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December 2, 2016

The Honorable Jan R. Jurden  
Superior Court  
500 N. King Street  
Wilmington, DE 19801

The Honorable Patricia M. Blevins  
Legislative Hall  
P.O. Box 1401  
Dover, DE 19903

The Honorable David B. McBride  
Legislative Hall  
P.O. Box 1401  
Dover, DE 19903

The Honorable Peter C. Schwartzkopf  
Legislative Hall  
P.O. Box 1401  
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RE: Foreclosure Filing Data – 3rd Quarter 2016

Dear President Judge Jurden, President Pro Tempore Blevins, Majority Leader McBride, and Speaker Schwartzkopf:

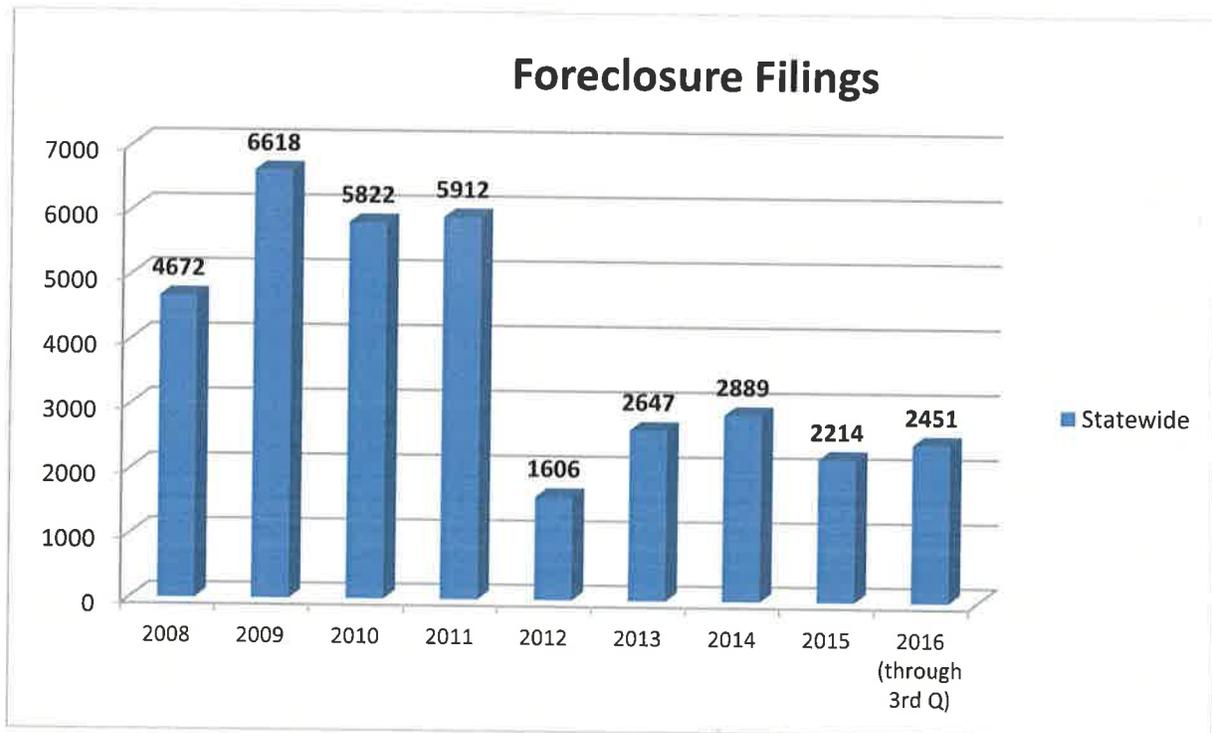
As the delegatee of the Superior Court under 10 *Del. C.* § 5062C(t), the Department of Justice is required to periodically report relevant statistics about the proceedings of the Mediation Program. This letter serves as the Third Quarter Report for 2016.

**1. Statistical Snap Shot**

As of September 30, 2016, 7,567 eligible foreclosure actions have been filed since the Mediation Program went into effect on January 19, 2012. A more detailed overview of

foreclosure statistics can be found below, as well as on the Mediation Program website at:  
<http://attorneygeneral.delaware.gov/fraud/cpu/automediation.shtml>

The following chart demonstrates the number of foreclosure actions<sup>1</sup> filed statewide in the calendar years indicated. 2016 has already surpassed 2014 with the highest number of mediation eligible foreclosure filings since the inception of the program.<sup>2</sup> In the first three Quarters of 2016, there were 1894 Mediation filings.



