

State Recommendations

- **Make redemption costs affordable by keeping investor profits reasonable.** State laws should be reformed to set the maximum interest or penalty rate for redemption amounts based on current economic conditions. The interest rate should seek to discourage speculation and promote redemption.
- **Place reasonable limitations on additional fees and costs.** States should not permit investors to pad their profits by charging homeowners unreasonable fees to redeem after the foreclosure process has been initiated. State law should establish a maximum fee schedule based on reasonable, market rates for title searches, attorneys' fees, and other fees.
- **Establish a two-step tax sale procedure, with court supervision over the final stage.** States should limit the initial tax sale to the sale of a tax lien certificate, rather than granting an entire interest in the property to a purchaser. If a homeowner fails to redeem the property, state law should require the purchaser to seek a court order authorizing final sale of the property. The court should confirm the final sale results and ensure that the sale price is fair and that any surplus funds are promptly paid to the homeowner.
- **Conduct fair market value sales with proper treatment of surplus.** Nearly one third of states never even attempt to sell the property itself at a highest bid auction, instead settling for the amount owed for the delinquent taxes. States should change their tax sale procedure to sell the tax lien certificate or deed to the highest bidder. Purchasers could no longer scoop up properties for a fraction of their value.
- **Encourage enrollment in property tax abatement programs.** Many states operate programs to assist property taxpayers. Every state has a special property tax abatement or exemption program which grants full or partial relief to taxpayers due to age, disability, income, or personal status. The benefits are not automatic and most programs require the homeowner to proactively apply for the abatement or exemption. Local governments should publicize abatement and exemption programs at every stage of the tax assessment and collection process.
- **Adopt tax deferral programs.** Some states permit homeowners to defer property taxes. Taxpayers experiencing temporary economic problems, such as unemployment, can delay payment without losing their home. States without a tax deferral program should implement one.
- **Provide for in-hand personal service of the final foreclosure notice.** States should require personal service for owner-occupied property prior to the final proceeding to foreclose the right of redemption. State tax sale laws should operate with the greatest possible care to ensure that homeowners have actual notice of ongoing proceedings and can make informed decisions in response.
- **Provide enhanced notice to at-risk homeowners.** In some states, local social service agencies contact homeowners if records indicate the homeowner is elderly or disabled. Enhanced notice can help avoid property loss by individuals who may be at risk due to conditions affecting their ability to handle financial matters.

- **Vary the length of the redemption period.** States should grant owner-occupied properties at least one year to redeem their property. A year-long redemption period prior to foreclosure can allow homeowners to recover from temporary economic setbacks and become current on their property taxes. We urge states to adopt shorter redemption periods for abandoned and vacant properties.
- **Create redemption assistance programs.** Several states maintain small emergency loan funds for homeowners who face home mortgage foreclosures. Other states allow housing agencies to acquire the property tax lien before private investors. The housing agencies work with the homeowner to avoid a loss of the home. Most of these programs target homeowners who are experiencing temporary financial difficulties. States should adopt an emergency assistance program to assist homeowners in exercising the right of redemption after a tax sale.
- **Create an indemnity fund to compensate owners for defective tax sales.** State laws limit the bases and time frames on which a tax sale can be set aside. States should create an indemnity fund for property owners who sustain losses or damages as a result of a defect in the tax sale, but who cannot bring legal claims.

Local Recommendations

- **Make pre-sale payment plans available.** Local tax collectors should adopt a formal installment payment program. Homeowners without an escrow account for taxes and insurance benefit from such payment programs and are able to maintain a budget to stay current on their taxes.
- **Implement redemption payment programs.** Local tax offices should collect redemption payments to eliminate the possibility that an unscrupulous purchaser may thwart the owner's attempt to redeem. The local tax office should accept partial and installment payments.
- **Adequate notice should be given at every stage of the tax sale process.** Although municipalities must provide notice to property owners prior to a tax sale, notifications should be used as a tool to avoid loss of homeownership. Comprehensive notices should use plain language, include information about tax exemptions, abatements, and repayment plans, and note the consequences of each stage of the tax sale process.
- **Provide detailed notice of redemption rights.** The notice should give all of the essential details on how the redemption right can be exercised, including the name and address to which the homeowner can remit payment, itemized costs, and the deadline for the redemption payment.