

# Merrimack Valley

## *housingreport*



University of  
Massachusetts  
Lowell

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## Unaffordable Housing in the Merrimack Valley

*By Syeda Nizami*

Affordable housing continues to be an ever looming issue in the news, as many people in the United States struggle to find housing that they can afford. Eastern Massachusetts has some of the most expensive housing in the U.S. and many renters in the Merrimack Valley are also struggling to find affordable housing. Is the American Dream at risk? With income inequality in the USA growing and minimum wage increases failing to keep up with inflation, the cost of living is much higher than many can afford, partly due to housing affordability. According to the U.S. Department of Housing and Urban Development (HUD), families who spend over 30% of their income on housing are “cost burdened” and may have problems affording necessities such as food, clothing, medical care, and transportation. Furthermore, HUD reports that an estimated 12 million renters and homeowner households pay over 50% of their income toward housing (HUD 2016). More specifically, when looking at Massachusetts, according to the National Low Income Housing Coalition, a person would need a job that pays an average of \$25.91 hourly, while a person working a minimum wage job (\$10.00) would need to work 104 hours a week in order to afford the rent of a two-bedroom apartment in Massachusetts (“Out of Reach 2016).

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### Deeds, Mortgages, Foreclosures and Orders of Notice Recorded

*June 2015 and June 2016 are compared*

	Haverhill		Lawrence		Lowell		Methuen	
	July-15	July-16	July-15	July-16	July-15	July-16	July-15	July-16
Deeds	190	127	126	88	177	183	115	135
Mortgages	208	195	159	125	225	193	180	179
Foreclosure Deeds	6	7	3	1	7	16	3	4
Orders of Notice	10	8	10	4	13	8	6	5

*Unaffordable Housing in the Merrimack Valley continued.*

When looking at gross rent as a percentage of household income, or GRAPHI, in Haverhill, Lowell, Methuen and Lawrence, all four cities have over half the renters paying 30% or more of their income on housing. Lawrence has the highest GRAPHI percentage, with 58.9%, or 10,812 renter households paying 30% or more of their income toward their housing. Haverhill is the next highest, with 56.8% of their renters, 4,855 households, paying 30% or more. Lowell and Methuen are also close, with 53.1% (11,047 renters) and 52.9% (2,569 renters) respectively paying 30% or more of their income. Keep in mind that all of these cities have varying amounts of total occupied units paying rent, with Lowell having 20,770, while Methuen has 4,853.

Many homeowners with a mortgage face a similar burden, as in all four cities a significant number of owners pays 30% or more of their income towards housing. Lawrence again has the largest portion of homeowners with 50% or 5,737 households, putting 30% or more of their income into housing. Next is Lowell, with 42.9% of households (5,217), closely followed by Haverhill and Methuen with 35.8% (3,994) and 33.1% (2,958) respectively. When researching the median home value (MHV) in comparison to the median household income (MHI), which is the basic measure to determine housing affordability, Lawrence again topped the list of highest ratio at 6.14; then Lowell at 4.64; Haverhill at 4.19; and Methuen at 4.09.

Thomas Jefferson famously wrote in the Declaration in Independence that every human being had the right to life, liberty, and the pursuit of happiness, a concept derived from John Locke's own idea of the right to life, liberty, and the pursuit of property. Currently in America, not everyone is able to exercise those rights, challenged by housing costs that takes away 30% or more of their income. HUD states, "A family with one full-time worker earning the minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States," (HUD 2016). Meanwhile, the median home price is over 4 times the median household income in the four cities, which only demonstrates the disparity between housing costs and income. Housing affordability is a growing problem for many in the Merrimack Valley, as well as in most regions within our nation.

