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What Impact will Homebuyer Tax Credits have on the Valley?

By David Turcotte

Over the last few months, Merrimack Valley cities and towns have experienced increases in foreclosure petitions, the first major step to schedule a foreclosure auction while in Middlesex North Registry of Deeds communities the number of foreclosure deeds recorded in October actually increased 20% over the same month in 2008 (see Howe article, Foreclosures again on the rise). With the recent passage of a bill to extend the first-time homebuyer tax credit and expand tax credits to higher income individuals and existing homeowners, many are wondering what impact, if any, it will have on housing in the region. While overall sales activity in the Merrimack Valley has remained flat over the last year, with some communities experiencing slight increases, many observers anticipate that the region will see some uptick in sales due to these tax credits. However, with rising unemployment and foreclosure rates, will we see much of a change in home sales over the next several months?

We may not know the answer to this question completely until spring of next year, but we do expect a spike in deed filings (sales) for November, as first-time homebuyers scrambled to close on their new homes before the previous deadline. Some economists believe that the real estate market will only rebound when we begin to see significant reductions in unemployment rates and expansion of the local economy. Furthermore, others believe these tax credits will do little to stem recent increases in foreclosure activity and unemployment figures. We will continue to monitor housing trends and discuss these issues in the coming months.

Deeds, Mortgages, Foreclosures and Orders of Notice Recorded

October 2008 and October 2009 compared

	Haverhill		Lawrence		Lowell		Methuen	
	Oct-08	Oct-09	Oct-08	Oct-09	Oct-08	Oct-09	Oct-08	Oct-09
Deeds	106	116	116	106	167	161	93	88
Mortgages	149	174	120	116	222	236	152	159
Foreclosure Deeds	18	12	36	29	24	29	10	3
Orders of Notice	9	38	38	54	47	55	11	27

Foreclosures Again on the Rise

By Richard P. Howe Jr.

Recording statistics for October 2009 suggest that the almost year-long decline in monthly foreclosure activity has reversed itself and is increasing significantly. In October 2009, there were 49 foreclosure deeds recorded at the Middlesex North Registry of Deeds, an increase of 20% over the same month in 2008. Orders of notice – the document that signals the start of a foreclosure – saw an even greater increase, rising 61% from 71 in October 2008 to 117 in this past month. October is the first month since last February to see such an increase.

The geographic distribution of these distressed properties has also changed substantially. While Lowell has been home to most foreclosures to date, the district's towns are now seeing rising foreclosures, as well. Using the same October to October comparison, orders of notice for Lowell rose 17% from 47 to 55, but orders of notice for the nine district towns skyrocketed 158%, rising from 24 to 62. Towns showing the most dramatic increases were Tewksbury (1 order of notice in 2008 to 11 in 2009) and Dracut (7 orders of notice in 2008 to 18 in 2009).

The Burden of Rent: The Consistent Housing Crisis

By Keith Vaillancourt

The percentage of monthly income (PMI) that a household spends on housing costs is a considerable factor that heavily influences the monetary decisions of low to mid income residents in renter-occupied housing, especially during a recession. A mere $100 or less in a paycheck can significantly affect the housing cost burden and influence purchasing power for these households. This sample study compared PMI to median housing costs to determine the burden levels for different households in Lawrence and Lowell.

Using data provided by the U.S. Census's American Community Survey (ACS), the initial findings show that households with annual earnings of about $38,000 or less face significant challenges with market rate rental units. The PMI for individuals alone can easily exceeded 30% of monthly available income for housing costs, while the costs for many single parents with children are practically unaffordable. The 30% threshold is typically used as the maximum PMI to determine cost burden in state and federal housing policy.

The ACS estimated that the median household income (MHI) of renter-occupied housing for Lowell and Lawrence is about $31,373 and $25,533 respectively. The median gross rent (MGR) for a 1-bedroom market rate apartment is about $850 in Lowell and about $890 in Lawrence, which was estimated using a market study. Consider this scenario: A single individual living in Lawrence that is employed in a food prep/service occupation with a reported annual MHI of $12,315 ($1,026 monthly income). If the monthly rent is $890, the renter's PMI for housing costs would be 87%, about 57 percentage points over 30%.

