2013 RTC notices have decreased 56.5% overall. Worcester, historically the most dominant county for RTC notices, experienced a decrease from 969 notices in 2011 to 399 notices in 2013 and similarly Middlesex county saw a 57.4% decrease since 2011. The only county in 2013 with an increase in notices was Berkshire, which had 83 RTC notices in 2013 compared to 81 notices in 2012.

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



In 2013, 27.4% of the 2,339 RTC notices sent were concentrated in sixteen cities. These top cities are seen on the graph above. While in 2012 Boston was the top city for RTC notices, 2013 data indicates the city saw an 85% decline. Furthermore, three of 2012's top cities, Fitchburg, Quincy and Attleboro, dropped off the top cities list entirely in 2013. Springfield topped the list this year with 99 RTC notices filed, a count that would have made it the fourth in 2012 and, compared to their 135 notices filed last year, still demonstrates a 26.67% decrease.

2013 Foreclosure Trends Report

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

Top County & Cities	County	City	% of County	% change since 2012	In 2012, the top four counties, Worcester, Middlesex, Plymouth and Essex combined, represented 2,066 RTC filings. In 2013, while the top four counties still represent a significant portion of the RTC notices (52.9% of all RTC notices sent), they represent a significantly fewer number of notices (1,238).
Worcester	399			-42.42%	
Worcester		70	17.54%		
Fitchburg		20	5.01%		
Leominster		23	5.76%		
Middlesex	349			-32.88%	
Lowell		36	10.32%		
Tewksbury		15	4.30%		
Framingham		20	5.73%		
Dracut		18	5.16%		
Malden		18	5.16%		
Plymouth	244			-35.62%	
Brockton		64	26.23%		
Plymouth		30	12.30%		
Essex	266			-43.88%	
Lynn		36	13.53%		
Lawrence		29	10.90%		
Haverhill		31	11.65%		
Methuen		30	11.28%		

