

FORECLOSURE TRENDS REPORT

2014*

COMMONWEALTH OF MASSACHUSETTS
DIVISION OF BANKS

*Updated as of September 7, 2016 to reflect additional 2014 foreclosure activity filings with the 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 also requires the Division of Banks (Division) to prepare an annual report analyzing the number of RTC Notices and Foreclosure Petition filings. In August of 2010, the RTC period was extended from 90 days to 150 days under Chapter 258 of the Acts of 2010 deemed as an emergency measure for homeowners struggling to keep their homes. As of January 1, 2016, the RTC period has reverted to 90 days in accordance with sunset provisions within the statute. The statute requires demonstrated ‘good-faith’ efforts on the part of creditors 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, 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 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 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

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. However, 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 origination in 2012 showed a significant increase reporting 346,655 in Massachusetts⁷; 2012 mortgage origination represent a record year since 2008. The number of mortgages 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

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.

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)

home sales. The National Association of Realtors® reports the national median existing home price in 2014 as \$208,500, the highest since 2007 (\$219,000) and a 5.8% increase from 2013 (\$197,100).

MASSACHUSETTS MORTGAGE & FORECLOSURE TRENDS

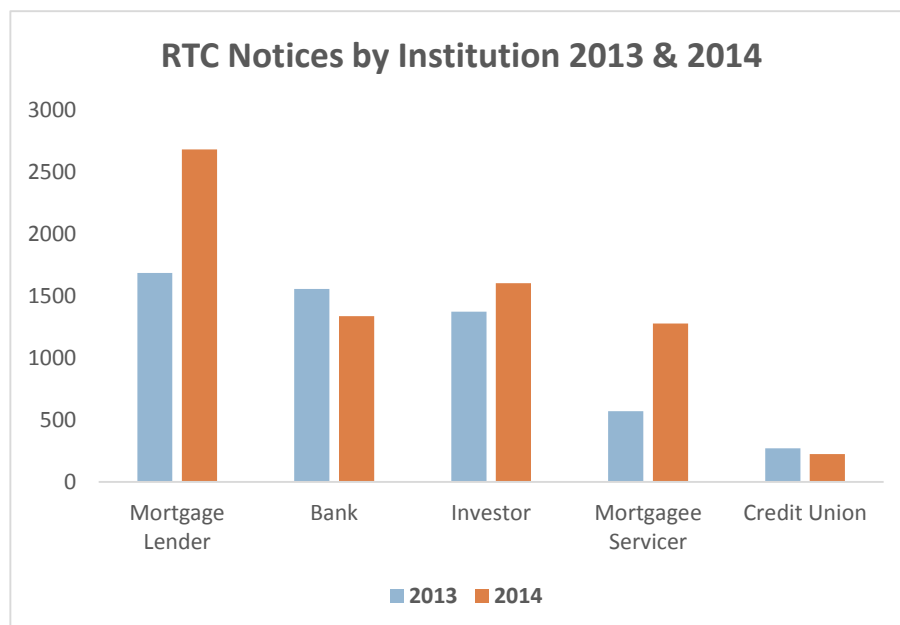
Over the past four years, the pace of mortgage delinquencies and foreclosure activity has been quite volatile. Across the country foreclosure activity fell dramatically over the past two years. Nationwide, all states experienced a decrease in foreclosures. In Massachusetts, foreclosure sale activity has decreased 48% since 2012.

REPORT HIGHLIGHTS

- In 2014 there was a 31% increase in RTC Notices. Foreclosure sales experienced a significant 73% increase. However, foreclosure sales experienced a 48% 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 54% of all the RTC Notices.
- Approximately 72% 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.

DATA ANALYSIS

FIGURE 1: RTC NOTICES BY INSTITUTION



Mortgage Lenders remained the most common entity to file RTC Notices in the Commonwealth in 2014. Mortgage Lenders comprised a total 38% of all filers in 2014, an increase of 59% from 2013. Mortgage Servicer RTC Notice filing significantly increased by 123% in 2014 from 2013. The remaining RTC Notices were issued by Banks⁸, Mortgage Servicers, and Credit Unions.