## **2. Foreclosure Filings Since Inception of the Mediation Program**

Between January 19, 2012 and September 30, 2016, there have been a total of 11,807 foreclosure filings statewide with 7,542 of those cases, or 63.88%, eligible for the Mediation Program.<sup>3</sup> Beginning in 2013 and continuing through third quarter 2014, there was a noticeable

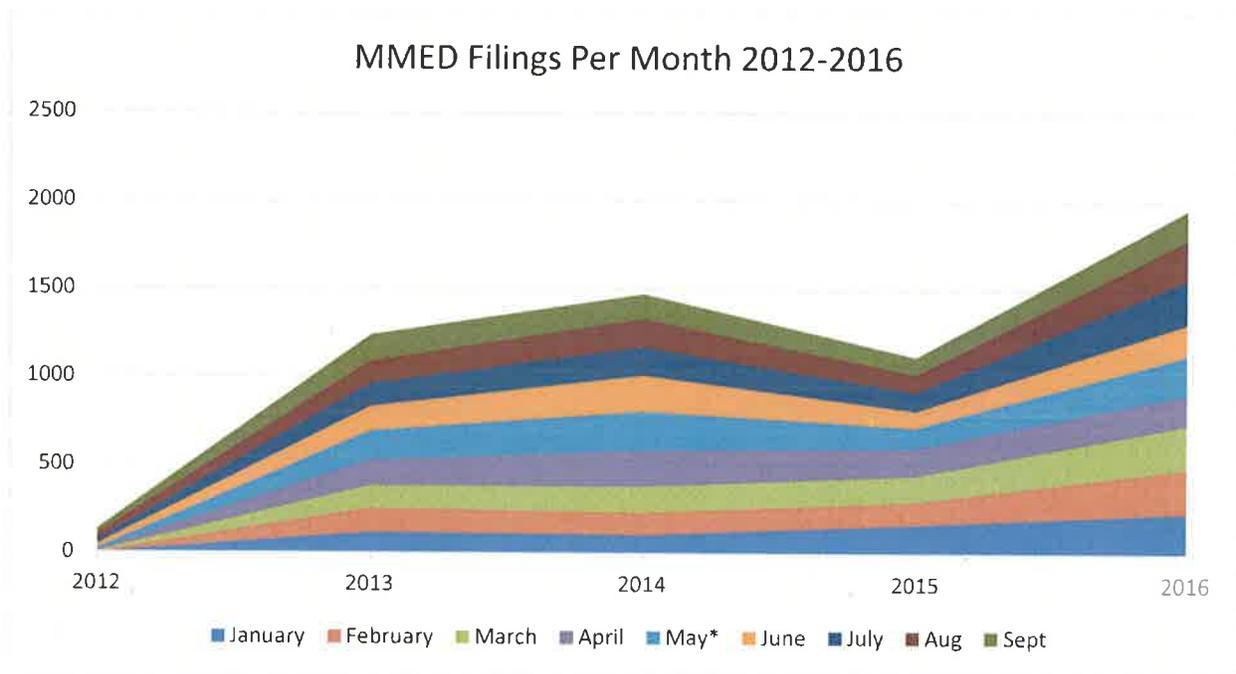
<sup>1</sup> This data is compiled through September 30, 2016. These figures include *scire facias* actions and, as of January 19, 2012, mediation-eligible *scire facias* actions. Additional information by county and case type is available on the Department of Justice's website: <http://attorneygeneral.delaware.gov/fraud/cpu/automediation.shtml>

<sup>2</sup> In October 2016, there have been 135 MMED eligible foreclosure filings which brings the total number of filings to 2029 this year.

<sup>3</sup> Historically, the percentage of mediation-eligible foreclosure actions in Superior Court have been as follows: Q2 2012 – 16%; Q3 2012 – 24%; Q4 2012 – 38.6%; Q1 2013 – 63.3%; Q2 2013 – 69.2%; Q3 2013 – 63.9%; Q4 2013 –

increase in mediation-eligible cases commenced in the Superior Court. In 2015, there were an average of 377 filings per quarter. The first quarter of 2016 saw a large increase in the number of filings with 665 mediation eligible filings. The second quarter had 581 filings and there were 648 filings in the third quarter. The filing numbers for 2016 are markedly higher than any previous year. The major upheavals within the foreclosure law firms in Delaware beginning in second quarter 2015, most notably the sudden closure of Butler & Hosch and the retirement of Robert Aulgur, Esq. of Whittington & Aulgur may have artificially reduced the number of filings for part of 2015 and partially led to the increased number of filings in 2016.