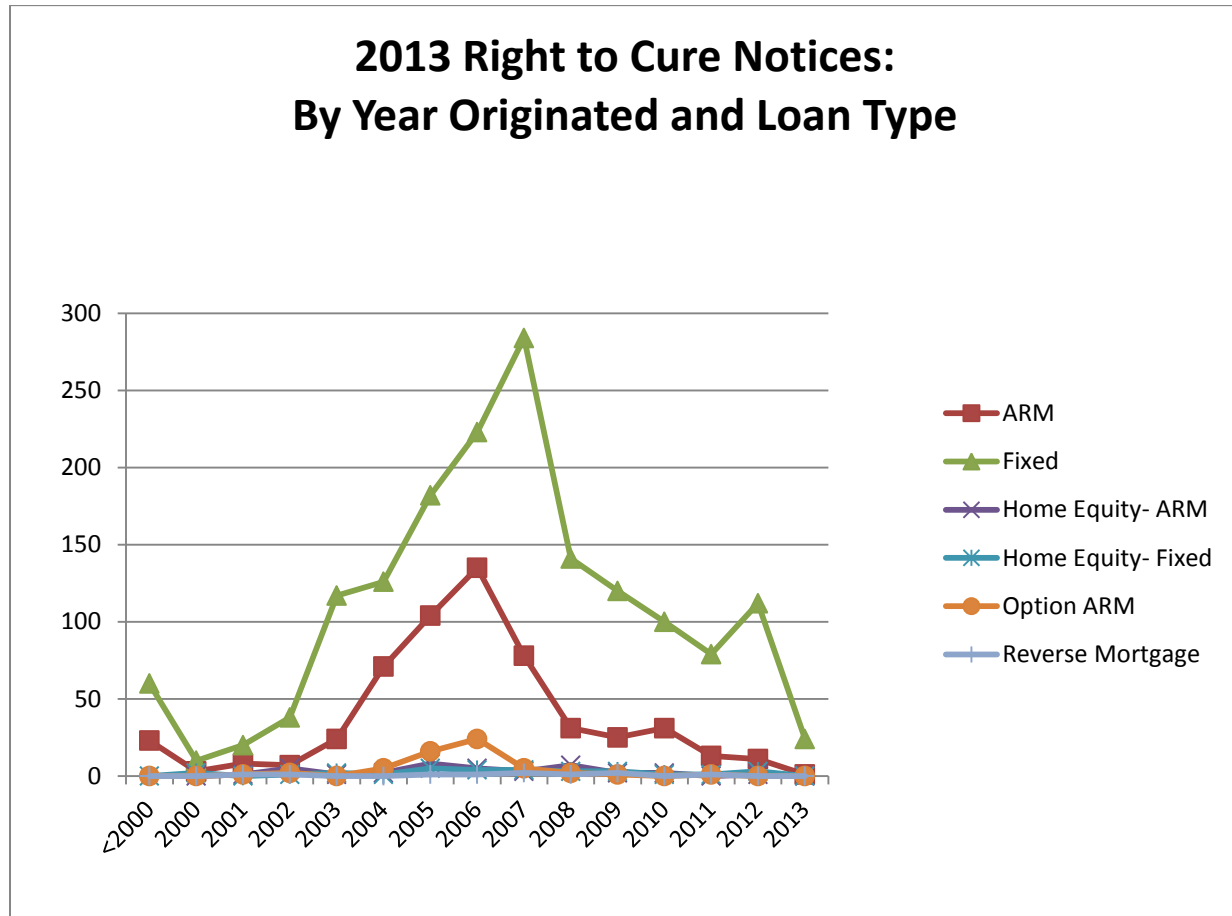
TABLE 3: 150 DAY RIGHT-TO-CURE NOTICE BY MORTGAGE ORIGINATION YEAR

Year	# of Notices	% of Total
Before 2000	86	3.68%
2000	15	0.64%
2001	30	1.28%
2002	54	2.31%
2003	145	6.20%
2004	205	8.76%
2005	316	13.51%
2006	392	16.76%
2007	376	16.08%
2008	185	7.91%
2009	153	6.54%
2010	134	5.73%
2011	95	4.06%
2012	127	5.43%
2013	25	1.07%
Total	2339	100%

2013 Foreclosure Trends Report

Of all the loans related to an RTC notice in 2013, only 10.56% were originated in 2011-2013 compared to 46.34% of the loans that were originated in 2005-2007, the sub-prime period. RTC notices resulting from loans originating during the subprime period seem to be trending downward; a 6.66% percentage point difference since 2012, when 53% of total notices reflected loans from the 2005-2007 period.

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



As the graph indicates, most notices in 2013 were the result of fixed rate mortgages, regardless of what year the loan originated, specifically, 70.06% of the notices. Additionally, many RTC notices reflected adjustable rate mortgages (ARM) originated from 2003-2008 and overall ARM loans comprised 24.20% of RTC notices reported in 2013. All other loan types accounted for 5.74% of the total of RTC notices sent.

