Tax Lien Investor Secrets:

A revealing look into the world of tax lien and deed investing

REAL ESTATE INVESTOR SUPPORT

Home-Study Success Series

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Preface

Property ownership was once only reserved for the upper class of most societies. Those that enjoyed the benefits also accepted the responsibilities that came with property ownership in most places in the world. It has long been the responsibility of the property owners to pay equal portions of the operational costs for the regional or local governments. The United States offered its immigrant arrivals the opportunity to own property, and lots of it. The pursuit of land ownership was the driving force behind the colonization of the vast, and often rugged countryside that made up Northern America. Property ownership is still considered by many to be the "American dream". As the population of the country grows, so too do the financial needs of its governing bodies. Much of what we depend on today for our public safety, convenience, and education is provided for by the property taxes we pay.

Our government leaders and law writers had the foresight to devise a property tax enforcement system that provided set laws and penalties for tax collection, while still respecting the property owner's rights. Tax liens and deeds ensure the continuation of common government services that each of us enjoy. They also create an excellent investment opportunity for those with knowledge about their existence and availability.

The personal computer and the internet have changed many aspects of our lives. A wealth of information is now at our fingertips. In the past, many of the procedures necessary to invest in tax liens and deeds were tedious, if not unreasonable. Many counties have simplified these procedures by adding their own websites to the growing list of counties to have done the same. These counties now provide pertinent dates, times, locations, lists and research information on the World Wide Web. All of this has enabled investors to do from their home what they couldn't have done even a few years ago without extensive travel, and dedicated time. We hope to convey the value in timing each individual reading this now has. Never before in the history of tax lien and deed investing, has there been a better time to become involved in this lucrative, yet misunderstood investment strategy. Those willing to brave past the misconceptions will reap the benefits of perfect timing. We wish you luck as you set out to determine for yourself if the claims associated with tax liens are legitimate, or not.

We have over 10 years of experience in the world of tax lien and deed investments. During this time, we have worked with students from nearly every state in the country. We have traveled to states and regions across the country to teach and train individuals from every walk of life. In that time, we've personally witnessed the amazing, and transforming effects the internet has had on this once unknown investment strategy. Our approach to tax lien and deed training is unique, and based on our experiences. It addresses the question of why many succeed, while others do not. This time and experience has proven to be invaluable in the formation of new training materials, such as this program. We have learned that an informed student is one that is capable of making educated investment decisions. We take it upon ourselves to provide a training that is not only thorough, but that helps layout a detailed map of the steps necessary for success.

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CHAPTER 1

Introduction to Tax Liens and Tax Deeds

"Go confidently in the direction of your dreams! Live the life you've imagined. As you simplify your life, the laws of the universe will be simpler."

– Henry David Thoreau

We congratulate you in taking an active step towards greater financial freedom. Welcome to the world of tax liens and deeds. For years tax liens have been a buzz word among investors. Even though tax liens and deeds have existed all over the country for decades, the fact remains that they are one of the least understood forms of investing. The mystery surrounding Tax Lien and Deed investing can largely be attributed to the lack of a uniform system by which they are created and sold to the public. Our objective in the creation of this program was to offer a simple, yet effective training source for anyone interested in learning more about Tax Lien and Deed investing. The success of our students has always been our highest priority, as well as the driving force behind the Tax Lien Program's creation. To better support and train our students, we've included a webinar training that will discuss many vital concepts and principles. Even with best resources at your disposal, success depends upon much more than simple knowledge. Your success has less to do with the knowledge you possess than it does with your mindset and commitment as an investor. The principles and strategies listed below come from years of experience with both Tax Liens and Deeds, as well as our work with students across the country. These principles represent what we feel to be the most important strategies and behaviors for success.