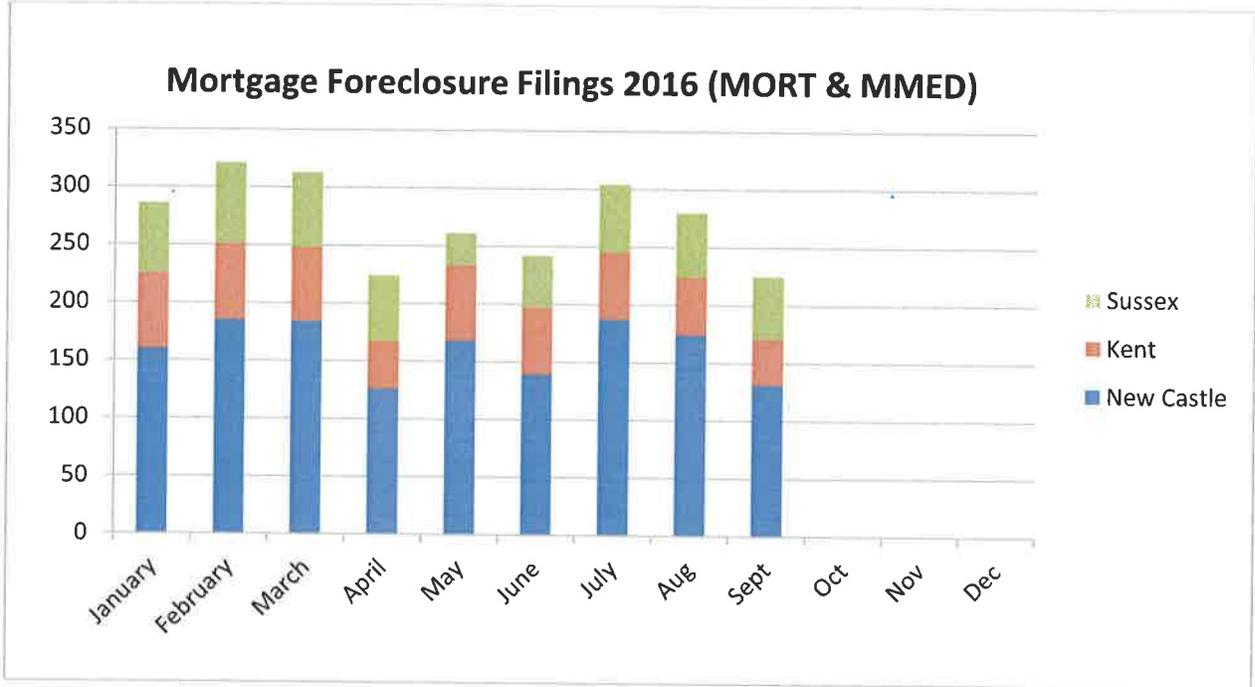
The below chart compares the number of filings per month through the third quarter of 2016 to the similar time period in 2012 through 2015.



