

# Merrimack Valley

## *housingreport*

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University of  
Massachusetts  
Lowell

MIDDLESEX NORTH  
REGISTRY OF DEEDS

### Volume 5, Issue 9 September 2012

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## Deeds Excise Tax

By: Richard P. Howe Jr.

Justice Oliver Wendell Holmes Jr. once wrote regarding property law that “a page of history is worth a volume of logic” which to me means that the law of real estate makes little sense unless you understand where the history behind it. This is especially true for the Massachusetts Deeds Excise Tax.

In Medieval England, the King owned all land. In exchange for nobles providing food, soldiers and other necessities, the King granted to them the right to use some of his property. Desiring to keep property within their families, the nobles persuaded the King to grant them the right to pass the property on to their descendants not out of the goodness of his heart, but in exchange for a payment by the nobles for this right.

This ancient practice is the ancestor of today’s deeds excise tax: property owners may sell to whomever they choose, but they must pay a tax to the state for this privilege. That tax – the Deeds Excise Tax – is based on the consideration received for the property. The tax

is assessed at the Registry of Deeds at a rate of \$2.28 per \$500 of consideration. For example, if someone were to sell a house for \$100,000, they would owe the Commonwealth \$456.00 in deeds excise tax. To calculate the tax, sellers must specifically state the sales price on the face of the deed. This is why deeds that are granted as gifts always state that the consideration is \$1.00. It is only when the consideration exceeds \$100 that the tax commences.

The statute that imposes the Deeds Excise Tax – General Laws, Chapter 64D, Section 1 – exempts any sale “to which the Commonwealth or the U.S. or any of their agencies is a party”. Consequently, if the city of Lowell, the Commonwealth of Massachusetts, or the United States of America is either the buyer or seller, the transaction is exempt from the tax. This exemption has been liberally construed so that even Regional Transit Authorities and Charter Schools, when they are parties to the sale of real estate, cause the transaction to be exempt from the excise tax. Con’t on Pg 3

## Deeds, Mortgages, Foreclosures and Orders of Notice Recorded

August 2011 and August 2012 compared

	Haverhill		Lawrence		Lowell		Methuen	
	Aug-11	Aug-12	Aug-11	Aug-12	Aug-11	Aug-12	Aug-11	Aug-12
Deeds	91	104	85	88	129	159	91	102
Mortgages	126	233	100	123	163	276	133	217
Foreclosure Deeds	11	4	12	9	17	10	10	3
Orders of Notice	14	26	38	22	19	60	15	27

## Lowell Rental Prices: Pre Recession to Today

By: Mike Poore

A recent article in the Boston Globe by Katheleen Conti highlighted the across the board increase in rental prices in communities north of Boston. “The average monthly rent in (the) North Shore and Merrimack Valley communities increased by 8.9 percent to \$1,427 from pre-recession 2007 to the first half of 2012, according to Reis, Inc.” The article sparked some interest to see what’s happening at the local level, specifically in Lowell. Thanks to Avi Glaser who pulled rental data from the MLS listing, we were able to calculate median rents in the years 2006- 2012 to better understand rental price trends in the city. The median prices are based on actual rents paid, not the listing price.

In 2006, Lowell studio apartments median prices were \$695, 1BR were \$750, 2BR were \$900, 3BR were \$1,000, and 4BR were \$1,222. The next year (2007) rents on aggregate stayed about the same, 1BR and 2 BR were unchanged, 3BR saw a 10% increase in price, 4BR saw a slight increase of 2.2% and studios decreased by 13%.

The chart on page 5 has the complete data for all of the years. Lowell saw a bigger increase in rental prices compared to the North Shore and Merrimack Valley

communities listed in the Boston Globe article. From 2006-2012 Lowell studios saw a median price increase of 18.7%, from \$695 to \$825. 1BR increased 20%, from \$750 to \$900. 2BR experienced an increase of 22.2%, from \$900 to \$1,100. 3BR increased the most at 25%, from \$1,000 to \$1,250, and 4BR increased a modest 14.5%, from \$1,222 to \$1,400. Median rental prices in Lowell have increased substantially more than North Shore communities highlighted in the globe article, although median prices were much lower, \$1,095 vs. \$1,427.

