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Five Month Comparisons Year over Year

By: Mike Poore

The spring months are usually the housing market's most robust months, the pent up demand from winter months as well as increased supply provide for a busy housing season. This year's housing market in Lowell (January-May) was mixed, as has been the pattern for several quarters. The city had the highest number of foreclosures at 84 and orders at 167. We can compare this to the same time period over the past four years. Last year the city saw 85 foreclosures and 138 orders during the same time period, which is a similar trend between all four recording cities, although orders were up 21% this year. 2010 marked a year with extremely high orders and foreclosures with the city seeing 161 foreclosures and 285 orders, which is almost twice the amount of this year's total year to date. 2009 was similar to 2011 and 2012 with foreclosures a bit higher at 105 and orders actually lower at 129.

Lawrence experienced similar trends in foreclosures and orders as Lowell. 2010 marked a year with more than double the amount of foreclosures as 2011 and 2012. The first five months of 2009 were very interesting for Lawrence as well as Haverhill with almost the exact same number of foreclosure as orders of notice. The 2009 period saw 118 foreclosures and 124 orders, with Haverhill seeing 72 foreclosures and 74 orders of notice. 2009 was the only year in which Lawrence had more foreclosures in the period than any other city with 118, Haverhill 72, Lowell 105, and Methuen 25. Methuen saw their foreclosure rate triple the next year reaching 73, then dropping down to 25 in 2011.

Methuen and Haverhill have faired well compared to Lowell and Lawrence in each of the past four years. Methuen has had the lowest foreclosure numbers of the four with 35 in 2012 compared to 84, 59, and 60 for the other cities. In each of the previous three years before that as well, foreclosures and orders were the lowest of the four, some years by substantial margins.

Con't. on Pg 3

Deeds, Mortgages, Foreclosures and Orders of Notice Recorded

May 2011 and May 2012 compared

	Haverhill		Lawrence		Lowell		Methuen	
	Apr-11	Apr-12	Apr-11	Apr-12	Apr-11	Apr-12	Apr-11	Apr-12
Deeds	80	117	84	60	119	109	76	90
Mortgages	119	189	89	103	157	224	110	204
Foreclosure Deeds	13	15	14	12	23	13	6	6
Orders of Notice	15	13	14	21	28	24	13	11

Short Sales

By: Richard P. Howe Jr.

In our still-depressed housing market, one option sometimes available to would-be sellers who find themselves underwater on their mortgages is a short sale. While nothing in the documents recorded here at the registry of deeds expressly identify it as a short sale, there are ways of inferring that a particular transaction as such. This article attempts to gauge the frequency of short sales by scrutinizing deeds for property in Lowell recorded during May 2012. Before reaching that data, however, it would be helpful to review some of the basics of mortgage law and practice.

What is commonly referred to as a mortgage is in fact two related but very distinct transactions. By signing the promissory note (which is not recorded at the registry), the borrower enters into a contract with the lender in which the borrower agrees to repay the borrowed amount in a particular time at a certain rate of interest. By signing the mortgage (which does get recorded at the registry), the borrower conveys to the lender an interest in the real estate with that interest being the right to seize and sell the property should the buyer fail to honor the terms of the note. That seizure and sale cuts off or "forecloses" the right of the borrower to get back his interest in the property. To review, the note is a contract and the mortgage is a conveyance of real estate.

When a homeowner sells his property, he typically realizes enough money on the sale to pay the existing mortgage in full. In fact, it is the attorney for the new buyer who communicates with and pays the seller's lender – all the seller gets at the closing is any money that is left over. Once the seller's lender receives that pay off check, the lender produces a document called a Discharge of Mortgage that it sends to the new buyer's attorney for recording at the registry of deeds. If the seller's debt was not to be paid off, the buyer would not purchase the property in the first place.

The exception to this practice is a short sale. That term refers to a case in which the seller's lender agrees to take less than the full amount owed on the promissory note to discharge the mortgage. It is only when the lender is completely convinced that the house is indeed worth less than the amount owed on the mortgage that it will agree to a short sale. And in a short sale, the lender is only agreeing to discharge the mortgage and not necessarily the underlying debt represented by the promissory note. In many short sales, the buyer remains indebted to the lender for the balance owed on the note even though the lender has released its security interest by discharging the mortgage.

With that as a very long introduction, we may now look at the various deeds recorded for property in Lowell during May 2012. Because deeds that showed no or little consideration are typically transfers within families, this study only considered deeds where the consideration was greater than $60,000. To determine whether any of these might be short sales, I looked at how the seller had become the owner of the property and the total amount of any mortgages on the property that were in existence in May 2012.

In Lowell during May 2012, there were 59 deeds recorded that listed consideration in excess of $60,000.

