Merrimack Valley
housing**report**

University of Massachusetts Lowell

MIDDLESEX NORTH
REGISTRY OF DEEDS

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

Volume 2, Issue 4 | April/May 2009

Following Foreclosed Properties

By Richard P. Howe Jr.

Since the start of the housing bubble's deflation in 2007, there have been almost one thousand foreclosures in Lowell. While the immediate consequences of these distressed properties are readily apparent – displaced families, vacant homes, neighborhood disruption – less attention has been paid to the long term consequences of so many foreclosures. To help fill this information gap, I have examined the records for properties in Lowell that underwent foreclosures during 2007 to determine what has happened to them in the interim.

There were approximately 280 foreclosure deeds for property in Lowell recorded in 2007. Questionable data and extenuating circumstances caused me to exclude 29 of them from the subject group leaving 251 separate properties. In almost every case, the high bidder at the foreclosure auction (and new owner) was the foreclosing lender, a fact that leaves the property in limbo while the new owner markets it for sale to a third party. Consequently, the critical inquiry is what happens to the property after the foreclosure auction occurs?

As of April 1, 2009, all but 15 of the 251 properties foreclosed in 2007 had been resold to third parties. On average, these properties were on the market for 29 weeks – more than half a year – from the date the foreclosure deed was recorded until the property was transferred to the new owner (and since the foreclosure deed is typically recorded at least 30 days after the auction occurs, these properties are typically vacant for longer than the 29 week average). While 29 weeks is the average, the time between foreclosure and new owner can be divided into more precise intervals.

Cont. on pg 3

Deeds, Mortgages, and Foreclosures Recorded

April 2008 and April 2009 Compared

See pg.3 for March data track

	Haverhill		**Lawrence**		**Lowell**		**Methuen**	
	Apr-08	Apr-09	Apr-08	Apr-09	Aprl-08	Apr-09	Apr-08	Apr-09
Deeds	101	89	100	97	151	106	65	81
Mortgages	282	180	138	107	254	237	199	195
Foreclosure Deeds	28	11	46	23	37	20	10	5

Green Remodeling Gains Support

By David Turcotte and Sarah Wakim

Like the overall housing market, the home improvement industry is also sluggish. Nevertheless, projects that improve energy efficiency and generate cost savings are increasing in popularity according to a recent report issued by the Joint Center for Housing Studies at Harvard University. The Remodeling Market in Transition report can be found http://www.jchs.harvard.edu/publications/remodeling/remodeling2009.The authors attribute declining home values and rising foreclosures, which lead to falling equity and diminished home improvement lending as contributing factors for decreasing remodeling activities. However, the report indentifies increased demand for green improvements as a key source of remodeling growth in the future.

An array for utility and government incentives and tax credits are also helping to increased interest in green improvements among homeowners. Most Merrimack Valley homeowners maybe eligible for free energy audits, zero interest financing, and energy efficiency rebates offered by MassSave. Call 1-866-527-7283 for more information or go to the website at http://www.masssave.com.

The Statewide HEAT Loan Program offers up to $15,000 in zero-interest loans for 7 years for eligible energy efficient equipment. In addition, MassSave will also pay residential customers 75% of the costs (up to $2,000) for weatherization, such as insulation and air sealing.

National Grid's Utility Rebate Program also provides rebates for purchase and installation of certain energy efficient equipment up to $1,500, such as central air conditioning, heat pumps, natural gas furnaces and hot water heaters, solar water heaters, refrigerators, windows, and lights. For more information about this program go to: http://www.thinksmartthinkgreen.com.

The State of Massachusetts also offers rebates through the Commonwealth Solar program for the installation of grid-tied photovoltaic at residential facilities. These incentives are for systems up to 5 kilowatts (kW) in capacity with maximum rebates per residential project at $20,000. You can find more information about this program at: http://www.masstech.org/solar.

The State also offers tax credits of 15% up to $1,000 against income tax for net expenditure (including installation costs) for purchasing renewable energy systems for the home, such as solar water and space heaters, wind-energy photovoltaic systems. For more information go to: http://www.dor.state.ma.us.

The Federal government is also offering a personal tax credit of 30% for the purchase and/or installation of high efficiency equipment, such as water heaters, furnaces, boilers, heat pumps, air conditioners, building insulation, windows and doors for your primary residence. The maximum credit is $1,500 for equipment purchased during 2009 and 2010, go to http://www.irs.gov.

In addition, the Federal government is providing a 30% residential renewable energy tax credit to homeowners purchasing solar water heaters, photovoltaic's, wind, fuel cells, and geothermal heat pumps. For more information about these tax credits go to: http://www.irs.gov.

Following Foreclosed Properties cont from pg.1

Using the recording of the foreclosure deed as a starting point, 32% of the properties transferred to new owners were sold in less than 13 weeks; 22% were sold between 13 and 26 weeks after foreclosure; 31% were sold between 26 and 52 weeks after foreclosure; and 15% were sold more than a year after foreclosure.

When these previously foreclosed properties are sold, the new owners tend to be individuals who appear to be purchasing residences. The few properties that appear to have been purchased for investment purposes have gone to a wide variety of owners with no clear evidence that any single individual or entity is attempting to dominate the market of formerly foreclosed properties.

Perhaps most notable about these sales is the drastic reduction in price when compared to the original price paid by the owner who lost the property to foreclosure. The average home that was lost to foreclosure in 2007 was purchased in the fall of 2003 for $237,000. When these properties were sold post-foreclosure to third parties, the average sales price was only $152,000, a decline of 36%.

These deeply discounted sales prices may help explain the high ratio of mortgage to purchase price on these post-foreclosure deeds. Of the properties that have been sold, the third party purchaser in 178 cases financed the purchase with a mortgage (the rest presumably paid cash). The average sales price of these financed purchases was $164,490 and the average amount borrowed was $158,460 or 96% of the purchase price. Breaking it down further, in 122 cases the new owner borrowed less than 100% of the purchase price (typically 90%); in 25 cases, the mortgage was 100% of the purchase price; and in 26 cases, the new owner borrowed more than 100% of the purchase price. While such a high ratio of mortgage to purchase price was a major factor in the creation of the recently ended housing bubble, the current 96% mortgage to purchase ratio is more likely a consequence of the deeply discounted prices that foreclosing lenders are accepting for these properties.

The 36% decrease in value seen in subsequent sales of properties foreclosed during 2007 is a startling figure. To further assess the accuracy of that figure, future issues will examine sales of properties foreclosed during 2008 and sales during the same period that were unrelated to foreclosures.

Deeds, Mortgages, and Foreclosures Recorded

March 2008 and March 2009 Compared

	Haverhill		**Lawrence**		**Lowell**		**Methuen**	
	Apr-08	Apr-09	Apr-08	Apr-09	Aprl-08	Apr-09	Apr-08	Apr-09
Deeds	89	87	82	105	125	147	89	76
Mortgages	215	181	130	133	259	266	197	195
Foreclosure Deeds	16	13	42	34	38	20	11	4

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

Lillian Nalubwama, Research Assistant /writer
Lillian_Nalubwama@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