

Merrimack Valley

housingreport

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Town Foreclosure Filings Increasing

By Richard P. Howe Jr.

Since the beginning of September, the number of orders of notice filed at the Middlesex North Registry of Deeds has increased substantially when compared to the same time last year. Signaling the start of the foreclosure process, the order of notice is an early public indicator that a homeowner is in financial distress. For the entire district, order of notice filings were up 83% for the period of September 1 through November 30, 2009 when compared to the same three months in 2008. Perhaps most surprising was that the rate of increase in the city of Lowell was only 58%, while the increase in the nine towns of the district was 121%. Because the district towns had seen fewer foreclosures than the city of Lowell, this surge in suburban filings warrants further inquiry.

To better understand what was happening, I scrutinized the recent transactional history of each property for which an order of notice was recorded in three of the district towns (Billerica, Chelmsford and Tewksbury). For each property, I determined whether the mortgage being foreclosed was the one used to purchase the property (a “purchase mortgage”) or one obtained sometime after the purchase (a “refinanced mortgage”). Of the 32 orders of notice filed for Billerica, only 9 were for purchase mortgages while 23 were refinanced mortgages. Of the 16 for Chelmsford, 8 were purchase mortgages and 8 were refinanced mortgages. Of the 23 for Tewksbury, 6 were purchase mortgages and 17 were refinanced mortgages.

Cont on pg. 4

Deeds, Mortgages, Foreclosures and Orders of Notice Recorded

November 2008 and November 2009 compared

	Haverhill		Lawrence		Lowell		Methuen	
	Nov-08	Nov-09	Nov-08	Nov-09	Nov-08	Nov-09	Nov-08	Nov-09
Deeds	77	96	115	84	152	148	67	111
Mortgages	108	179	128	104	162	221	100	178
Foreclosure Deeds	14	7	32	12	29	18	12	9
Orders of Notice	11	31	29	36	30	57	9	22

Housing Trends in the Valley

By David Turcotte

Deeds (sales) recorded in Haverhill, Methuen and area towns increased in November 2009 when compared with the same month in 2008. Methuen saw the biggest increase, as deeds filed last month soared 66% with 111 from the total of 67 in November 2008. Haverhill recorded 96 deeds last month, a 25% increase from November 2008 total of 77. Towns within the Middlesex North Registry of Deeds also experienced a 39% increase when comparing the same period. However, the number of deeds filed declined in both Lawrence (-27%) and Lowell (-3%). Many are asking why Lawrence and Lowell did not benefit from the rush of new homebuyers to qualify for the first-time tax credit that was scheduled to end last month. Both cities also witnessed declines in deed filings in October. A contributing factor could be the levels of foreclosures in each community are influencing some prospective buyer to stay away. In particular, Lawrence, the city hardest hit by foreclosure activity saw the biggest decline in deed filings.

While foreclosure deed filings in the four cities were lower than the same period last year, order of notice (foreclosure petition) numbers continue to trend upwards when compared to November 2008. Last month's order of notice filings in the four largest cities increased 24%-181% when compared to the same month in 2008. Haverhill witnessed the biggest rate of change in foreclosure petitions last month with 31, compared to 11 in November 2008. In addition, towns within the Middlesex North Registry of Deeds region experienced a 106% increase (see Richard Howe's article on page one). These spikes in order of notices throughout the region continue to indicate that the foreclosure problem is far from over, as these filings represent the first formal step taken by lenders before a foreclosure auction is scheduled. Many observers anticipate these trends will continue over the winter unless the recent drop in unemployment is sustained over the next several months or a new government initiative is launched quickly to assist unemployed homeowners at-risk of foreclosure. █

What Deeds Filed Tells Us about the Property History

By Keith Vaillancourt

Performing a one month sample study of housing activity is a great way to mine for helpful information about property history in an area. In this study, the sample population that was used was gathered from recorded deeds that were real estate owned (REO) foreclosed properties in October. From the deed information, a selected sample of 53 REO properties

was used to learn about the history of the region's foreclosures. The information was provided by the Southern and Northern Essex District Registry of Deeds and the Middlesex North Registry of Deeds for the cities of Lawrence, Methuen, Haverhill and Lowell. The documents used for this case study were those recorded at the registry.