Cont. on Pg 4

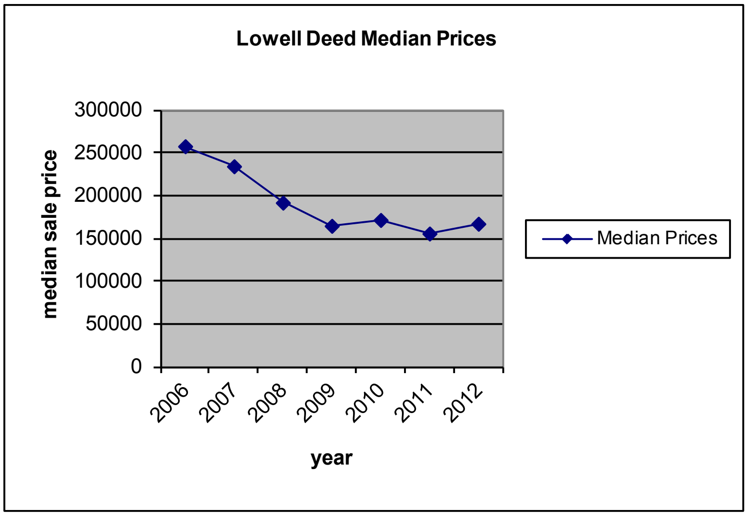
Five Month Comparisions Year over Year
Con't from Pg 1

Deeds in Haverhill and Methuen are at the highest levels in the four year period. Lowell saw higher deeds numbers in 2012 than 2011 although still lower than 2009 and 2010, Lawrence also saw a similar trend. On the other hand, Haverhill and Methuen have seen the highest deed numbers of the four years. The conclusion from the data is that Methuen and Haverhill have seen strong sales figures, compared to the lower numbers seen by Lawrence and Lowell.

Total deeds for the four cities in 2009 were 1,913 and stayed at similar levels in 2010 at 1,942. 2011 saw a decrease to 1,643 before increasing to 1,742 in 2012. Total mortgages in 2009 were the highest of the four years at 3,304 before decreasing to 2,650 in 2010. 2012 saw an increase to 3,045. Orders of notice in 2009 were 372 before skyrocketing to 817 in 2010. 2011 saw 384 total orders while ticking up slightly to 420 in 2012. This years foreclosure totals are slightly above last years levels, 238 vs. 210, although still lower that the 442 recorded in the first five months of 2010.

Obtaining price information for Lowell we can compare median selling prices during the first five months of each of the past six years. This year has seen a rebound in prices, with a 6.8% increase over last year's prices. This increase may be affected by several factors; the first is the possible differing quality of houses on the market in each of the time periods. 2011 may have seen lower quality houses on the market and 2012 may have had higher quality homes in the market, thus affecting the median or middle prices properties in the market. The Case-Schiller index has a more accurate depiction of prices as it follows the same properties over varying time periods. The first five months of 2012 had median deed prices at $167,335, compared to 155,900 in 2011. The 2012 median was below the 2010 median of $171,750 and similar to the 2009 median of $164,900. This is an interesting occurrence due to similar numbers of foreclosures in 2012 and 2011, and heightened foreclosures (twice the amount) in 2010. Looking back to 2006 and 2007 can put some perceptive from where prices have fallen from. 2006 had median prices at $257,900 and decreasing 9% in 2007 to $234,500. Prices decreased substantially between 2007 and 2008 with median prices falling another 18%. The high median prices of 2006 compared to the low median prices of 2011 show a 40% decrease in price between the time periods. 2006 compared to 2012 shows a 35% decrease between the time periods, which may possibly mean that prices may begin to bottom or head in the other direction.

The graph below and on page 5 accompany this article.



Short Sales
Con't from Pg 2

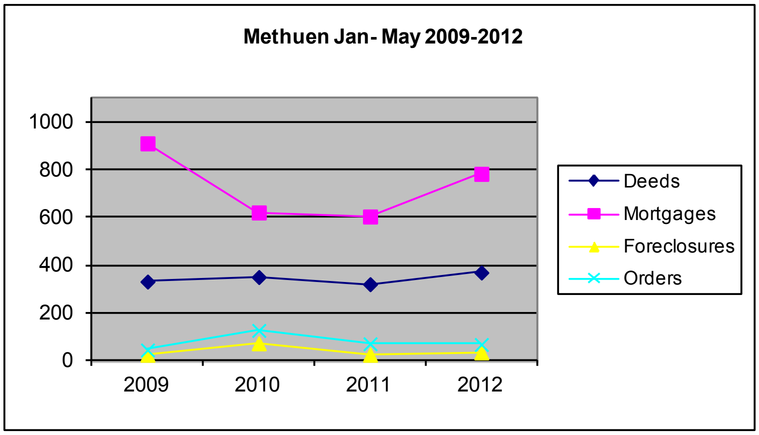
The sellers on 13 of those 59 deeds had obtained title through foreclosing a prior mortgage. These sellers were institutional lenders (typically the buyer at a foreclosure auction is the lender conducting the foreclosure) and so none of these would be short sales.