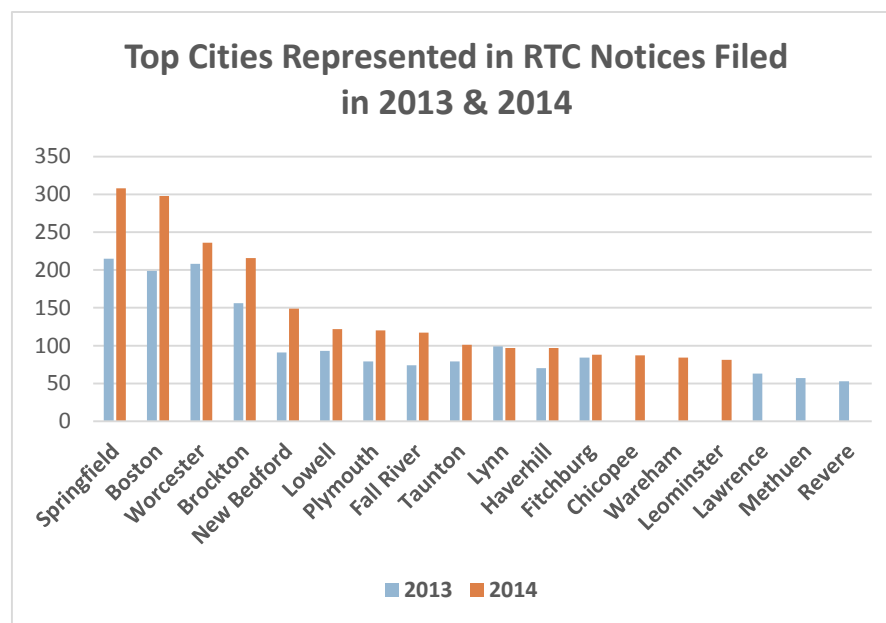
⁸ Banks noted include state chartered banks, federal banks, and other non-Massachusetts chartered institutions.

TABLE 1: RTC NOTICES BY COUNTY

County	No. of RTC Notices in 2013	% of Total Notices in 2013	No. of RTC Notices in 2014	% of Total Notices in 2014	% Change from 2013 to 2014
Worcester	1008	18.48%	1286	18.06%	28%
Middlesex	770	14.12%	956	13.42%	24%
Plymouth	575	10.54%	870	12.22%	51%
Bristol	548	10.05%	785	11.02%	43%
Essex	662	12.14%	749	10.52%	13%
Hampden	503	9.22%	708	9.94%	41%
Norfolk	435	7.98%	552	7.75%	27%
Suffolk	352	6.45%	409	5.74%	16%
Barnstable	274	5.02%	358	5.03%	31%
Berkshire	152	2.79%	196	2.75%	29%
Hampshire	88	1.61%	124	1.74%	41%
Franklin	60	1.10%	90	1.26%	50%
Nantucket	11	0.20%	17	0.24%	55%
Dukes	13	0.29%	22	0.31%	38%

In 2014, every county saw an increase in RTC Notices in comparison to 2013. Since 2012, however, RTC Notices have experienced a significant decrease by 59% overall. Worcester, historically the most dominant county for RTC Notices, experienced a 28% increase in 2014 from 1,008 RTC Notices in 2013 to 1,286 RTC Notices in 2014. Essex County fell from the third highest county represented in RTC Notices to the fifth highest in 2015 with a 13% increase in RTC Notices filed.

FIGURE 2: TOP CITIES REPRESENTED IN RTC NOTICES⁹



In both 2013 and 2014, approximately 30% of RTC Notices were concentrated in fifteen cities. Figure 2 shows Springfield remained the top city, and Boston¹⁰ moved into second replacing Worcester in 2014. Boston experienced a 50% increase in number of RTC Notices sent from 2013. Furthermore, the bottom three cities changed in 2014; Lawrence, Methuen and Revere dropped off of the Top cities list with

Chicopee, Wareham and Leominster taking their places at the 13th, 14th and 15th spots respectively.

⁹ Figure 2 depicts the Top 15 Cities Represented in RTC Notices in 2013 & 2014, however 18 cities are listed on the chart due to a change in top cities, with Chicopee, Wareham and Leominster dropping off the top list in 2014 and Lawrence, Methuen and Revere taking their place.

