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Contact: Lloyd P. LaFountain III, Superintendent
Maine Bureau of Financial Institutions
1-207-624-8570

Bureau of Financial Institutions Reports Mixed Results from Home Foreclosure Survey of Maine Banks and Credit Unions

Completed Foreclosures and Delinquent Mortgage Loans Decrease, but Overall Foreclosure Inventory Continues to Increase

GARDINER, MAINE -- Lloyd P. LaFountain, III, Superintendent of Maine's Bureau of Financial Institutions reported mixed news from the first quarter survey covering residential mortgage loans held by Maine's 32 state-chartered banks and credit unions.

On the positive side, delinquency rates for both first and junior lien mortgages improved after increasing sharply in the fourth quarter of 2010. The net quarterly increase in seriously delinquent first mortgages, adjusted for completed foreclosures, was the smallest in the nine quarters the relevant data has been collected. The number of completed foreclosures of first mortgages also declined.

On the negative side, the number of mortgages in process of foreclosure and the number of foreclosure starts increased. Despite the increase, foreclosure activity at Maine banks and credit unions remains lower than in many other states and it does not pose a threat to the stability of Maine-chartered financial institutions.

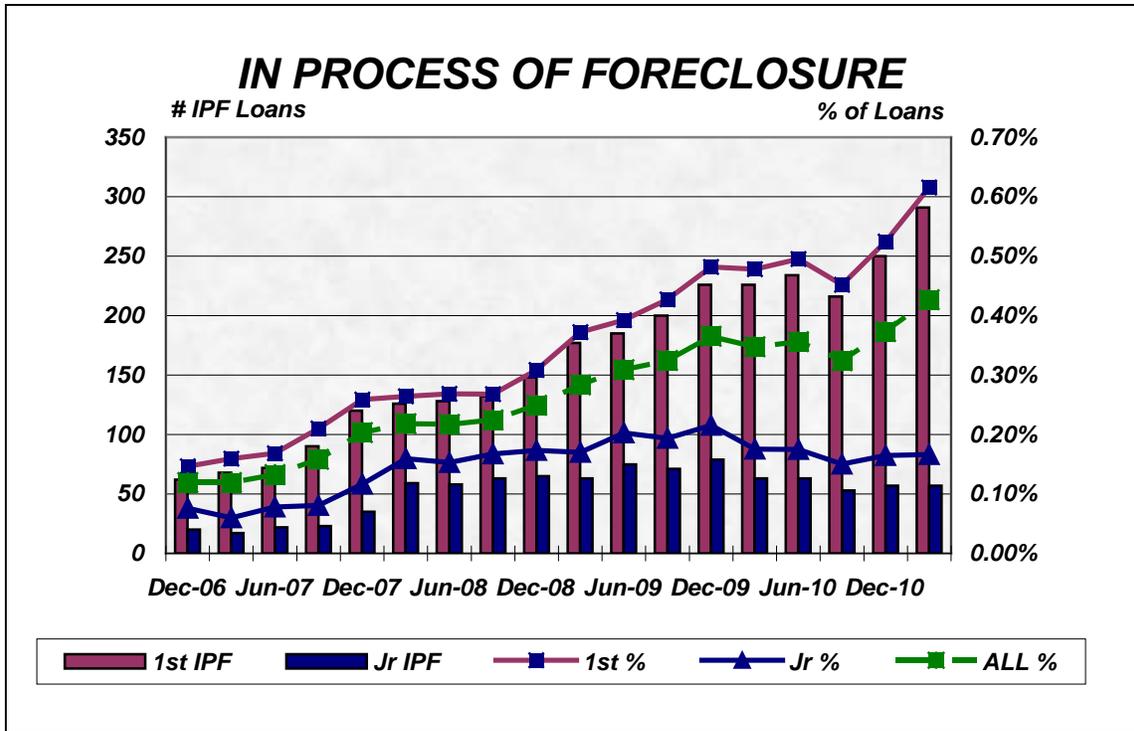
"Although completed foreclosures declined in recent months, the continued increase in overall foreclosure inventory remains a concern," Superintendent LaFountain commented. "It is hoped that the decrease in delinquent mortgage loans, may become a trend and eventually result in fewer foreclosures."

The most recent data covers January through March 2011. It pertains to residential real estate lending and was obtained from the 32 financial institutions (banks and credit unions) that have been state-chartered in Maine from the end of 2006 through March 2011. The Bureau has been surveying state-chartered banks and credit unions regarding foreclosure activity since October 2006. *The survey does not include data from entities not regulated by the Bureau which include federally-chartered banks, federally-chartered credit unions and mortgage companies licensed to do business in Maine.*

According to first quarter survey results, the 32 state-chartered financial institutions held 81,581 mortgage loans at the end of March, consisting of 47,259 first mortgage loans and 34,322 junior lien mortgage loans (including home equity lines of credit). Of the 81,581 loans, **348** (291 first mortgages and 57 junior lien mortgages) were in process of foreclosure (IPF), or one loan for every 234 mortgages (one for every 162 first mortgages). At the end of the fourth quarter of 2010, **303** loans were in IPF status.