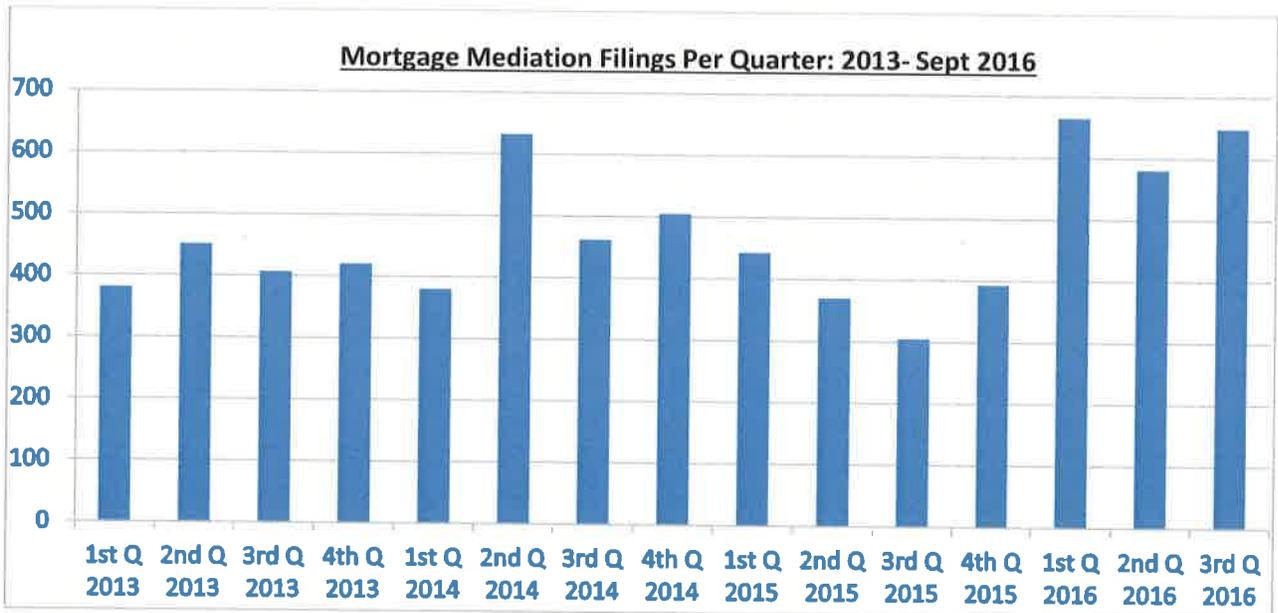
The following chart demonstrates the number of foreclosures filed in each county from January 1, 2016 through September 30, 2016.<sup>4</sup> New Castle County remains the highest while Kent County and Sussex County have approximately the same number of filings.

59.7%; Q1 2014 – 65.29%; Q2 2014 – 71.66%; Q3 2014 – 68.96%; Q4 2014 – 67.02%; Q1 2015 – 66.22%; Q2 2015 – 73.56%; Q3 2015 – 65.73%; Q4 2015 – 60.37%; Q1 2016 – 61.43%; and Q2 2016 – 62.21%

<sup>4</sup> These numbers include MORT (not eligible for mediation) foreclosure actions as well as MMED (mediation-eligible) foreclosure actions.



The below chart demonstrates the number of MMED filings per quarter from the 1<sup>st</sup> Quarter of 2013 through the 3<sup>rd</sup> Quarter of 2016.



### **3. Mediation Conferences and Participation Data**

Under the Mediation Program, the Department of Justice administers and oversees conciliation-style mediations for each case in which the homeowner has been served with process. We are able to accommodate up to 120 cases per conference day in each county, with each lender's counsel holding up to 45 conferences per day. New Castle County averages 91 mediations scheduled per conference day, Kent averages 64 mediations and Sussex averages 55 per conference day.<sup>5</sup> There are two conference days per month in New Castle County and one conference day per month in each of the other two counties. The two law firms with the heaviest volume have been sending two attorneys to conference days when there are a large number of conferences scheduled for those firms. With the additional attorneys, we do not expect the need to add any additional mediation days at this time.

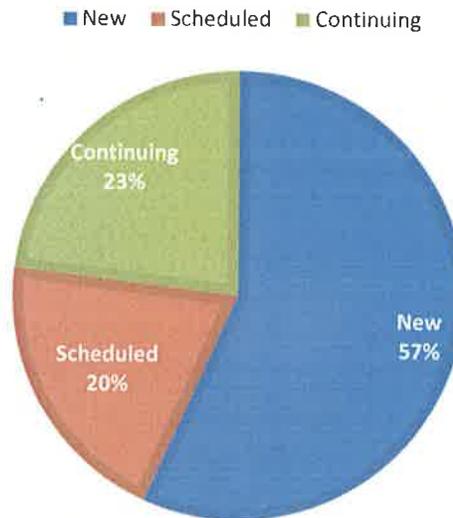
During the Third Quarter of 2016, 458 Mediation Scheduling Notices were filed with the Superior Court, and 167 Certificates of Participation were also filed during this Quarter. Overall, the Mediation Program has a **53.64% participation rate**. Of those Delaware homeowners who elect to actively participate in the Mediation Program, **62.71%** have either achieved a non-foreclosure resolution or remain in mediation and continue loss mitigation negotiations with their lender/servicer.<sup>6</sup> The remaining 37.29% have resumed court proceedings due to unemployment, severe delinquency, failure to participate in the Mediation Program, failure to reach an agreement on the terms of the loss mitigation offered by the lender/servicer, and/or a failure to work with a housing counselor. The high success rate of the Mediation Program thus far owes a great deal to the support of knowledgeable HUD-approved housing counselors. 1,316 cases are currently in the mediation pipeline awaiting scheduling, have an upcoming mediation conference, or are continuing in the mediation program.