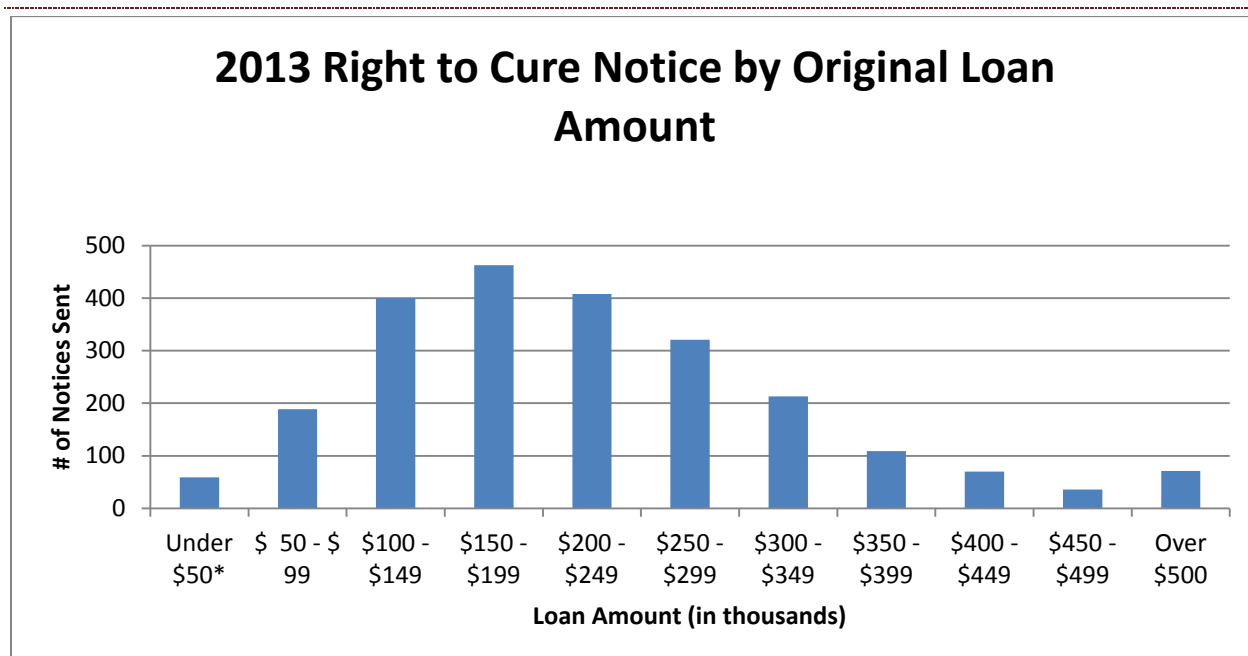
2013 Foreclosure Trends Report

TABLE 4: 150 DAY RTC NOTICES BY DELINQUENCY DAYS

Delinquency Length	# of Notices	% of Total
Less than 60 Days	101	4.32%
61-120 Days	437	18.68%
120 - 149 Days	1517	64.86%
150 - 199 Days	172	7.35%
Over 200 Days	112	4.79%
Total	2339	100.0%

In 2013, loans delinquent between 2 and 5 months (61-149 days) comprised 83.5% of all RTC filings with a large majority (65%) of servicers sending the RTC notice during the 120-149 delinquency period.