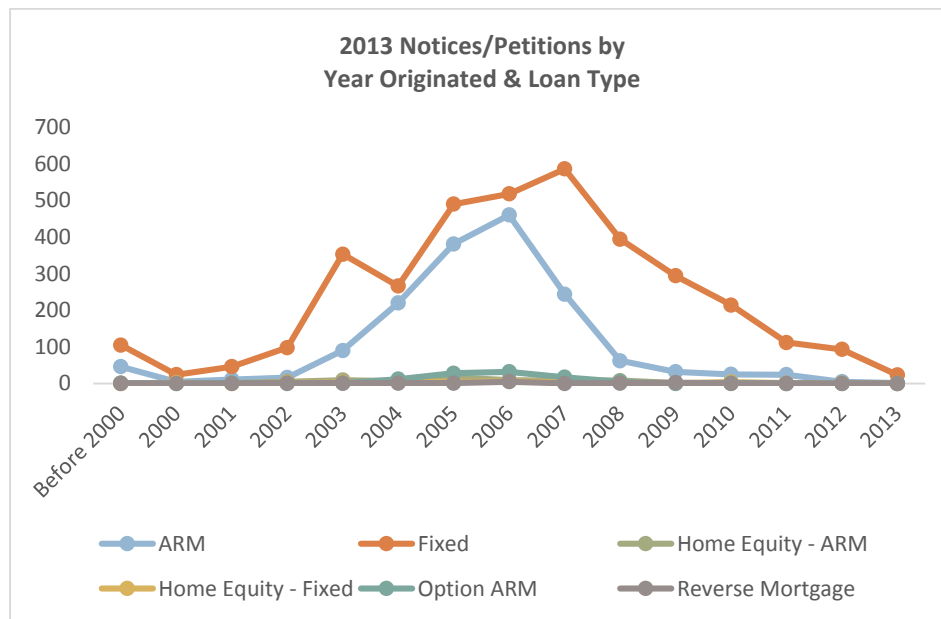
¹⁰ The RTC Notices filed in Boston include Boston and its neighborhoods: Allston, Brighton, Charlestown, Dorchester, East Boston, Hyde Park, Jamaica Plain, Mattapan, Roslindale, Roxbury, South Boston and West Roxbury.

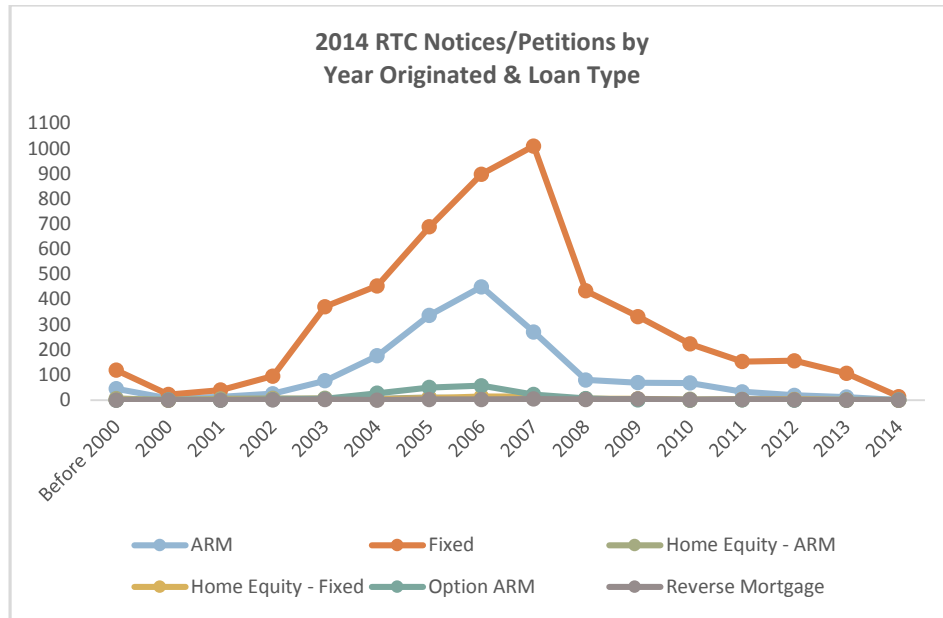
TABLE 2: RTC NOTICES BY MORTGAGE ORIGINATION YEAR

Loan Origination Year	No. of Notices in 2013	% of Total Notices in 2013	No. of Notices in 2014	% of Total Notices in 2014
Before 2000	153	2.81%	171	2.40%
2000	32	0.59%	29	0.41%
2001	59	1.08%	59	0.83%
2002	122	2.24%	133	1.87%
2003	457	8.38%	467	6.56%
2004	512	9.39%	664	9.32%
2005	921	16.89%	1096	15.39%
2006	1030	18.89%	1427	20.04%
2007	859	15.75%	1328	18.65%
2008	473	8.67%	532	7.47%
2009	330	6.05%	414	5.81%
2010	245	4.49%	295	4.14%
2011	137	2.51%	193	2.71%
2012	100	1.83%	180	2.53%
2013	24	0.44%	119	1.67%
2014	--	--	15	0.21%
Total	5454		7122	