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<sup>5</sup> Average of mediations scheduled per day for the months of May 2016 through October 2016.

<sup>6</sup> "Successful mediation" is defined as any conference where the homeowner achieves a non-foreclosure resolution to avoid a Sheriff's Sale of the property, or where the parties remain engaged in negotiations and the homeowner is granted a subsequent mediation conference date.

### CURRENT MORTGAGE MEDIATION CASES



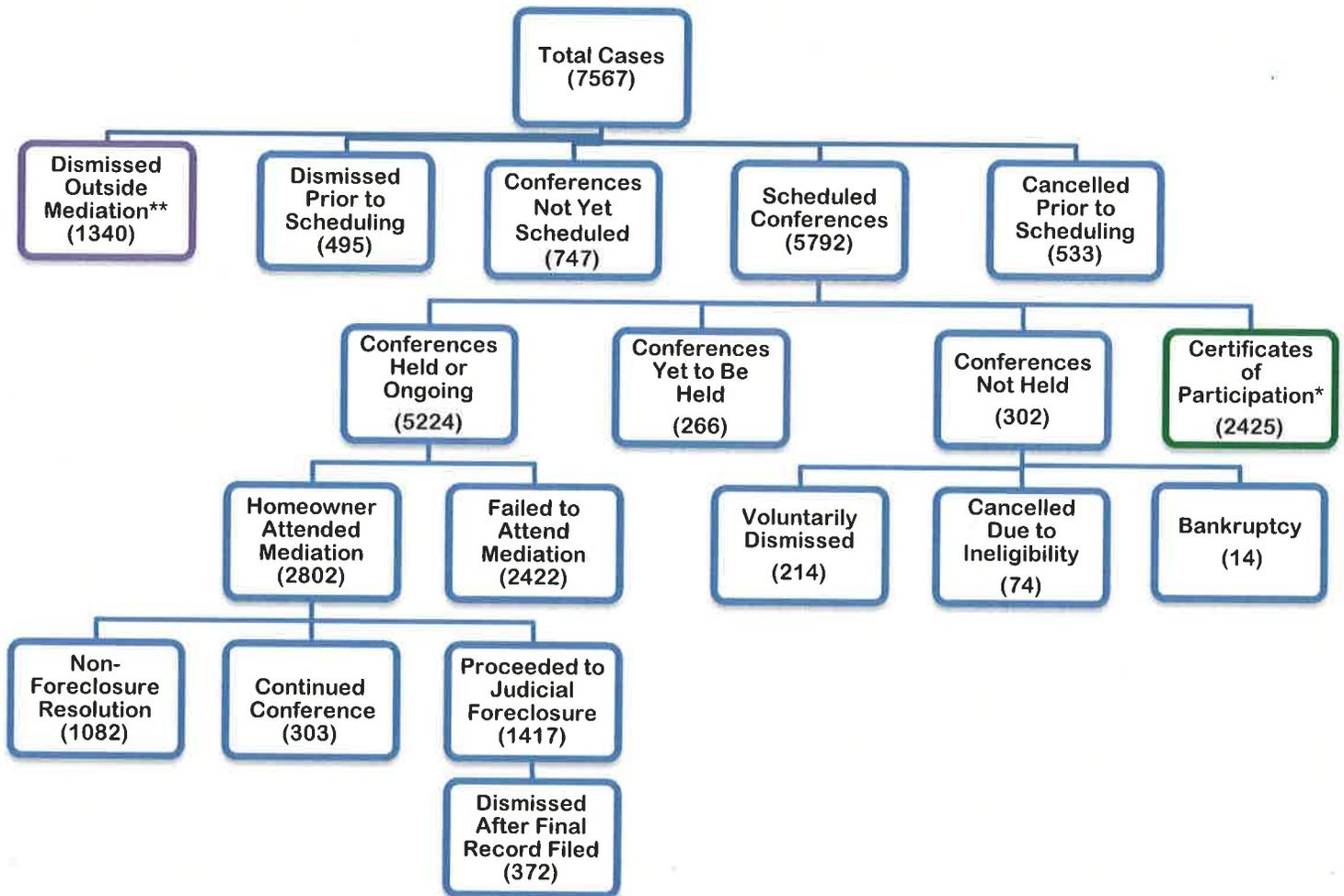
Our program participation overview chart captures those matters that were dismissed or cancelled prior to mediation and those that were dismissed or cancelled following the scheduling of mediation. Those cases that achieve a non-foreclosure resolution and those that remain in mediation are separated. Additionally, we have detailed those cases which have been dismissed outside of mediation.<sup>7</sup>