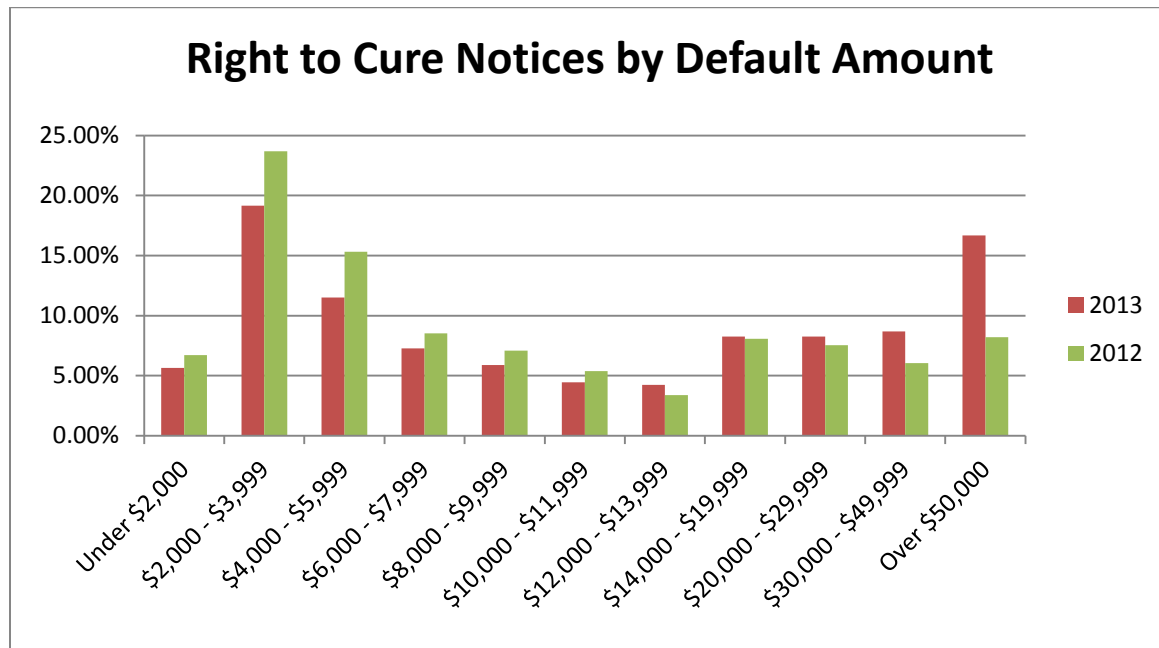
FIGURE 4: RIGHT-TO-CURE NOTICE BY ORIGINAL LOAN AMOUNT



Of total loans in defaults, 54% are linked to original loans amounts between \$100,000 to \$250,000 and, 18% of these troubled mortgages involved loans exceeding \$300,000, with a small margin, of 3%, exceeding \$500,000.

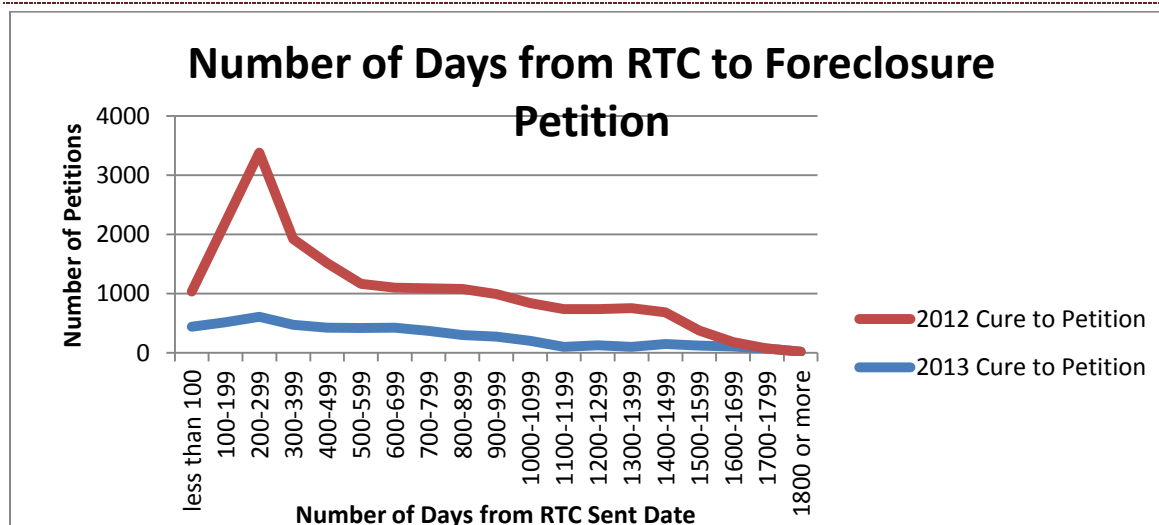
2013 Foreclosure Trends Report

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



A large portion of RTC notices, 30.65%, were in the \$2,000-\$6,000 range. However, 16.67% of total reported notices correspond to defaults over \$50,000. This represents a substantially higher rate than in 2012, when 8.2% of notices were classified under this category. The overall trend seems to indicate higher mortgage default amounts as borrowers move into the pre-foreclosure phase.