Of mortgage loans related to a RTC Notice in 2013, only 5% originated between 2011 and 2013. Consistent with 2013, only 4% of RTC notices in 2014 originated between 2012 and 2014. Loans that originated during the sub-prime period, 2005 – 2007, accounted for 54% of the RTC Notices filed in 2014, a 37% increase by number of RTC Notices filed from 2013.

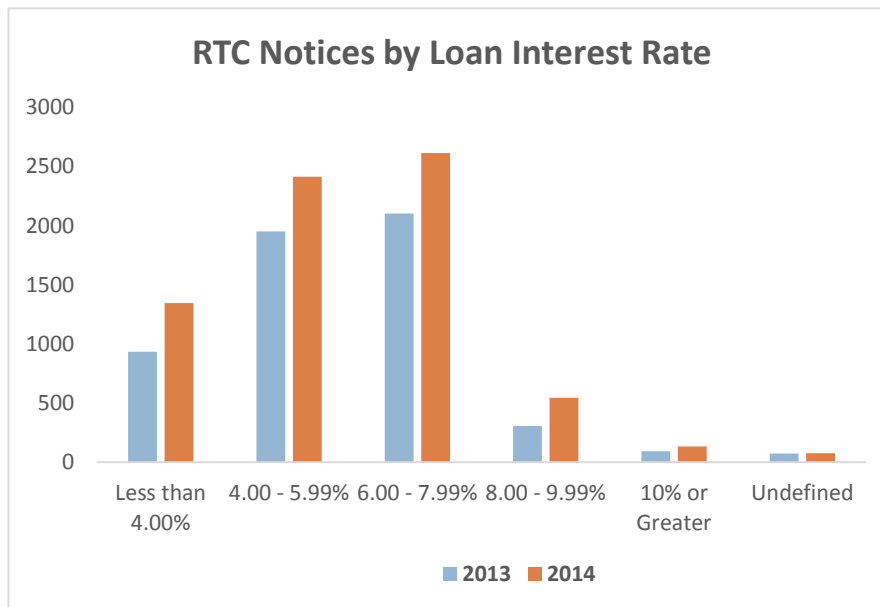
FIGURES 3 & 4: RTC NOTICES BY YEARS OF LOAN ORIGINATION AND LOAN TYPE





As Figure 3 and 4 indicate, a majority of RTC Notices in both 2013 and 2014 were fixed rate mortgages, regardless of what year the loan originated. Specifically, 66% of RTC Notices in 2013 and 72% in 2014 were fixed rate mortgages. RTC Notices from 2003-2008 reflected the bulk of Adjustable Rate Mortgages (ARM). Overall, ARM loans comprised 24% of all RTC Notices in 2014. All other loan types accounted for 5% of the total of RTC Notices sent in 2014.

FIGURE 5: RTC NOTICES BY LOAN INTEREST RATE



Consistent with 2013, the majority of reported RTC Notices in 2014, 71%, were linked to mortgage loans with interest rates between 4.00% and 7.99%. RTC Notices associated with interest rates lower than 6.00% continued to make up 53% of total RTC Notices in 2014. However, those mortgages with rates exceeding 6.00% still comprise a large part of all RTC Notices sent in 2014.

TABLE 3: RTC NOTICES BY DELINQUENCY DAYS

Delinquency Length	No. of Notices in 2013	% of Total Notices in 2013	No. of Notices in 2014	% of Total Notices in 2014
Less than 60 Days	196	3.59%	59	0.83%
61 – 120 Days	1439	26.38%	1106	15.53%
120 – 149 Days	2455	45.01%	5095	71.54%
150 – 199 Days	985	18.06%	560	7.86%
Over 200 Days	379	6.95%	302	4.24%
Total	5454	100%	7122	100%

In 2014, 87% of mortgage loans were delinquent between 2 and 5 months (61 – 149 days), an increase from 2013. Table 3 depicts the large majority of servicers sending the RTC Notice during the ‘120 – 149 days’ delinquency period.

