

Merrimack Valley

housingreport

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The Rise and Fall of Housing Prices

By Richard P. Howe Jr.

In last month’s Housing Report, I wrote that the second half of 2009 showed a significant increase in foreclosure related filings for the Middlesex North Registry of Deeds district with the number of foreclosure deeds recorded from July to December 24% higher than the number recorded from January to June and the number of orders of notice for the same two periods jumping nearly 150%.

This trend continued and accelerated in January 2010. When compared to January 2009, last month’s orders of notice were up an incredible 546%. While that number is a bit misleading due to a lull in foreclosures last winter, this January’s 168 orders of notice still represent a 66% increase over the 101 recorded in December 2009. Foreclosure deeds were also up, rising 84% (from 32 to 59) for the district.

While unemployment or underemployment certainly played a role, the most likely cause of this surge of foreclosure filings is the overall decline in the value of real estate. A borrower who finds it difficult to make monthly payments but who still has equity in the home can always refinance or sell to escape foreclosure. Declining prices that push the home’s value below the amount owed on the mortgage, however, deprive the homeowner of that option. Measuring changes in the value of real estate over time should help us gauge the extent of this problem.

Because the registry’s data does not include the usage of properties, we are left with the sales price cited on individual deeds as our unit of measure. By limiting the comparison to deeds with consideration of more than \$75,000 and less than \$750,000, we should

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Deeds, Mortgages, Foreclosures and Orders of Notice Recorded

January 2009 and January 2010 compared

	Haverhill		Lawrence		Lowell		Methuen	
	Jan-09	Jan-10	Jan-09	Jan-10	Jan-09	Jan-10	Jan-09	Jan-10
Deeds	77	93	91	79	89	104	36	49
Mortgages	130	131	110	87	158	157	132	119
Foreclosure Deeds	10	19	30	28	29	34	5	6
Orders of Notice	9	44	28	73	13	88	7	24

Loan Modification Activity (Issues & Complexities)

By Keith Vaillancourt

In the December '09 release of the Merrimack Valley Housing Report, the Making Home Affordable Program (MHAP), Home Affordable Modification Program (HAMP) was discussed. HAMP is especially important to a region with higher than average foreclosure rates in urban areas and increasing income instability across all communities. The success or failure of HAMP could have some significant impact on the region's long-term sustainability. This article offers an update on loan modification activities, as well as, insights about the HAMP process from those working closely with the program.

MHAP released a new servicer performance report, which tracked housing sustainability initiatives March to December '09. The number of permanent modifications had accumulated to 66,465, (31,382-Nov), while the total active modifications (trial & permanent) accumulated to 853,696, up from 728,408 in Nov. MHAP also released a new "supplemental directive", which attempts to resolve issues with trial modifications. The changes highlight a few problems that were addressed by modification counselors regarding HAMP.

The supplemental directive attempts to resolve issues with proper verification. Before a homeowner is put on a trial modification (TM), they must report income and "hardships". Previously, the homeowner could get TM over the phone, with no formal documentation. When the person was ready to move through the modification process, the homeowner would be denied or delayed a permanent modification (PM) because it was revealed that income/assets weren't reported correctly over the phone. The new changes require a formal verification package (three documents) before entering into a trial modification.

The use of additional documents highlights another major problem afflicting the program's participants, which involves communication and information. To simplify, homeowners, lenders, servicers and modification counselors have different procedures, levels of available information, motives and learning curves. Miscommunication, inconsistencies, funding shortfalls and administrative disorganization is rife between these participants.

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Housing is a Health Issue: The Lowell Healthy Homes Program

By Joann Vaillette

A family's home is typically the centerpiece of their life. The home is where families raise their children, where celebrations take place, and it is typically where people spend most of their time. It is essential that families have a healthy home to live in. Addressing common health hazards in the home presents a significant opportunity to improve public health. Children are particularly vulnerable to home hazards and may develop health problems or injuries as a result of their home environment. For example, asthma attacks are often triggered by allergens in the home that often go unrecognized. Creating healthier housing promotes the healthy growth and development of children. One program that is currently working to improve the home

environment and the quality of life for the families with asthmatic children is the Lowell Healthy Homes Program.

The Lowell Healthy Homes Program is focused on reducing the burden of asthma by improving the indoor air quality in the city of Lowell. The program is currently seeking families who live in the city of Lowell and have at least one child under the age of 15 with asthma. Families who participate in the program will receive a free health assessment by a qualified home health assessment worker. In addition, an environmental assessor will conduct an environmental assessment. Part of the environmental assessment

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The Rise and Fall of Housing Prices
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exclude outliers such as undeveloped lots or large commercial properties. Using these parameters, I calculated the median sales price of deeds recorded for three Middlesex North communities – Lowell, Dracut and Chelmsford – annually from 2000 to 2009. These figures along with the year-to-year percentage change are shown in the table at the end of this article.