FIGURE 6: 2012-2013 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

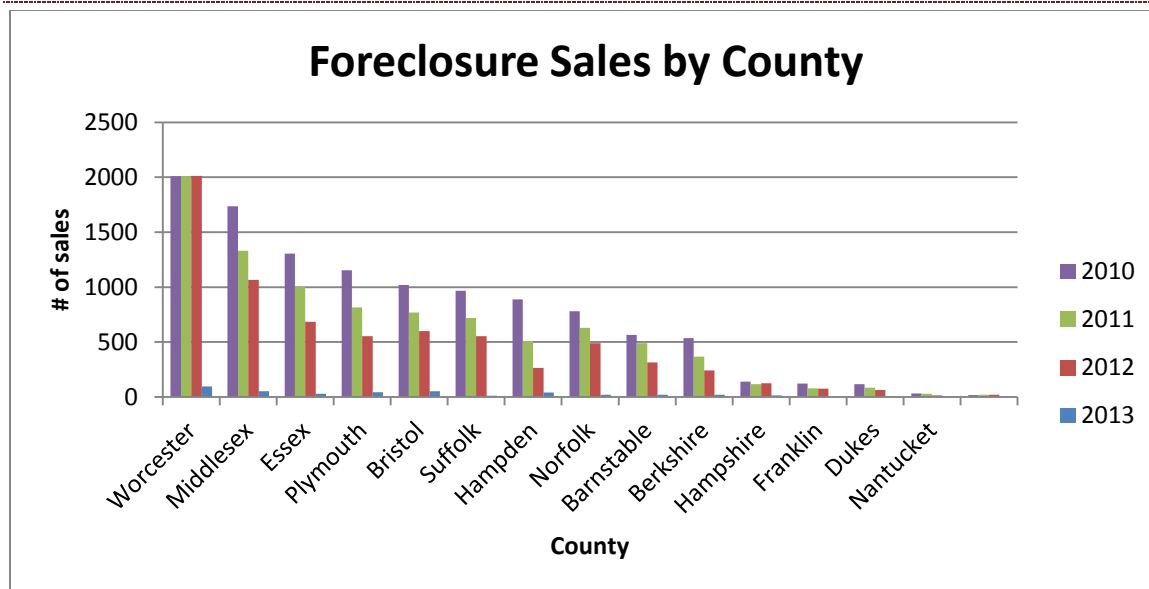
2013 Foreclosure Trends Report

to 2012 (8,229 versus 14,631). The year-by-year comparison shows it is most common for a foreclosure petition to be filed between 200-400 days after an RTC notice.

TABLE 5: 2013 AND 2012 CURE TO PETITION IN DAYS

2013 RTC to Petition (Days)	# Petitions	% of all Petitions	2012 RTC Cure to Petition (Days)	# Petitions	% of all Petitions
less than 100	440	8.36%	less than 100	595	4.06%
100-199	516	9.81%	100-199	1699	11.61%
200-299	610	11.59%	200-299	2773	18.94%
300-399	475	9.03%	300-399	1450	9.91%
400-499	423	8.04%	400-499	1093	7.47%
500-599	421	8.00%	500-599	744	5.08%
600-699	423	8.04%	600-699	678	4.63%
700-799	373	7.09%	700-799	717	4.90%
800-899	302	5.74%	800-899	775	5.29%
900-999	275	5.23%	900-999	716	4.89%
1000-1099	203	3.86%	1000-1099	636	4.34%
1100-1199	101	1.92%	1100-1199	635	4.34%
1200-1299	128	2.43%	1200-1299	608	4.15%
1300-1399	102	1.94%	1300-1399	653	4.46%
1400-1499	149	2.83%	1400-1499	538	3.68%
1500-1599	123	2.34%	1500-1599	251	1.71%
1600-1699	104	1.98%	1600-1699	77	0.53%
1700-1799	76	1.44%	1700-1799	0	0.00%
1800 or more	18	0.34%	1800 or more	0	0.00%