FIGURE 6: NUMBER OF DAYS BETWEEN RTC NOTICE DATE & FORECLOSURE PETITION FILING

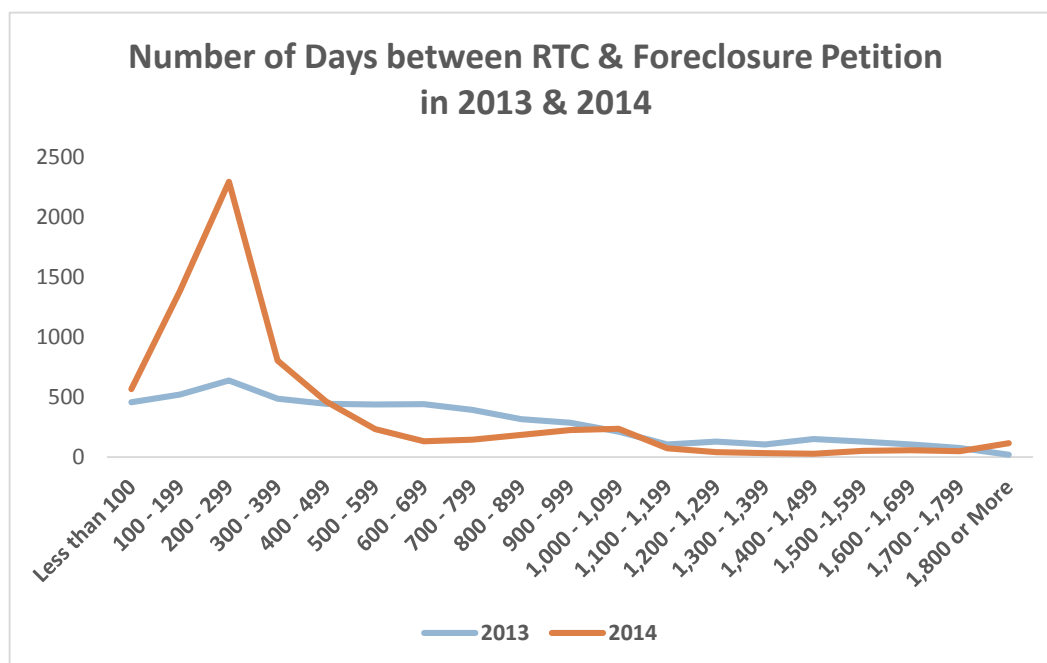


TABLE 4: RTC NOTICE TO FORECLOSURE PETITION FILE DATE IN DAYS

2013 RTC to Petition (Days)	No. of Notices in 2013	% of Total Petitions in 2013	2014 RTC to Petition (Days)	No. of Notices in 2014	% of Total Petitions in 2014
Less than 100	458	8.40%	Less than 100	567	7.96%
100 – 199	522	9.57%	100 – 199	1,387	19.47%
200 – 299	638	11.70%	200 – 299	2,296	32.24%
300 – 399	487	8.93%	300 – 399	804	11.29%
400 – 499	445	8.16%	400 – 499	464	6.52%
500 – 599	439	8.05%	500 – 599	232	3.26%
600 – 699	442	8.10%	600 – 699	133	2.04%
700 – 799	393	7.21%	700 – 799	145	2.04%
800 – 899	315	5.78%	800 – 899	185	2.60%
900 – 999	286	5.24%	900 – 999	226	3.17%
1,000 – 1,099	211	3.87%	1,000 – 1,099	235	3.30%
1,100 – 1,199	105	1.93%	1,100 – 1,199	73	1.02%
1,200 – 1,299	130	2.38%	1,200 – 1,299	40	0.56%
1,300 – 1,399	104	1.91%	1,300 – 1,399	32	0.45%
1,400 – ,1499	151	2.77%	1,400 – ,1499	28	0.39%
1,500 – ,1599	129	2.37%	1,500 – ,1599	52	0.73%
1,600 – 1,699	104	1.91%	1,600 – 1,699	57	0.80%
1,700 – 1,799	76	1.39%	1,700 – 1,799	50	0.70%
1,800 or more	19	0.35%	1,800 or more	116	1.63%

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 2014 than in 2013 (7,122 versus 5,454). In 2014, 63% of Foreclosure Petitions were filed between 100 and 400 days after the RTC Notice. Approximately 50% of Foreclosure Petitions were filed between 200 – 400 days after the RTC Notice filing in both 2014. In contrast, the number of notices sent during different timeframes were not concentrated in one single period in 2013.