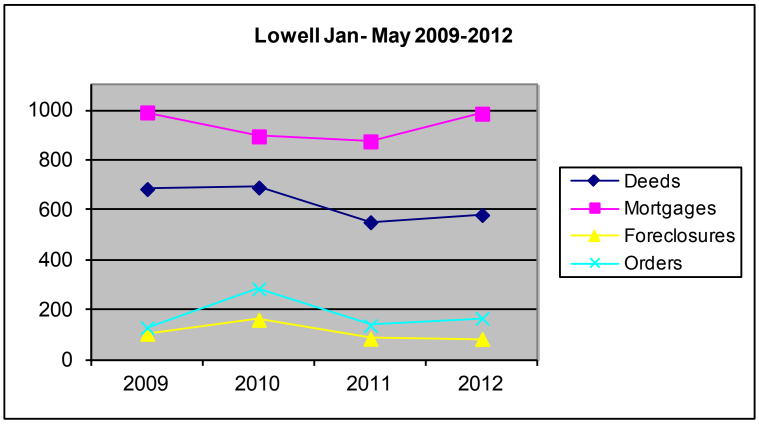
The next group was 14 deeds that involved sales by estates or related parties. Here, it was either the executor of a decedent who was the official seller or the seller had obtained title from a related party such as a parent or spouse. In none of these cases did the seller have an outstanding mortgage that could have been the subject of a short sale.

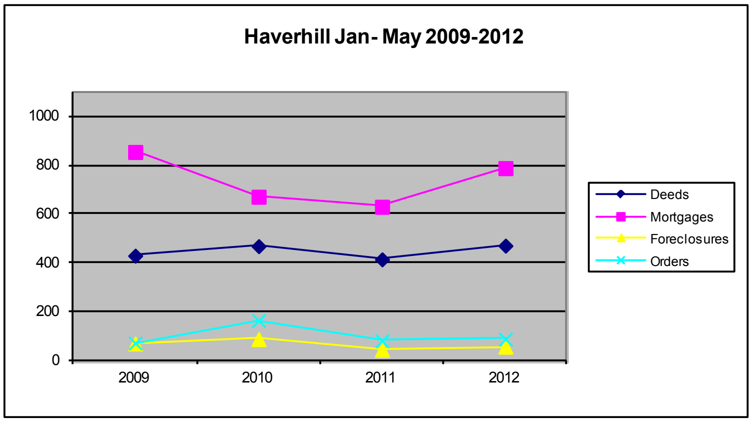
The third group was 11 deeds that involved sales by "longtime" owners with "longtime" being defined as any seller who had obtained title to the property prior to 2000. While some of these properties did have outstanding mortgages, they were in amounts that were substantially less than the new sales price of the property meaning that the proceeds of the new sale were more than enough to pay off the old mortgage.

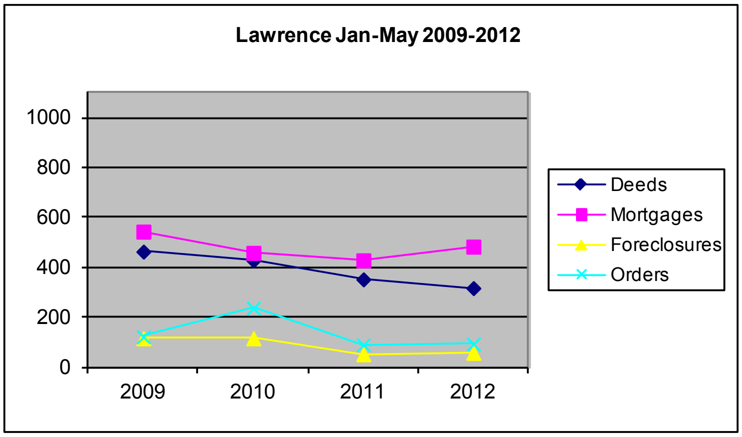
With these 13 foreclosures, 14 estate sales and 11 longtime owners eliminated from the pool, we were left with just 21 deeds that were potential short sales. Of these 21 deeds, 14 sold for less than the seller had paid for the property. In 11 of those 14, the May 2012 sales price was also less than the mortgage indebtedness on the property. We can therefore infer that these 11 were short sales. That means that 18% - nearly one in five – of the sales of property in Lowell in May 2012 were probably short sales.

One final note: of the 7 properties sold at a profit in May 2012, five had been purchased only in 2011 and none of them were purchased with mortgages; they were all cash deals. This suggests there may be some real estate speculation underway, a development that may deserve future scrutiny.


Methuen Jan- May 2009-2012
1000
800
600
400
200
0
2009
2010
2011
2012
Deeds
Mortgages
Foreclosures
Orders


Lowell Jan- May 2009-2012
1000
800
600
400
200
0
2009
2010
2011
2012
Deeds
Mortgages
Foreclosures
Orders


Haverhill Jan- May 2009-2012
1000
800
600
400
200
0
2009
2010
2011
2012
Deeds
Mortgages
Foreclosures
Orders


Lawrence Jan-May 2009-2012
1000
800
600
400
200
0
2009
2010
2011
2012
Deeds
Mortgages
Foreclosures
Orders

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