The most significant information provided by the ACS indicates the scope by which renters would fall into this high cost burden dilemma. The ACS reports that about half of Lowell renters and about 65% of Lawrence renters have a MHI between $1,000 and

$35,000 annually. Considering occupancy characteristics, the number of rental units with one tenant (one income) is about 41% in Lowell and 30% in Lawrence. A more serious problem within these occupancy stats is the number of one income households with a child or relative present, which means another family member is present (child, parent, adoptive), other than a spouse. If a single mother with one child is employed in "sales or related occupations," and has a MHI of about $22,281 ($1,857 monthly) and a MGR of about $950 for a 2-bedroom apartment in Lowell, this renter's PMI would be about 52%.

Even using a fairly low estimate of $950 MGR for a 2-bedroom, this still makes the apartment practically unaffordable considering the additional financial resources needed to raise a child. When basic needs and child care become a financial factor, the cost burdens on these demographics are almost unbearable. This leaves families with no additional income for unintended circumstances (illness), saving money or disposable income for the economy. Despite the discussions about area MHI income and falling home prices, renters face different affordability circumstances. The MHI for a home owner in Lawrence is $62,120, while the MHI for a Lawrence renter is $25,533. Unless the issue of rental affordability for low to moderate income residents improves, homelessness for these individuals will continue to be a serious threat.

MHI	Lowell	Lawrence
Less than $15,000	26.40%	29%
$15,000 to $19,999	10.80%	12.40%
$20,000 to $24,999	5.60%	7.40%
$25,000 to $34,999	8.90%	16.20%
Total	51.30%	65%

Notes:

1. Issued in October of 2009, "2008 ACS Survey 1-Year Estimates" for Lowell & Lawrence, www.census.gov/acs/www
2. All MGR figures for the number of bedrooms in Lawrence & Lowell were estimated using a market survey of 22 apartments in Lowell and 15 apartments in Lawrence. This market survey did not include downtown properties. The ACS MGR for Lowell was $864 and $930 for Lawrence. These ACS figures do not distinguish between price and number of bedrooms, which means all apartment types were used to estimate the median for the ACS estimate.
3. All occupational income, renter MHI and occupancy housing data in this report were provided by the ACS 1-year estimate for Lowell and Lawrence.

Regional Network Combats Homelessness

By Kristin Ross-Sitcawich

The Merrimack Valley Regional Network to End Homelessness is a regional pilot initiative funded by the Commonwealth of Massachusetts to prevent and end homelessness. The MVRN is a collaborative of nonprofit, government, and private organizations dedicated to helping homeless and at risk individuals and families. The Regional Network is co-chaired by Haverhill Mayor James Fiorentini, Lowell City Manager Bernie Lynch, and Lawrence Mayor Michael Sullivan.

The MVRN through a competitive process was granted $756,767 over 18 months to support family and individual pilot initiatives focused in three geographical clusters: Lowell, Lawrence, and Haverhill to the Seacoast. The 19 communities span west to east along the Merrimack River Valley: Westford, Chelmsford, Billerica, Tewksbury, Lowell, Dracut, Tyngsborough, Dunstable, Andover, North Andover, Methuen, Lawrence, Haverhill, Groveland, Merrimac, West Newbury, Amesbury, Newburyport and Salisbury.

The goal of the MVRN is to re-house and provide ongoing case management for 40 individuals coming out of emergency shelter and to provide funds and case management for families that are at risk of homelessness. The region has six access points across the region; Community Teamwork (Individual & Families), Daybreak Shelter (Individuals), YWCA of Greater Lawrence (Families), Mitch's Place (Individuals) and Community Action Inc. (families). Each of the sites has a case manager to initiate assessment of families and/or individuals and will make the determination as to eligibility status.

The overall objective is to ensure that homeless service delivery is efficient and leverages all resources available to individuals and families across the Merrimack Valley region.

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