FIGURE 7: FORECLOSURE SALES BY COUNTY

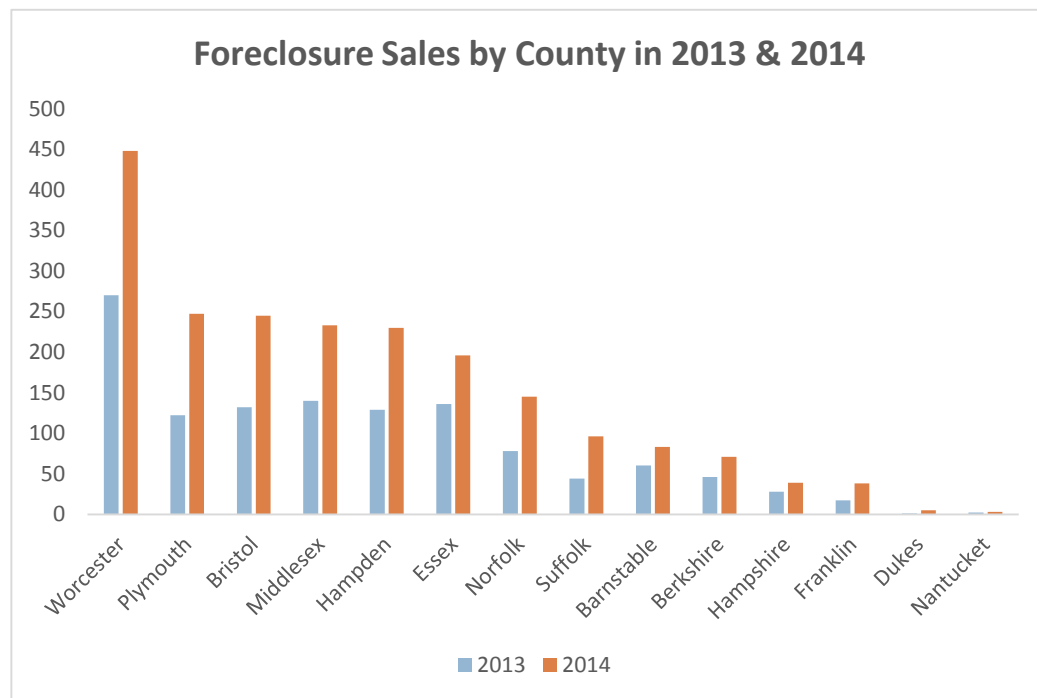


TABLE 5: FORECLOSURE SALES BY COUNTY

County	No. of Foreclosure Sales in 2014	Foreclosure Sales per 10,000 Residents ¹¹	% Change 2013	% Change 2012
Worcester	448	5.61	65.93%	-50.06%
Plymouth	230	4.99	102.46%	-49.39%
Bristol	245	4.47	85.61%	-47.87%
Middlesex	247	1.55	66.43%	-55.19%
Hampden	233	4.96	78.29%	-40.41%
Essex	230	2.64	44.12%	-54.63%
Norfolk	145	2.16	85.90%	-37.50%
Suffolk	96	1.33	118.18%	-45.76%
Barnstable	83	3.84	38.33%	-51.46%
Berkshire	71	5.41	54.35%	-44.09%
Hampshire	39	2.47	39.29%	-33.90%
Franklin	38	5.32	123.53%	-37.70%
Dukes	5	3.02	400.00%	-28.57%
Nantucket	3	2.95	50.00%	-66.67%
Total	2079		72.53%	-48.49%

Table 5 and Figure 7 indicate the largest concentration of foreclosure sales have occurred in Worcester County, 22% in both 2013 and 2014. However, the number of foreclosure sales in Worcester County has fluctuated over the years with a 66% increase from 2013; a 50% increase from 2012. Although there was a 73% increase in foreclosure sale activity statewide compared to 2013, Massachusetts has experienced a 48% decrease in foreclosure sale activity overall since 2012.

¹¹ Residential data is based on the 2010 United States Census information.