

# Merrimack Valley housingreport



MIDDLESEX NORTH  
REGISTRY OF DEEDS

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### Foreclosures and the Suburbs

*Richard P. Howe Jr.*

The global financial crisis of 2008 was precipitated by five years of runaway borrowing and lending practices in the home mortgage market in the United States. While the majority of problem mortgages in the Merrimack Valley were in cities, suburbs accounted for a significant part of the problem. Of the 762 foreclosure deeds recorded in the Middlesex North Registry of Deeds between January 1, 2007 and June 30, 2008,

62% were from the city of Lowell while 38% were from the nine suburbs in the district (Billerica, Carlisle, Chelmsford, Dracut, Dunstable, Tewksbury, Tyngsborough, Westford and Wilmington). While much attention has been paid to bad inner-city mortgages, scrutinizing all of the foreclosures in a single community will help illustrate what happened on a national scale.

*cont. on pg.3*

### Foreclosure Deeds: What do they tell us?

*David Turcotte*

What is the average lag time between when lenders issue an “Order of Notice” for a pending foreclosure and when an actual foreclosure deed is recorded? Foreclosure prevention counselors in Lawrence recently asked us that question, because the numbers of individuals in counseling are much higher than the quantity of foreclosure deeds filed monthly. To help shed some light on this question, we examined

the 34 Lawrence foreclosure deeds filed in September 2008 and the overall foreclosure process.

In Massachusetts, when a borrower falls behind on their loan payments a lender will send out a “Notice to Cure” this overdue debt. If the borrower fails to satisfactorily comply, the lender will issue a “Notice of Acceleration” making the entire mortgage payable immediately. The lender must go to Land Court to seek a judgment that the borrower is not eligible for protection under the Service Members’ Civil Relief Act of 2003.

*cont. on pg.2*

### Deeds, Mortgages, and Foreclosure Recorded

*October 2007 and October 2008 Compared*

	Haverhill		Lawrence		Lowell		Methuen	
	Oct-07	Oct-08	Oct-07	Oct-08	Oct-07	Oct-08	Oct-07	Oct-08
Deeds	88	111	106	116	167	166	77	93
Mortgages	197	148	122	120	295	222	170	152
Foreclosure Deeds	13	18	23	36	22	24	0	10

See pg. 4 for September data tracker

## The Neighborhood Stabilization Act and the Merrimack Valley

John Fraser

Recently, the Federal Government, as part of the greater Housing and Economic Recovery Act, passed the Neighborhood Stabilization Act of 2008 to deal with the Sub-Prime Mortgage Foreclosure Crisis.

The Neighborhood Stabilization Act established a \$15 billion loan and grant program for the purchase and rehabilitation of owner-vacated, foreclosed homes. According to the legislation, the HUD-administered funds are to go to each state based on a formula that looks at the number of foreclosures over the last year adjusted to the states median home price. In Massachusetts; Worcester, Boston, Springfield and Brockton will receive funds totaling \$11 million and the state will receive \$43.6 million.

Specifically, the funds are intended for use by local communities and investors to buy up vacant foreclosed properties. The result would be a reduction in the inventory of vacant and available homes which would stop the national decline in home values.

Cities such as Lowell and Lawrence that did not receive direct funding from HUD are currently putting together proposals to the state to access some of the funding. Potential grantees have until December 1st to submit applications and explain how any awarded funds would be allocated.

According to the state breakdown of eligible

communities, Lowell is the fifth hardest hit community in the state with 3.14% of total foreclosures and Lawrence is the sixth hardest hit with 2.96% of total foreclosures in the state in the last year. Haverhill also made Massachusetts' top ten list at number nine with 1.96% of total foreclosures. Compare those percentages with Brockton, the fourth hardest hit community with 4.09% of total foreclosures. Brockton will receive \$2.15 million directly from HUD.

Since Lowell, Lawrence, Haverhill and other communities need to apply to the state to receive funds it will be months before it is clear how much of this funding will come to the cities of the Merrimack Valley.

Merrimack Valley Communities in the State's top 40 communities with the most foreclosures	% of Total Massachusetts' Foreclosures in the last 12 months
Lowell (ranked 5th)	3.14%
Lawrence (ranked 6th)	2.96%
Haverhill (ranked 9th)	1.73%
Methuen (ranked 17th)	0.9%
Billerica (ranked 28th)	0.7%
Dracut (ranked 31st)	0.68%

### Foreclosure Deeds cont. from pg.1

The Land Court will give the lender an "Order of Notice" requiring notification to the borrower. The lender must publish this "Order of Notice" in a local newspaper and record it at the Registry of Deeds. If the borrow is not eligible for protection or does not satisfactory respond, then the Land Court will give the lender permission to proceed with the actual foreclosure. The lenders will serve a "Notice of Sale" upon the borrower and all parties with an interest in the property, with the date/time and all other conditions of the auction. The "Notice of Sale" must be published in a local newspaper three consecutive weeks and at least 21 days before the auction.