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*Unaffordable Housing continued.*

Gross Rent as a Percentage of Household Income (GRAPHI)	Haverhill	Lawrence	Lowell	Methuen
Total Occupied Units Paying Rent	8,555	18,361	20,770	4,853
30% +				
number	4,855	10,812	11,047	2,569
percent	56.75%	58.88%	53.18%	52.93%
Selected Monthly Owner Costs at a Percentage of Household Income (SMOCAPI)				
Total Housing Units with a Mortgage	11,152	5,737	12,154	8,929
30% +				
number	3,994	2,891	5,217	2,958
percent	35.81%	50.39%	42.92%	33.13%
Median Home Value (Dollars)	256,600	211,900	228,000	279,100
Median Household Income (Dollars)	61,208	34,496	49,164	68,587
MHV/MHI Ratio	4.19	6.14	4.64	4.07

*Source: U.S. Census Bureau, 2010-2014 American Community Survey 5-Year Estimates*

## Citations

“Affordable Housing - CPD - HUD.” Affordable Housing - CPD - HUD. U.S. Department of Housing and Urban Development, n.d. Web. 12 Aug. 2016

““““Out of Reach: No Refuge for Low Income Renters.” (2016): 1-262. Nlihc.org. National Low Income Housing Coalition, 2016. Web. 22 Aug. 2016. <[http://nlihc.org/sites/default/files/oor/OOR\\_2016.pdf](http://nlihc.org/sites/default/files/oor/OOR_2016.pdf)>.

## Why are Foreclosures Rising?

*By Richard Howe*

There were 66 foreclosure deeds recorded for property in Lowell during the first seven months of 2016. For the same period in 2015, there were only 45. That represents a 47% increase, which invites the question of why foreclosures are rising. Without access to lender portfolios and interviews with homeowners, there is no way to answer that question directly. By scrutinizing the circumstances of each property involved, however, circumstantial evidence of the cause of the foreclosure might be obtained.

Two of the foreclosures were conducted by condominium associations, not lenders, and three others were the result of homeowners dying, so those five will be excluded from this analysis. Perhaps the most important question to ask about these foreclosures is in what year was the foreclosed mortgage originated? Are this year's foreclosures the residue of the boom years when many mortgages were recklessly made, or did they come to life more recently, which would suggest that the tougher, post-boom, lending standards might not be as effective as hoped. The good news, if you can call it that, is that 80% of the mortgages involved in the 2016 foreclosures came into existence before the real estate bubble collapsed (which for purposes of this article is the end of 2007). Seven of the foreclosed mortgages were from 2007, 13 were from 2006, 14 from 2005, 5 from 2004, 4 from 2003, and 4 more from previous years. Just 12 of the foreclosed mortgages originated after 2007 (2 in 2008, 4 in 2009, 3 in 2010, 1 in 2012, and 2 in 2013).

The majority of the mortgages foreclosed – 36, or 59% - were “purchase mortgages” which means they were used to finance the purchase of the property by the homeowner who underwent the foreclosure. Most of the purchase mortgage foreclosures involved 100% financing or something close to it, with many split between a first and a second mortgage.

The rest of the mortgages – 25, or 41% - were “refinanced mortgages” which means the homeowner already owned the property but obtained a subsequent mortgage, the proceeds of which were used to pay off the earlier mortgage with any excess funds going to the homeowner as cash. While 11 of the mortgages foreclosed were of the first refinancing, the rest were second or subsequent refinancings. For a number of homeowners during the real estate boom, serial refinancing became a way to inject cash into the household as a supplement to wages and other income. Some of the 2016 foreclosures provide evidence of this: A home that was purchased in 2000 for \$182,000 with 100% financing, was refinanced 3 times with the face amount of the foreclosed mortgage being \$252,000. Another property, purchased in 1995 with 95% financing, was refinanced five times with the foreclosed mortgage being \$304,000. The final example was purchased in 1995 for \$72,000, also with 95% financing, was refinanced 3 times with the final mortgage, the one foreclosed, being for \$390,000.

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*Why are Foreclosures Rising continued*

Whether the mortgage foreclosed was a purchase mortgage or a refinancing, many shared similar circumstances. Twenty-six percent of the foreclosures were of condominium units which seems to be a disproportionately high percentage of that type of housing, however, since condominiums tend to be less expensive than single family homes, they are more likely to be purchased by those whose finances are only marginally adequate for homeownership. Also, many of the homeowners who underwent foreclosure had other encumbrances on their properties such as tax liens, condominium liens, executions, or lines of credit. Finally, a number of the properties foreclosed in 2016 had previously been the subject of foreclosure albeit with different homeowners and lenders.

So to answer the question, why are foreclosures rising, the evidence points to the residual effects of the housing bubble even though that ended nine years ago. It also suggests that many homeowners are still underwater on their mortgages, which might help explain why the inventory of homes-for-sale on the market remains low.

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