1. **Study your materials:** Begin by reading the entire program. Many strategies are built upon an understanding of core principles that can be found in your course materials. Just as you wouldn't understand the basis for most algebra math problems without basic arithmetic knowledge, you also shouldn't skip the information that doesn't seem necessary.
2. **Use all of your available resources:** You have an incredible amount of information available to you. Make sure that you utilize every resource.
3. **Don't procrastinate when you will begin:** We often find individuals that procrastinate their start with this program. It is imperative that you strike while the iron is hot. This is a term used which refers to blacksmiths and their ability to

shape and mold iron by heating the metal to a red hot glow. This process allowed the blacksmiths to create a variety of shapes and tools which were used in many applications. The fire which fuels you is your desire for change. Whether your motivation is to replace your current income or to make better returns on your retirement, it makes no difference. Take action while that desire is strong and fresh in your mind.
4. **Develop a mindset of wealth and possibilities:** Experience has shown that successful students begin with the right mindset. All wealth begins in the mind. Learn to focus on that which you desire. Expect success and wealth. These are all parts of having the right mindset. Refer to the countless resources available at bookstores and through the internet that will help you understand the workings of your mind.
5. **Let Go of Your Fears:** This is a statement that is much easier said than done. Fear is the great creator of poverty. Far more money is lost everyday due to indecision than to poor decisions. Begin small if you need to, and with your small victories will come greater confidence. Be patient in your learning.

We have worked with Tax Lien students from nearly every state in the country. These students have come from every financial situation imaginable. Some are still in the recovery process following bankrupt when they begin, while others might be classified as multi-millionaires. What distinguishes those who have tremendous success from those who do not? Could it be the ebb and flow of the tax lien market? Is it sheer luck? What is it that causes some to succeed and others to fail? The answer to this question might surprise you. There is no such thing as an ebb and flow in the world of tax liens. In fact, a struggling economy usually means more tax liens. Many successful students have come from the worst financial situations. The difference between success and failure is found in the behaviors and mindset of the student. Success begins in the mind long before it's felt in the wallet.

Your circumstances have little to do with your success as an investor. Tax Liens are a proven investment strategy. The fact that you are reading this program makes you part of a small group of people that are committed to achieving their goals and dreams. We hope you will pursue your investments with vigor and ambition. Never before has there been such an opportune time to be involved with Tax Liens and Deeds. The internet has made it possible to invest in liens and deeds across the country without leaving your home. Don't let this chance be the one that got away. We look forward to your success story and wish you well as you begin.

CHAPTER 2

Tax Liens: 101

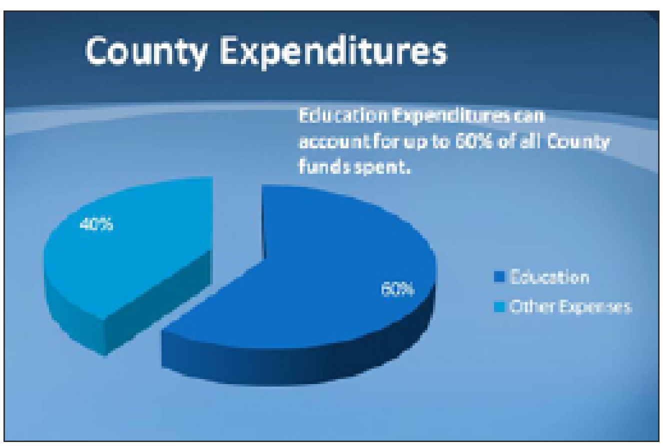
"Let us think of education as the means of developing our greatest abilities, because in each of us there is a private hope and dream which, fulfilled, can be translated into benefit for everyone and greater strength for our nation."

– John F. Kennedy

What is a Tax Lien?

A Lien by Definition is *a claim against an item which affects the ability to transfer ownership by another party which utilizes that item as security for repayment of a loan or other claim.*

Liens are common whenever money is borrowed. Mortgages are an example of a lien which is not normally exercised as long as the stipulations found in the Deed of Trust are met. If the borrower were to fail to comply with those stipulations of the contract, the lender could exercise the right to foreclose on the property. This lien affects your ability to sell, or transfer ownership of the property until the debt has been satisfied.