The survey data suggests that the foreclosure process is taking a longer time period which may be causing an earlier start to the process by financial institutions. The increased timeline is attributable to the combination of Maine having a judicial foreclosure process and a statutorily mandated mediation, effective January 2010, which requires an evaluation of foreclosure alternatives. As a percentage of total mortgages, IPF loans remain relatively low, 0.43% at the end of the first quarter (up slightly from 0.37% at the end of the fourth quarter of 2010).

IPF	12/06	12/07	12/08	12/09	3/10	9/10	12/10	3/11	# Loans
1st REM	62	120	148	226	226	216	250	291	47,259
Jr. REM	20	35	65	79	63	53	53	57	34,322
All REM	82	155	213	305	289	269	303	348	81,581
1st REM	0.15%	0.26%	0.31%	0.48%	0.48%	0.45%	0.52%	0.62%	
Jr. REM	0.08%	0.12%	0.17%	0.22%	0.18%	0.15%	0.15%	0.17%	
All REM	0.12%	0.20%	0.25%	0.37%	0.35%	0.32%	0.37%	0.43%	



Beginning with the 2008 first quarter survey (January-March, 2008), data on the number of foreclosures initiated in the current quarter was requested. During the first quarter of 2011, foreclosure proceedings were started on 103 first mortgages, 0.22% of all outstanding first mortgages, or one for every 459 first mortgages. This represents a modest increase from the number initiated in the previous quarter and the highest number since the fourth quarter of 2009. However, as a percentage of seriously delinquent first mortgages (90 days or more past due), the percentage of foreclosure starts in the first quarter actually declined slightly and was only nominally higher than the average for the prior seven quarters (16%). Foreclosure proceedings initiated on junior mortgages increased slightly for the second consecutive quarter and are the highest since the second quarter of 2010.

Foreclosures Initiated	3/08	12/08	12/09	3/10	6/10	9/10	12/10	3/11
# 1 st REM	45	59	103	85	67	52	99	103
% 1 st REM	0.09%	0.12%	0.22%	0.18%	0.14%	0.11%	0.21%	0.22%
FC Start/1 st REM	1,060	813	455	556	706	919	481	459
# Jr. REM	26	20	20	25	22	16	19	21
% Jr. REM	0.07%	0.05%	0.05%	0.07%	0.06%	0.05%	0.05%	0.06%
FC Start/Jr. REM	1,424	1,877	1,833	1,436	1,640	2,202	1,823	1,634

The Bureau also requests data on completed foreclosures (FC). As seen in the table below, the number of FC has steadily risen, particularly in 2008 and in 2010, with a 40% increase in both first mortgages and total mortgages foreclosed in 2010. The number of first mortgages foreclosed in the first quarter of this year, however, decreased for the second consecutive quarter, and to the lowest rate since the fourth quarter of 2009.

The percentage of FC to prior quarter IPF decreased to its lowest percentage since the first quarter of 2009. As stated above under the IPF discussion, Maine has a judicial foreclosure process and a mediation requirement which contribute to an extended foreclosure timeline, thereby increasing the number of mortgages that remain IPF and delaying foreclosure. Overall, FC remain elevated, but the number also remains low in relation to the total of outstanding mortgages – only one for every 1,582 mortgages and one for every 1,222 first mortgages.

FC	2006 *	2007 **	2008 **	2009 **	2010 **	3/10		9/10	12/10	3/11
1st REM	50	52	119	126	176	45		46	44	39
Jr. REM	2	15	40	49	69	31		12	7	13
All REM	52	67	159	175	245	76		58	51	52
% of Prior Quarter-end Loans										
1st REM	0.12%	0.12%	0.24%	0.27%	0.37%	0.096%		0.097%	0.092%	0.082%
Jr. REM	0.01%	0.05%	0.11%	0.13%	0.19%	0.085%		0.033%	0.020%	0.038%
All REM	0.07%	0.09%	0.19%	0.21%	0.29%	0.091%		0.070%	0.061%	0.063%

* Annual percentage is based on number of loans outstanding at 12/31/06;

** Annual percentage is based on average number of loans outstanding in the year.

More information on the status of residential real estate lending by Maine’s financial institutions is available in the Bureau’s 2011 Annual Report to the Legislature, which can be found at www.maine.gov/pfr/financialinstitutions.

The Bureau of Financial Institutions is part of the Department of Professional and Financial Regulation, which encourages sound ethical business practices through impartial regulation of insurers, financial institutions, creditors, investment providers, and numerous professions and occupations for the purpose of protecting the citizens of Maine. Consumers can reach the Bureau through the Department’s website (www.maine.gov/pfr); by calling 1-800-965-5235 or by writing to Bureau of Financial Institutions, 36 State House Station, Augusta, Maine 04333.

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