

Merrimack Valley

housingreport

An e-publication of UMass Lowell and the Middlesex North Registry of Deeds



University of
Massachusetts
Lowell

MIDDLESEX NORTH
REGISTRY OF DEEDS

Volume 3, Issue 9 September 2010

Foreclosures, Refinancing Up, Sales Mixed in August.....1
As Foreclosures Go Up, Values Go Down.....2

Foreclosures, Refinancing Up, Sales Mixed in August

By David Turcotte

Foreclosure deeds, petition filings (order of notices) and refinancing (mortgages) were higher in most communities last month, while Lowell and Haverhill bucked regional trends with moderate increase in sales (deeds) when compared to August of 2009. Lawrence experienced the largest foreclosure rate increase at 180% with 28 foreclosure deeds recorded in August 2010 compared to only 10 during the same month in 2009. Nevertheless, last month's total was five less than the 33 foreclosure deeds filed in July 2010. Lowell saw a 131% increase from 16 to 37, while Haverhill foreclosure deeds recorded went up 52% from 11 to 20 when comparing August 2009 to 2010. Towns within the Middlesex North Registry of Deeds witnessed a dramatic 243% increase from 7 to 24 during the same period. Conversely, Methuen experienced a modest

17%, increase in foreclosure deeds from 6 in August 2009 to 7 last month.

Another disturbing item was increases in order of notices, also known as "foreclosure petitions" (the first formal step in the foreclosure process). Generally, most orders of notice result in a foreclosure auction and filing, making it a good indicator of how the foreclosure problem will look in the future. Middlesex North Registry of Deeds' towns had an overall increase of 120% when comparing August 2009 and 2010. Lowell experienced an increase in order of notices recorded at 56%, followed by Haverhill (52%), Lawrence (38%), and Methuen (27%). This increase in "foreclosure petitions" reverses the downward trend within major cities in the Merrimack Valley and notably was the first

Con't on pg 3

Deeds, Mortgages, Foreclosures and Orders of Notice Recorded

August 2009 and August 2010 compared

	Haverhill		Lawrence		Lowell		Methuen	
	Aug-09	Aug-10	Aug-09	Aug-10	Aug-09	Aug-10	Aug-09	Aug-10
Deeds	78	81	99	65	116	134	87	57
Mortgages	144	151	101	91	199	210	148	157
Foreclosure Deeds	11	20	10	28	16	37	6	7
Orders of Notice	21	32	40	55	32	50	20	28

As Foreclosures Go Up, Values Go Down

By Richard P. Howe Jr.

When will housing prices hit bottom and begin to rebound? That is the question I am asked most often these days. While unemployment, the stock market and the overall economy all play a part, the volume of foreclosures is also a big contributor to the direction of the market. Our statistics show that the rate of foreclosures remains steady and may have even increased slightly, so it is appropriate to quantify the impact of foreclosures on home prices.

During 2008, there were 376 foreclosures of all types in the city of Lowell. At the auctions, 98% of these properties were purchased by the foreclosing lender with a third party being the high bidder for just 2% of the properties. As of August 31, 2010, 355 of the 367 bank-purchased properties (97%) had been sold to third parties with only 12 properties remaining unsold in the hands of the lenders.

While most of the 2008 foreclosures are now in the hands of new owners, the process was a slow one. At a traditional foreclosure auction, the high bidder is required to sign a purchase agreement that provides 30 days to pay the amount bid and receive a foreclosure deed. This month-long interval is intended to give the high bidder time to line up financing and to do everything else that goes into purchasing real estate. Legally, however, the foreclosure deed can be recorded at the registry of deeds the day after the auction. You would assume that in the case of the foreclosing lender also being the purchaser at foreclosure – which is what happens 98% of the time – the sale could be consummated very quickly. That has not proven to be the case. For the 2008 foreclosures, the average time interval between the foreclosure auction and the recording of the foreclosure deed was 110 days – nearly four months.

Because banks and mortgage companies are in the business of lending money and not of owning property, when they become the owner of real estate at a foreclosure auction, they immediately put the foreclosed property on the market, often at a reduced price. But these formerly foreclosed properties don't sell quickly: the 355 from 2008 that have been resold remained on the market for an average of 157 days – just over 5 months – from the recording of the foreclosure deed until the sale to a third party. When the time interval from the auction to the third party sale is measured, we are left with a period of 267 days – nearly 9 months – during which the average foreclosed home is left unoccupied.

The foreclosure, the long period of vacancy and neglect, and the propensity of lender-owners to discount asking prices to encourage faster sales all combine to drastically reduce the value of these foreclosed properties. To quantify this diminution in value, I randomly selected 75 properties that had foreclosure sales in 2008 and compared the city of Lowell's FY2008 assessed value for each of them with the price for which the property sold to a third party buyer post-foreclosure. The average assessment was \$268,601. The average post-foreclosure sales price was \$146,992, a drop in value of 45%.

Unfortunately, the drastic price declines seen in foreclosed property spill over into the broader real estate market, dragging down the values of all other properties in the vicinity. Until the rate of foreclosures declines significantly, the current stagnation in real estate is likely to continue. █

*Foreclosures, Refinancing Up, Sales Mixed in August
Con't from pg 1*

On the positive side, refinancing (mortgages) were up in most community, with the exception of Lawrence experiencing a slight 10% decline. Contrary to recent regional and national trends, sales activity (deeds filed) increased in Lowell by 16% and Haverhill by 4% last month when compared to August 2009. This is significant because deed filings have noticeably declined since the expiration of the homebuyer tax credit, indicating that many observers may have overreacted to the expected drop in sales activity in July. Nonetheless, both Lawrence and Methuen saw 34% fewer deeds filed last month than in August 2009.

What trends should we expect to see over the last four months of 2010? Considering the Merrimack Valley has higher unemployment than the statewide average,

deed recordings should remain lower than last year in most communities, but the unexpected sales increases in Lowell and Haverhill raises the possibility of occasional spikes in deed filings. It will be interesting to see if Lowell and Haverhill can duplicate this increase in September. Regardless, most economists agree that a prerequisite for prolonged increased sales activities is sustained growth in the regional economy and noticeable reduction in unemployment. Accordingly, we anticipate foreclosures will remain high throughout the region, but it's important to see if foreclosure petitions increase again in September or whether August was just a short-term deviation. In addition, if the Feds continue to keep interest rates at these record lows, mortgage (refinancing) deeds filed should continue slightly above last year numbers. █

The Merrimack Valley Housing Report thanks it's major sponsors for 2010:

**Merrimack Valley Regional Network to End Homelessness
&
Community Teamwork, Inc.**

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

Richard P. Howe Jr., Editor
Richard.Howe@sec.state.ma.us

David Turcotte, Editor
David_Turcotte@uml.edu

Emily Vidrine, Research Assistant
Emily_Vidrine@student.uml.edu

Joann Vaillette, Publication Assistant/Writer
Joann_Vaillette@student.uml.edu

Center for Family, Work, and Community
University of Massachusetts Lowell
600 Suffolk Street, First Floor South
Lowell, MA 01854
Tel. (978) 934-4682
www.uml.edu/mvhousing

This project is funded in part by the Office of the Chancellor and the Office of Outreach. UMASS LOWELL

Subscribe to the Merrimack Valley Housing Report

To begin receiving this monthly e-publications, please e-mail David Turcotte at David_Turcotte@uml.edu