The end of December is the traditional time to review statistics for the year but with eleven months of 2014 already gone by, now is a good time to get a head start on that task. The most compelling observation thus far in 2014 is the dramatic decrease in total documents recorded which for the first eleven months of the year is down 22% from the same period in 2013 (48,468 in 2014 vs 62,521 in 2013). If we project the eleven month total over the full year, we can expect 52,874 documents to be recorded in 2014 which would be the lowest number of documents recorded since 1991 (52,019). To put this in further context, the only other year since 1991 when we recorded fewer than 60,000 documents was in 2011 when we recorded 59,297. For the record, the busiest year was 2003 with 146,956 recordings.

The main reason for this drop in recording volume has been the near collapse of the refinancing market. This can be seen in a drop in the number of mortgages being recorded. For the first eleven months of 2014, mortgages were down 34% from the same period in 2013 (8,216 in 2014 vs 12,485 in 2013). Because each mortgage recorded is typically accompanied by other documents such as municipal lien certificates, assignments and discharges, a drop in mortgages has an out-sized impact on overall recordings. Why this drop in mortgages has occurred is a mystery in light of extremely low interest rates. Because those rates have been so low for so long, most homeowners who would benefit from refinancing have already done so. Also, the days of refinancing to extract equity from the home are gone, mostly because few people have equity in their homes and those who do are hesitant to encumber their living quarters with additional debt. Finally, lending standards are tighter now than they were previously which, when combined with people whose credit scores may have been hit by prior financial difficulties, may have shrunken the pool of potential qualified borrowers.

(continued on page 3)
As we approach the end of the 2014 year, we start to review our data and compare the numbers to last year. In a Boston Globe article on December 2, 2014 by Jack Newsham, Warren Group data was cited comparing orders of notice (foreclosure starts) and foreclosure deeds (foreclosure completions) from October 2013 and October 2014. Foreclosure starts spiked dramatically comparing October 2013 (504) to October 2014 (965) while foreclosure deed filings (foreclosure completions) increased 9.3% from 387 to 423. When analyzing the four major cities in Merrimack Valley area compared to Massachusetts, the changes are actually varied. Haverhill stayed the same in the month of October for both years and for both categories. On the other hand, Lowell’s orders of notice increased by 122%, from 9 to 20 while foreclosure deeds were unchanged. Even though, Methuen’s orders of notice went down 40%, the city experienced a more drastic increase of foreclosure deeds (300%), going from 2 to 8. Lawrence also had a significant increase of 225%, as foreclosure deeds went up from 4 to 13. Despite rising foreclosure activity in Massachusetts, most observers are not overly concerned and view these upticks as an indication that lenders are working through their backlog of delinquent mortgages. Nevertheless, it is a trend that will need monitoring in the coming months.
Foreclosures in 2014 Continued.

One bright spot has been the stability in the number of foreclosure-related documents being recorded. During the first eleven months of 2014, 143 foreclosure deeds were recorded. For the same period in 2013, there were 142. For orders of notice in 2014, there have been 326 recorded. During the same period in 2013, there were 317.

Compared to the 602 foreclosure deeds recorded in 2008, the amount for this year doesn’t seem too high, however, when the 44, 45, and 42 for 2001, 2002 and 2003 are considered, our current totals are still elevated. Where are these foreclosures occurring? Lowell had 74, Dracut 23, Billerica 14, Tewksbury 9, Chelmsford 7, Tyngsborough and Westford 5 each, Wilmington with 4, Dunstable with 2 and none in Carlisle.

Taking a closer look at the Lowell foreclosures discloses some of their common circumstances. Most of the mortgages that were foreclosed in 2014 were originated before the housing bubble burst at the end of 2007. Setting aside two unique Lowell foreclosures (the Prince Spaghetti property and a condo lien foreclosure), there were 72 foreclosure deeds for property in Lowell recorded in 2014. The year of origin of the involved mortgages were as follows: 2 were from 2002; 4 were from 2003; 2 were from 2004; 11 were from 2005; 22 were from 2006; 19 were from 2007; 7 were from 2008; 4 were from 2009; and 1 was from 2010 which means that 83% of these mortgage originated when property values were at their inflated peaks. From scanning the records, it appears that many of these cases involved purchasers who had made significant down payments on their purchases. Perhaps because these home owners had more of their own money invested in the property, they held onto it for longer than someone who put little or no money down.

Further examining the 72 Lowell mortgages that were foreclosed, we see that 33 of them were purchase mortgages that were created at the time the homeowner purchased the property. The rest of the mortgages – 39 – were refinancings meaning these mortgages originated sometime after the homeowner had purchased the property. Of these refinancings, 8 were what I call “family homes” meaning the borrower had not purchased the property in an arms-length sale but had become the owner through inheritance or gift, often two or more decades previously. Of the remaining refinancings, most had occurred soon after the property had been purchased. For example, 5 mortgages originated 1 year after the home was purchased; 9 originated 2 years after purchase; and 9 more originated between 3 and 6 years of purchase. Only 4 originated 10 or more years after purchase. These people, too, were caught by the bursting of the real estate bubble since many of the refinancings occurred prior to 2008 during a time at which (almost) everyone expected for constant and unceasing appreciation of real estate.

We read and hear much about the country having rebounded from the Great Recession but these statistics demonstrate that the casualties of the real estate bubble that precipitated that recession are still being counted in our community.
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Richard P. Howe Jr., Editor  
*Richard.Howe@sec.state.ma.us*

David Turcotte, Editor  
*David_Turcotte@uml.edu*

Paul Iannuccillo, Contributor  
*Paul.Iannuccillo@sec.state.ma.us*

Izamar Rivera, Research Assistant  
*Izamar_Rivera@student.uml.edu*

Emily Chaves, Research Assistant/Writer  
*Emily_Chaves@uml.edu*

Kelechi Adejumo, Contributing Writer  
*Kelechi_Adejumo@student.uml.edu*

Institute of Housing Sustainability  
c/o Center for Community Research and Engagement  
University of Massachusetts Lowell  
Mahoney Hall, 870 Broadway Street, Lowell, MA 01854  
Tel. (978) 934-4682  
[www.uml.edu/mvhousing](http://www.uml.edu/mvhousing)

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