Several factors are contributing to the larger increase in Lowell compared to other Merrimack Valley communities. A combination of foreclosed properties which have been converted into rental housing, as well as an increase in families looking to rent versus own due to factors such as tighter lending standards, foreclosure on their own property, or career uncertainty. Lowell rents have historically been lower than the Valley overall due to factors including demographics, employment opportunities, and desirability of housing in the city. But it appears that the gap may be closing slightly, with rental prices in the city seeing an above average increase compared to the Valley overall. █

	Studio	1BR	2BR	3BR	4BR
2006	\$695	\$750	\$900	\$1,000	\$1,222
2007	\$600	\$750	\$900	\$1,100	\$1,250
2008	\$772	\$850	\$995	\$1,100	\$1,500
2009		\$800	\$950	\$1,200	\$1,300
2010		\$825	\$995	\$1,200	\$1,350
2011	\$650	\$900	\$1,000	\$1,112	\$1,425
2012	\$825 (+18.7%)	\$900 (+20%)	\$1,100 (+22.2%)	\$1,250 (+25%)	\$1,400 (+14.6%)

### Looking to Showcase Your Vacancy or Looking to Move?

**Community Teamwork Inc. (CTI) developed a new website designed to help landlords showcase their vacancies, and tenants to easily find them.**

**This free service is offered throughout the Merrimack Valley and the North Shore.**


**For more information go to:**

**[www.nearlistings.org](http://www.nearlistings.org) or contact Avi Glaser at [aglaser@comteam.org](mailto:aglaser@comteam.org)**

*2011 Recording Statistics Con't from Pg 1*

One area of controversy that has arisen around this exemption involves Fannie Mae and Freddie Mac, the two big mortgage giants who some might say, assert their government-ness when it is to their advantage but claim private entity status when that works better for them. Last year, a U.S. District Court in Michigan held that a similar exemption in that state would not apply to Fannie and Freddie which has caused tax collectors around the country to begin calculating the potential

arrears due in their jurisdictions should this decision be upheld on appeal.

Finally, fluctuations in the total amount of Deeds Excise Tax collected by the registry from year to year provide an indicator of the volume and value of real estate being sold. Consider the following per year amounts of Deeds Excise Tax collected on behalf of the Commonwealth by the Middlesex North Registry of Deeds: 

2002	\$7,840,648
2003	\$12,228,043
2004	\$10,340,683
2005	\$11,807,727
2006	\$9,101,492
2007	\$9,100,102
2008	\$6,310,086
2009	\$5,139,387
2010	\$5,109,201
2011	\$4,287,179

## Lowell Mortgage Modifications

By: Mike Poore


There have been some major changes over the past year regarding foreclosures, and modifications of mortgages. On the national scale the largest five banks settled \$25 billion due to their mishandling of foreclosure documents, including the ROBO signing scandal. Massachusetts will see an estimated \$318 million from the settlement that will be used in several ways, including loan modification, cash payments to affected homeowners as well as counseling. Examining mortgage modifications over the past five years can shed some light on whether banks are becoming more open to the idea of modifying existing loans.

In a recent conversation, a local housing counselor noted that lenders are not required to record a modification, so the number of modifications are likely greater than what is being recorded at the registry of deeds. In addition, lenders are now forgiving second mortgages and reducing principal, something that was uncommon previously. This year's increase in modifications may also be attributed to the Department of Justice's/ Attorney Generals settlement which was

mentioned in a previous MVHR article. So let's look at the data.

In 2008, Lowell saw a total of 54 mortgage modifications, 34 during January to August. 2009 saw similar numbers with a total of 56 for the year, and 38 during the same eight month period. 2010 saw a big uptick to 77 for the year, but modifications declined to 68 in 2011. This year is on track to be the highest of the past five years, 66 modifications were recorded between January and August. If this year's modifications trends continue, we will see about a 30% increase from 2011.

The first quarter of 2012 saw almost double the number of modifications compared to the first quarter of previous years. These are all positive signs that modification activity is on the rise, as actual numbers are likely greater.

The chart on page 5 has monthly data for each complete year and until August 2012. 

	2008	2009	2010	2011	2012
January	8	1	3	9	10
February	2	3	5	3	7
March	1	5	8	2	11
April	6	5	4	3	7
May	7	8	4	7	6
June	5	4	3	4	9
July	3	5	7	8	8
August	2	7	8	3	8
September	6	7	12	8	
October	2	4	8	5	
November	6	3	5	5	
December	6	4	10	11	
Year Total	54	56	77	68	66
Total through Aug	34	38	42	39	66
Q1 total	11	9	16	14	28
Q2 Total	18	17	11	14	22

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