FIGURE 7: FORECLOSURE SALES BY COUNTY



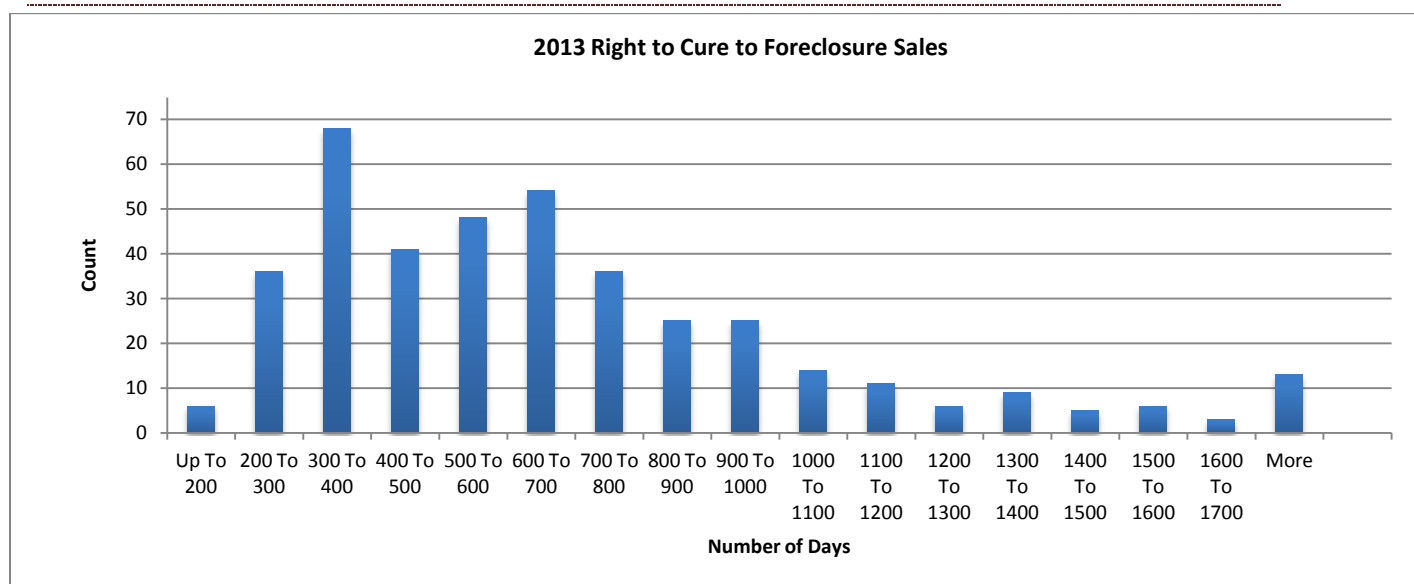
2013 Foreclosure Trends Report

TABLE 6: 2013 FORECLOSURE SALES BY COUNTY

County	Sales	% Total	Sales Per 10,000 Residents	% Change (2012)	% Change (2011)
Worcester	96	23.65%	1.20	-90.99%	-92.79%
Middlesex	53	13.05%	0.35	-92.25%	-94.71%
Essex	30	7.39%	0.40	-94.58%	-96.32%
Plymouth	43	10.59%	0.87	-92.85%	-94.40%
Bristol	52	12.81%	0.95	-90.58%	-92.76%
Suffolk	11	2.71%	0.15	-95.85%	-97.85%
Hampden	41	10.10%	0.88	-91.60%	-93.47%
Norfolk	21	5.17%	0.31	-93.29%	-95.71%
Barnstable	20	4.93%	0.93	-91.70%	-94.55%
Berkshire	20	4.93%	1.52	-84.00%	-82.91%
Hampshire	14	3.45%	0.89	-81.82%	-82.05%
Franklin	4	0.99%	0.56	-93.75%	-95.18%
Dukes	0	0.00%	0	-100.0%	-100.00%
Nantucket	1	0.25%	0.98	-95.24%	-95.00%
Total	406	100.0%		-91.98%	-94.16%

Table 6 and Figure 7 indicate the largest concentration of foreclosure sales have occurred in Worcester. However, the number of sales (96) are still down 90.99% since 2012. Additionally, all of the top counties experienced a 91.16% decrease in foreclosure sales activity overall.

FIGURE 8: 2013 FORECLOSURE SALES BY THE NUMBER OF DAYS FROM RTC NOTICE FILING



2013 Foreclosure Trends Report

Consistent with the analysis presented on Figure 6, emphasizing “200-400 days” as the noted 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

	2011	2012	2013
Right-to-Cure Notices	5,383	3,568	2,339
Petitions Filed⁸	8,299	14,638	5,253
Foreclosure Sales	6,955	5,065	406

This year alone, RTC notices fell by 34.45% compared to 2012, and 56.55% as compared to 2011, showing a strong reduction overall. Furthermore, over the past three years foreclosure petition and sale activity continues to decline, with sales falling by nearly 92% and 94% from 2012 and 2011, 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.