The Property Tax System

A lien is a claim against an item which affects the ability to transfer ownership by another party which utilizes that item as security for repayment of a loan or other claim. Most lenders reserve the right to foreclose on a home, or repossess an automobile if the terms of the lending contract are not met. The lien only becomes active if the terms of the contract are not met. Tax liens are similar in structure, but differ in how they are used to collect delinquent property taxes. A tax lien is placed by a local government such as a county or municipality against any property within the county boundaries that has failed to pay the annual property taxes. Tax Liens and deed are the property tax enforcement method of choice for states and Counties across the country. Property taxes play a vital role in funding many of the services local governments provide to their citizens. Every year the county sets an annual budget based on the revenue they anticipate receiving. The County Assessor is responsible for valuing every parcel within the county boundaries. Based on the combined total of all county assessed real estate and the budget the county feels it will need, the county sets a property tax rate which is applied to every parcel. When a property owner fails to pay the mandatory property tax by the set due date, a budget deficit ensues. If left unpaid, this shortage would dramatically affect public operations and services that depend on county funding. Imagine Police and Fire departments sending officers home, or schools shutting down due to budget shortages.

Why do Counties Sell Tax Lien Certificates?

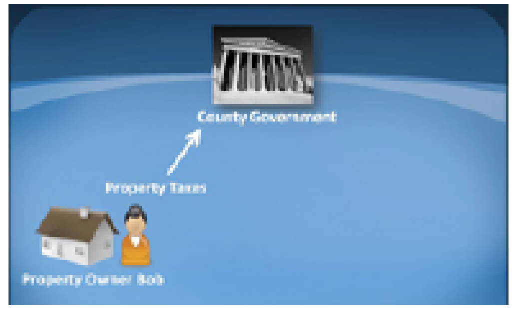
County governments are authorized to sell tax liens to the public to recover delinquent property taxes. The tax lien and deed system in use today provides local governments with an effective way enforce the payment of property taxes, while also giving the property owner a type of grace period before any severe penalties are enforced. Investors are rewarded with excellent interest rates and the county is able to maintain the services which it provides.

The Investor

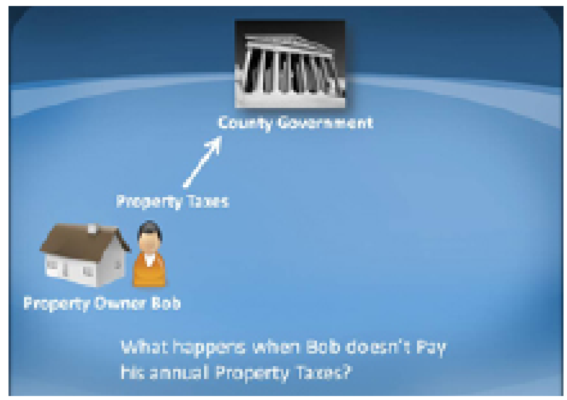
Investors that purchase tax liens are given a set rate of return which ranges from 8 % to 25%. Annual returns of more than 25% are possible, but depend upon the strategy and the state the tax lien is purchased in. The rate of return is essentially paid by the delinquent property owner in the form of penalties and fees. All delinquent taxes, penalties and fees must be satisfied in order to remove the impending lien.

The Delinquent Property Owner

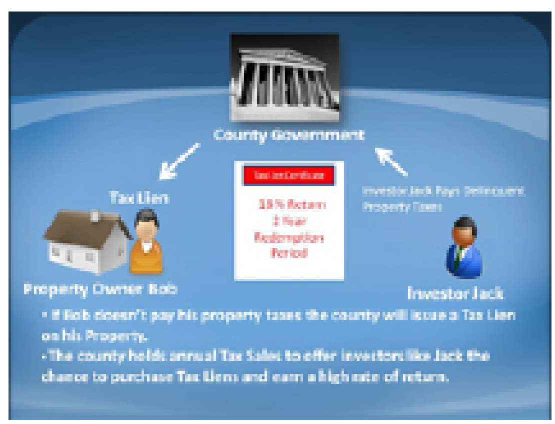
It is widely known that the forefathers of this country made the treacherous journey to American to escape the government rule of several European countries. Along with religious freedom, they sought to escape a tax system that provided taxpayers with very little protection. In England three hundred years ago, a property owner that was delinquent in paying their property taxes would most likely lose the property altogether. People were thrown into jail for not paying their taxes all of the time. Our current tax system was implemented early in the history of the country. The system's objectives were to create a system which would be effective in collecting taxes, but still offer property owners a fair chance to settle their debts. Today property owners are given a grace period following the date taxes are due. This grace period is referred to as the redemption period, or time in which the property owner may redeem all property rights and remove the impending lien. The duration of the grace period is set by state statute, and ranges from 3 months to 4 years. Most property owners have three to five years without paying their property taxes before losing a property.