	Total Deeds	REO Foreclosed
Lowell	161	22
Haverhill	116	8
Lawrence	106	19
Methuen	88	4

Real estate owned (REO) properties are held by lenders, which are repossessed after a failed foreclosure auction, while the original mortgage no longer exists. The majority of new owners received their deeds (all four cities combined) from Deutsche Bank National Trust Company (12) the Federal National Mortgage Association (10) and Bank of New York Mellon Trust (5).

The length of time between the last mortgage recorded and the order of notice for these 53 properties was about 2.6 years, while the time period between the order of notice and foreclosure was about 5 months (median). In a previous issue of the MVHR, it was reported that the time period between the order of notice and foreclosure for Lowell between January and June of 2009 was 148 days (about 4.9 months). The median for Lowell in this sample study was 5 months, while Lawrence was 5.5 months. A majority of those previous owners who went into foreclosure received their last mortgages in 2005 (36%) and 2006 (44%).

Of those last mortgages filed, about 30 (57%) were through Mortgage Electronic Registration Systems, Inc. (MERS), which is an electronic registry system created by the banks to trade mortgage loans. Almost all of lenders that granted the mortgages and operated through MERS were from as far away as Texas and California. This could be problematic for home owners going through foreclosure, as MERS has been claiming the foreclosure deeds, instead of the original lender of the mortgage, leaving homeowners to deal with an electronic registry instead of a mortgage entity.

The most concerning piece of data to come out of this sample study is displayed in the table below. An overwhelming majority of REO foreclosed properties for Lawrence were multi-family units, which impact more households than a single-family home. When we consider that orders of notices are increasing again, this should be a concern because lenders will typically evict all tenants before the property is resold on the market. █

	Multifamily	Condo	Single Family
Lowell	4	5	13
Haverhill	1	4	3
Lawrence	14	2	3
Methuen	1	1	2

Notes:

1. 53 REO properties was not the total for October, there were about 7 other REO properties with new deeds filed, but didn't appear to have been previously foreclosed on. These properties were specifically selected as a sample because there were no ambiguous or confusing aspects about the property history or the documents.
2. MERS citation: McIntire, Mike. "Tracking Loans through a Firm That Holds Millions". New York Times 23 April 2009, Business Section <http://www.nytimes.com/2009/04/24/business/24mers.html>
3. (Editor's Note) The sentence: "The ACS data indicates that 23% of all rental unit types in Lowell and 32% in Lawrence are characterized as "female householder, no husband" present in a family household type" was accidentally cut out of the November 2009 article, "The Burden of Rent: The Consistent Housing Crisis", it belongs in paragraph 4, after "one income with a child or relative present".

*Town Foreclosure Filings Increasing**Cont'd from pg. 1*

Based on the sample studied, 68% of the new foreclosures involved refinanced mortgages while only 32% involved purchase mortgages. The available data makes it difficult to generalize about these refinanced mortgages that are now in distress. Some critical events such as job loss or medical crisis are not discernable from the real estate records although other events such as divorce or death of a spouse were apparent in several cases. A handful have owned their homes for more than ten years – one person who purchased the home in 1977 for \$17,000 was now undergoing foreclosure of a 2007 mortgage of \$270,000.

But most of those with refinanced mortgages facing foreclosure had purchased the property during this decade and then refinanced one or more times. An example of this involved a married couple who purchased a home in early 2006 for \$385,000, financing the purchase with a first mortgage of \$308,000 and a second of \$57,750 (for a total indebtedness of \$365,750 which was 95% of the purchase price). Just six months later, this couple refinanced, paying off the

two purchase mortgages with the proceeds from two new mortgages, the first for \$372,400 and the second for \$108,900. These new mortgages – the ones now being foreclosed – totaled \$481,300 and exceeded the entire purchase price of the property by \$96,300. There is no indication in the records of how those additional funds were used by the homeowner.

This pattern of buying property using funds that were almost entirely borrowed and then refinancing for an amount in excess of the original purchase price just a short time later played out again and again. And while at least half of the refinanced mortgages being foreclosed carry adjustable rates, few of them have reached the rate reset date which suggests that as other similarly situated homeowners who have thus far avoided delinquency on their loans experience rate increases with the onset of their respective reset dates sometime in the future, the number of foreclosures will rise again. This super-indebtedness of personal residences does not bode well for a speedy recovery of the real estate market. █

The *Merrimack Valley Housing Report* is published by UMass Lowell and the Middlesex North Registry of Deeds

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