For all three communities examined, 2005 was the peak year for real estate values. From 2000 through 2005, the median price rose 82% for property in Lowell, 61% in Dracut and 57% in Chelmsford. The subsequent decline in prices from 2005 through 2009, while not as steep as the earlier increases, were still dramatic with the median price paid on a deed declining by 30% for property in Lowell, by 15% in Dracut and by 11% in Chelmsford. Because so many purchases made during the housing bubble utilized 100% financing (or at least considerably more than the traditional 80%) these declines suggest that almost anyone who purchased

a home between 2005 and 2007 now owes more on the mortgage than the home is worth, an observation corroborated by the continuing rise in foreclosures.

The good news in this data is discernable when taking a long view. Properties purchased at the beginning of the decade still showed substantial appreciation by decade's end notwithstanding the roller coaster ride of prices in between. From 2000 through 2009, for instance, the median price rose by 28% for property in Lowell, by 37% in Dracut and by 40% in Chelmsford all of which suggests that people who have been in their homes since early in the last decade and who did not extract equity from the home at the time of peak values, have seen their investment in real estate appreciate substantially and will remain secure in their homes while the many casualties of the boom struggle to find stability in their housing and finances. █

Median Sales Price with Annual Percentage Change

	Lowell		Dracut		Chelmsford	
	med/price	chg/prior	med/price	chg/prior	med/price	chg/prior
2000	\$140,000		\$167,450		\$206,500	
2001	\$162,000	16%	\$175,257	5%	\$235,900	14%
2002	\$187,375	16%	\$204,900	17%	\$272,997	16%
2003	\$217,000	16%	\$230,000	12%	\$295,000	8%
2004	\$238,600	10%	\$245,000	7%	\$314,900	7%
2005	\$254,900	7%	\$269,900	10%	\$325,000	3%
2006	\$247,000	-3%	\$260,000	-4%	\$317,500	-2%
2007	\$225,000	-9%	\$241,000	-7%	\$304,000	-4%
2008	\$184,900	-18%	\$275,450	14%	\$280,000	-8%
2009	\$178,500	-3%	\$230,000	-17%	\$289,000	3%

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Loan Modification Activity (Issues and Complexities)
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Counselors and homeowners must constantly follow-up with lenders to ensure paper work has been received and processed. Modification agencies often lack staff and funding, while lenders have been lacking in effort accommodate and address the need for loan modifications. The consequence of these problems includes modification denial and/or an increased amount of time it takes to acquire a PM.

The process shouldn't take longer than 5-6 months, but it can easily be extended to almost a year for homeowners. If documents are incomplete, incorrect or go missing, further notifications must be sent out and new documents re-submitted. Delays can seriously hurt a homeowner's predicament, especially if loss of income becomes an issue.

If the problems regarding mortgages are going to be alleviated, solutions that promote financial education

Loan Modifications Jan – 2010				
	Methuen	Lowell	Haverhill	Lawrence
January	4	3	2	5

*Includes all types of loan modifications

and lender proactivity should be actively pursued. It's been said that preventative care is the most cost effective long-term solution, which usually requires tough and costly short-term decision making.

Financial literacy on behalf of the general public sorely needs to be addressed. Counselors have seen positive impacts with "first-time homebuyers" and "foreclosure prevention programs", while vigilance and knowledge of predatory lending and loan modification scams should be increased. Engagement from lenders and services is a critical need. Banks who have received TARP funding should consider establishing counseling and loan modification divisions, without additional federal/state financial incentives. For example, Bank of America established a loan modification division to handle MHAP programs and HUD approved counseling agencies. 

Cited:

1. "Home Affordable Modification Program – Program Update and Resolution of Active Trial Modifications" (Making Home Affordable) Supplemental Directive 10-01, January 28th 2010. www.makinghomeaffordable.gov
2. "Servicer Performance Report Through December 2009" (Making Home Affordable) www.makinghomeaffordable.gov
3. Loan modification data provided by the Southern Essex District, Northern Essex District and Middlesex North registries of deeds.
4. 3 mortgage/housing counselors from non-profits in Lowell and Lawrence provided their experiences and insights about the loan modification process for this article.

Housing is a Health Issue: The Lowell Healthy Homes Program
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includes testing for dust mites. Dust mites are tiny insects that are invisible to the naked eye and every home has them. Exposure to dust mites can trigger asthma in children who have not previously exhibited asthma symptoms. In addition, The Lowell Healthy Homes Program is able to provide assistance with a number of issues including pest management, mold and mildew, a number of safety related issues.

The home health assessment workers will work with the families over a 9 to 10 month period, providing the family with education relating to asthma. In addition, families may qualify to receive free items that may reduce asthma symptoms including mattress and pillow covers, a HEPA vacuum cleaner, cleaning and storage products etc. Moreover, the program may be

able to provide families with housing remediations, such as installation of bathroom exhaust vents or removal of wall to wall carpeting and installation of hardwood flooring.

By providing a coordinated, comprehensive and holistic approach, The Lowell Healthy Homes Program aims to reduce the burden of asthma, improve the quality of life for asthmatic children and their families, and create safer home environments. If you have a child or know someone who has a child that struggles with asthma, please do not hesitate to refer them to the Lowell Healthy Homes Program. Our home health assessment workers are fluent in English, Spanish and Khmer. For more information contact Bophamony Vong at (978) 322-8528 or Carla Caraballo at (978) 322-8541. 

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