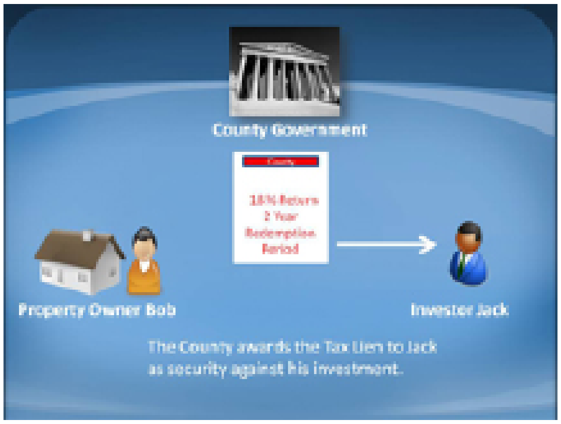
Step 1: Property Owner Bob has to pay yearly property taxes on his home.



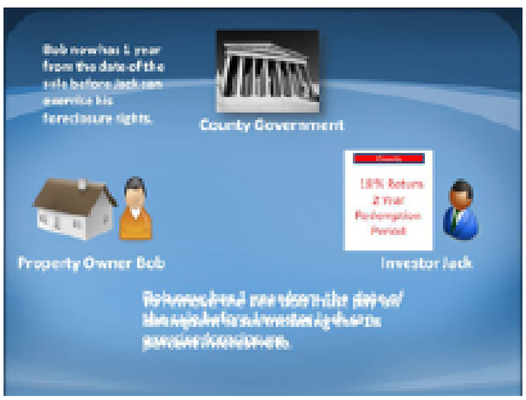
Step 2: The County Government needs Bob's property taxes to pay for county services like Police, Fire and Education.



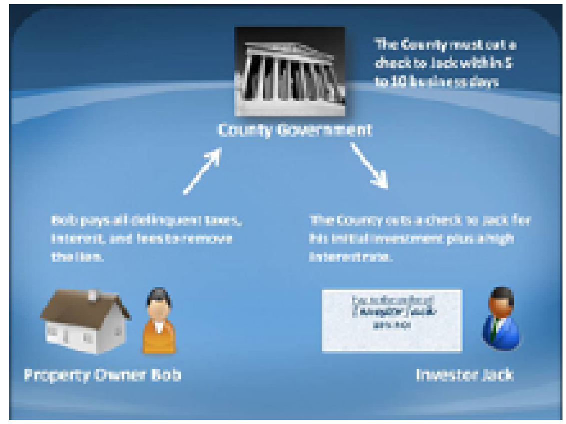
Step 3: The County holds an annual tax sale to offer tax liens to the public.



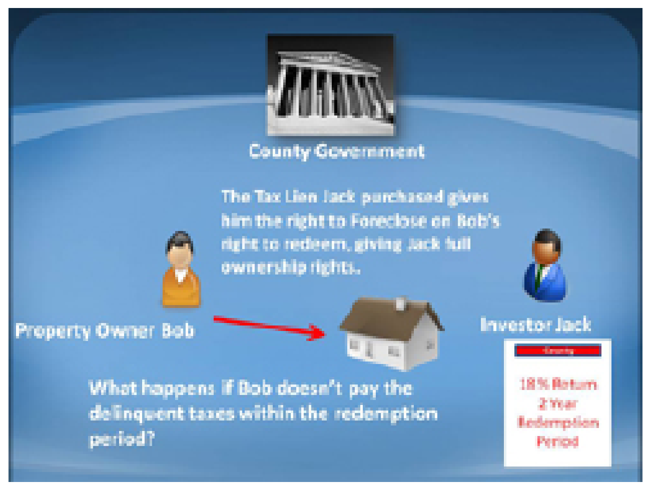
Step 4: Jack Receives a tax lien on Bobs Property. The tax lien is generating Jack a 18% return on his investment.



Step 5: Jack is now earning 18% on his investment and bob has 1 year to pay back the county and in turn Jack receives his return.



Step 6: Bob pays off his delinquent taxes and the county cuts a check to Jack for his investment along with his accrued interests.



