

# Merrimack Valley

## *housingreport*

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## Will First-Time Home Buyer Credit Lift Home Sales?

By Richard P. Howe Jr.

Several real estate brokers recently contacted the registry of deeds warning of a spike in recording activity at the end of November. The reason? To qualify for the federal first-time homebuyer credit that was created by the Housing and Economic Recovery Act of 2008, purchasers must close on their new homes prior to December 1, 2009. The credit is available to first time homebuyers who are defined as individuals or spouses who have not owned a home that was used as a primary residence in the three years prior to the new purchase. The credit is 10% of the purchase price of the new home up to a maximum of \$8000, although the credit is phased out for upper income taxpayers which are defined as individuals with adjusted gross income of more than \$75,000 or married couples with joint adjusted gross income of more than \$150,000.

Vacation homes and investment properties are not eligible for the credit although in the case of an owner-occupied multifamily residence, the taxpayer would be eligible for the credit based on the amount of the purchase price attributable to the portion of the home that would serve as the taxpayer’s residence. This particular credit is one that is “fully refundable” which means that taxpayers who already have little income or owe little or no tax will receive the full amount of the credit in the form of a cash payment from the IRS.

The deadline for eligibility for this credit is to have purchased the new home prior to December 1, 2009. This means that the real estate closing must have occurred by close of business on November 30, 2009.

## Deeds, Mortgages, Foreclosures and Orders recorded

September 2008 and September 2009 compared

	Haverhill		Lawrence		Lowell		Methuen	
	Sept-08	Sept-09	Sept-08	Sept-09	Sept-08	Sept-09	Sept-08	Sept-09
Deeds	99	88	115	87	157	179	76	84
Mortgages	132	135	146	97	196	202	120	165
Foreclosure Deeds	15	11	34	11	26	21	6	7
Order of Notice	12	29	28	47	24	48	11	22

A lack of cooperation from the calendar might make this deadline tough to meet. This year, November 30 falls on a Monday and Thanksgiving is late, falling on Thursday, November 26. Although the registry of deeds will be open for our normal hours of operation both the day before and the day after Thanksgiving (we are closed on the holiday), many businesses routinely close the day after Thanksgiving (Friday, November 27) and might even close early on the day before the holiday (Wednesday, November 25).

For a variety of reasons - not the least of which is that it's cheaper for the homebuyer – many real estate closings

are scheduled for the last day of the month and we see no reason for that not to be the case this November. Because many of the necessary steps in the purchase of a home are all accomplished at the last minute, we have to assume that this will hold true for November, as well. Given these well-established practices, the expected spike in activity caused by the expiration of the homebuyer credit and the complicated calendar, the end of November will be a busy and complicated time for all involved in real estate. 

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## Housing Trends in the Valley

*By David Turcotte*

Orders of notice (foreclosure filing/petition) numbers continue to trend upwards when compared to September 2008. Last month's order of notice filings in the four largest cities increased 68-241% when compared to the same month in 2008. In addition, Lowell saw a 100% increase in order of notices for September 2009 when comparing the same month last year, while towns within the Middlesex North Registry of Deeds region experienced a 98% increase. Haverhill witnessed the biggest rate of change (241%) in order of notices last month with 29, compared to 12 in September 2008. These spikes in order of notices are significant, as most eventually end in a foreclosure auction and deed recording.

Despite continued increases in order of notice numbers, foreclosure deeds recorded in September 2009 were lower when compared to the same month last year in most community. Methuen was the exception, as foreclosure deeds filed last month increased to seven from the six recorded in September 2008. Nevertheless, observers expect the number of foreclosure deeds filed to increase over the winter due to increasing unemployment and a poor economy.

Deeds (sales) recorded in both Lowell and Methuen increased in September 2009 when compared with the

same month in 2008. Lowell saw the biggest increase, as deeds filed last month increased 14% with 179 from the total of 157 in September 2008. Methuen recorded 84 deeds last month, a 10% increase from September 2008 total of 76. However, the number of deeds filed declined in both Haverhill (-11%) and Lawrence (-24%) in September 2009 when compared to the same month in 2008. On the other hand, the number of deeds filed in October and November are predicted to go up because many first time homebuyers are looking to close their home purchases before the tax credit expires (see Richard Howe's article on page one).

Yet, these deed filing numbers do not tell the whole story of sales activity. A local broker provided us with data from the MLS listing over the last several months, which breaks down lender REOs (lender owned foreclosed housing) and regular housing sales activity. According to these data, 40% of the deeds recorded in Lawrence, 24% in Haverhill and 25 % in Lowell were from REO sales. Consequently, foreclosed housing represents a sizeable portion of deed recording (sales) activities in the Valley. We plan to take a closer look at this in the coming months by monitoring what percent of deeds recorded are REO properties. 

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