Based on our analysis of 34 Lawrence foreclosures during September, we determined that the average time

between the "Order of Notice" recording at the registry of deeds and the date of foreclosure was 86 days. However, the process for these foreclosures ranged from a little as 36 days to as much as 212 days. This data also indicates that after foreclosure, lenders take about 45 days to file a foreclosure deed at the local registry. While this analysis provides some useful information, we are unable to conclude that these findings represent typical foreclosure timetables within the region due to the small sample. We plan to conduct further research on recent foreclosures and explore this issue and others in future Merrimack Valley Housing Reports.

*Suburban Foreclosures cont. from pg.1*

The town of Dracut, with close to ninety foreclosures in the eighteen months examined, became the subject of this study. For each property that was foreclosed, we gathered the date and amount of (1) the borrower's purchase deed; (2) all mortgages; (3) the foreclosure deed; and (4) the post foreclosure deed, if any.

Foreclosures fall within two classes. A "purchase mortgage" foreclosure involves the mortgage used to buy the home while a "refinanced mortgage" involves a second or subsequent mortgage that is obtained some time after the home was purchased. An earlier study of foreclosures in Lowell found that 57% of that city's foreclosures involved purchase mortgages while 43% involved refinanced mortgages. In Dracut, the percentages were almost reversed, with 54% involving refinanced mortgages and only 46% involving purchase mortgages.

For the foreclosures that involved refinanced mortgages, the homeowner/borrower had owned the home for an average of eight years prior to the foreclosure and the mortgage being foreclosed was, on average, the fifth mortgage the homeowner had obtained on the property. This repetitive refinancing tended to bring the homeowner's indebtedness considerably higher than the original purchase price of the property. The average purchase price of the homes in this group was \$193,452 while the average amount borrowed to finance that purchase was \$184,273. After refinancing multiple times, however, the average homeowner in this group owed \$232,875, or 16% more than was paid for the house in the first place.

While the refinanced mortgage foreclosures paint a picture of homeowners withdrawing the increasing equity in their homes by continuously refinancing, the study of purchase mortgage foreclosures paints a far different picture, for few of the owners of homes lost to purchase mortgage foreclosures ever had any equity. After eliminating several properties due to ambiguous data about the purchase price, thirty-four homes were left in this group. In twenty-five

instances, the homebuyer borrowed 100% of the purchase price of the property. In seven cases, the buyer borrowed between 90% and 98% and in just two cases did the homebuyer borrow only 80% of the purchase price. With little or no equity in the home from the very beginning, owners in this category were particularly susceptible to declining real estate values.

And real estate values certainly have declined. One way to measure the decrease is to look at what happened to these properties after the foreclosure occurred. In almost every case, the high bidder at the foreclosure auction was the lender that was owed the money by the homeowner. Since lenders prefer lending to owning property, after the foreclosure auction, they immediately put the foreclosed property on the market in search of a new buyer. Of the 90 properties that were foreclosed during the eighteen months of this study, 53 had been resold by October 1, 2008 for an average of \$206,661 per home. If we take the borrower's purchase price for purchase mortgage foreclosures and the face amount of the mortgage being foreclosed for refinanced mortgage foreclosures and find the average of those figures, that should give us an approximate value of these properties when the market was at its peak. In the case of the 53 resales, the average "peak value" was \$252,639. These figures indicate that these properties sold for \$45,977 less than they were worth when the market was up, an average decline of 18%.

Unfortunately, the foreclosures in this study are just the tip of the iceberg of the current real estate crisis. Anyone who purchased with little or no down payment when the market was at its peak or who pulled out most of the equity of the home by repeatedly refinancing now owes more on the mortgage than the house is worth, a situation that leaves the home owner unable to sell or to refinance. The sooner that real estate prices begin to rebound, the sooner the many homeowners in this predicament will be able to extricate themselves from their precarious housing situations. █

## Deeds, Mortgages, and Foreclosure Recorded

*September 2007 and September 2008 Compared*

	Haverhill		Lawrence		Lowell		Methuen	
	Sep-07	Sep-08	Sep-07	Sep-08	Sep-07	Sep-08	Sep-07	Sep-08
Deeds	95	99	64	115	144	157	75	76
Mortgages	193	132	126	146	268	196	167	120
Foreclosure Deeds	13	15	21	34	24	26	4	6

The *Merrimack Valley Housing Report* is published by  
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