For those 2,422 homeowners who failed to participate in the Mediation Program, our data indicate that they often have vacated their homes prior to the foreclosure case being filed in the Superior Court. Therefore, they may not receive the information about the Mediation Program which is sent by the Department of Justice. Further, they would not be eligible for mediation if they no longer occupy the home.

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<sup>7</sup> Cases dismissed outside of mediation are any cases dismissed without a mediation conference being held, including those matters where a defendant failed to appear for mediation, the matter was cancelled as non-mediation eligible, and those cases were subsequently dismissed.

The participation data provides a snapshot of the cases in the Mediation Program through September 30, 2016.



#### **4. Delinquency Rates and Foreclosure Filings**

We continue to see high delinquency rates and foreclosure starts in Delaware.<sup>8</sup> The substantial increase in MMED filings beginning in the first quarter 2016 shows that the banks still have a large shadow inventory and also illustrates that lenders/servicers are participating in the Mediation Program. Delaware reports an overall seriously delinquent rate of 1.79%, a foreclosure inventory of 2.29%, and total foreclosure starts of 0.38%.<sup>9</sup> While the seriously delinquent rate has dropped every quarter since 2009, Delaware continues to rank high among other states in delinquency measures (9<sup>th</sup> in percent of loans in foreclosure, 13<sup>th</sup> in foreclosure starts, and 10<sup>th</sup> in 90+ days delinquent).

#### **5. Going Forward**

The threat of losing one's home remains a painful reality for many Delawareans. As the number of foreclosure filings has increased, the Mediation Program has demonstrated a high rate of success at avoiding foreclosure for homeowners who work with a HUD-approved housing counselor and actively participate in their mediation conferences. It is clear from the most recent quarterly numbers that the number of foreclosure filings in Delaware, and accordingly the need for the program, remains and is projected to remain high for the foreseeable future. The recent quarterly numbers indicate that a majority of the lenders/servicers have resumed filing foreclosure actions. We anticipate this trend will continue in light of the current backlog.

Additionally, the Department of Justice's Office of Foreclosure Prevention and Financial Education (the "OFP") has been an important complement to the Mediation Program through its community outreach and education seminars, servicer events, and the day-to-day assistance provided to homeowners via the foreclosure hotline. OFP will continue hosting outreach and education events throughout the State where homeowners are given resources and information to assist them in navigating the foreclosure process and avoiding unnecessary sheriff's sales. The OFP's work has served many Delaware homeowners who face this difficult life event and, in many cases, helped to prevent the filing of foreclosure actions against these homeowners.

The Department of Justice is ready to meet the continuing demands from high foreclosure volumes and participation in the Mediation Program. When foreclosure cases are filed and served, homeowners are promptly scheduled for mediation dates throughout the State, and borrowers have the opportunity to have a meaningful conversation with their lender/servicer before the judicial foreclosure proceeds. Increasing participation and success rates of the Mediation Program will

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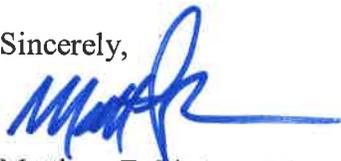
<sup>8</sup> Mortgage Bankers Association, National Mortgage Delinquency Survey, 3<sup>rd</sup> Quarter 2016 (November 2016). The "seriously delinquent rate" is defined to include mortgage loans which are 90+ days overdue together with those loans in foreclosure.

<sup>9</sup> *Id.* at 13.

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save many more Delaware homeowners from unnecessary foreclosures, increase the stability of our neighborhoods, and improve the housing market in Delaware.

Sincerely,



Matthew F. Lintner, Director  
Fraud and Consumer Protection Division  
Delaware Department of Justice

cc: Hon. Jack A. Markell  
Hon. Thomas R. Carper  
Hon. Christopher A. Coons  
Hon. John C. Carney, Jr.  
Hon. Lisa Blunt Rochester  
Sec. Anas Ben Addi