Step 7: What happens if Bob does not pay off his lien within the redemption period?

Step 8: Jack gets a great return on his investment, either a high interest rate or the property itself.

What is a Tax Deed?

Tax Deeds are very similar to Tax liens in many respects, but differ in the rights they provide the investor. Tax Liens do not imply any type of property ownership rights. Lien holders maintain the right to initiate foreclosure if the terms of the lien are not met, but they do not provide ownership liability or rights until foreclosure is complete. A Tax Deed is another system states use to enforce the collection of property taxes. Investors that purchase Tax Deeds are purchasing parcels of land outright with no redemption period or interest rate paid. Tax deed states have the same objectives as tax lien states. Tax Deed states do not sell liens annually. Instead of selling liens, Tax Deed counties wait for the redemption to pass to foreclose on the property. After foreclosing, the county holds a deed sale where the Tax Deeds are sold.

Because Tax Deed investing is based on property acquisition, wise investors research the property thoroughly before investing in a deed. Investors that purchase Tax Deeds are usually required to pay all delinquent taxes owed. The minimum bid will usually include the combined total of all delinquent taxes, penalties and fees that have accumulated over the period of delinquency. Property taxes only represent a small percentage of the property's market value. This makes it possible for investors to acquire full property rights at a fraction of the market price.

Are there any other systems used by counties in the United States?

Yes, there is one more system that is currently in use. We refer to the third category as Redemption Deeds.

Redemption Deeds

Redemption deeds are similar to both tax liens and tax deeds, but are more of a hybrid of both. Redemption deeds are tax deeds with redemption periods. Redemption deeds have redemption periods that range from 2 months to 2 years. This redemption period gives the property owner time to repay the delinquent taxes and recover the property. The county has already taken possession of the property in many cases, and may even give the investor certain ownership rights during the redemption period, such as the right to occupy the property.

When a Redemption Deed redeems, the investor is compensated for their original investment in the form of an interest rate, or what is commonly referred to as a Penalty Rate. The first type is a standard interest rate with accrues monthly the same as tax liens. The second is called a penalty rate. Penalty rates are a flat return rate that does not accrue monthly. A redemption deed that redeems 1 month after the tax sale pays the same flat rate as one that redeems after 11 months. This flat rate offers incredible possibilities for the overall return rate the investor receives. Due to the way annual rates of return are calculated, a Redemption Deed with a 25% penalty that redeemed after 1 month would actually yield an annual rate of return of 300% (25% X 12 months)! This annual rate of return is based on the fact that our investor made a 25% return in one month. If the process could be duplicated for the remaining 11 months of the year, the investor would make a staggering 300% return. Wise investors will research properties thoroughly before investing in redemption deeds. Redemption Deeds are a great way to generate an excellent return, while also offering deed holders the possibility of acquiring the property following the redemption period. Because investors are bidding on property deeds, a higher amount of capital is usually required to invest in Redemption Deeds.

CHAPTER 3

Pre-Auction Procedures

"There is little difference in people, but that little difference makes a big difference. The little difference is attitude. The big difference is whether it is positive or negative".

– W Clement Stone

The best way to understand tax liens and the auction process is to learn about how liens are issued, and the procedures leading up to the annual tax sale. Annual property taxes have been in place in the United States since the early colonization of cities and towns. While much about the country has changed since then, property taxes have remained a vital source of income to support necessary functions.

The Taxation Process

Property taxes are usually enforced and collected on a county level, although some states delegate the responsibility to local municipalities. The county tax assessor is responsible for valuing and listing all real estate located within county boundaries. Every year the assessor is responsible for notifying property owners of the assessed value of any real estate holdings found within the county. Following the assessor's valuation, a tax bill is issued and sent to each property owner. The tax bill contains the annual property tax which the owner is required to pay. This amount is determined by applying the county tax rate to the assessed value of the property. Tax rates vary from county to county, and are calculated by dividing the total amount the county needs by the combined total of all assessed real estate in the county.

Auction Eligibility

A statutory due date, or penalty date by which the property tax is to be paid is included with every property tax bill. Property taxes not paid by the set date are delinquent and subject to penalties. Properties with delinquent taxes that meet state statute requirements are deemed eligible for the annual tax sale. Prior to the tax sale, the county will make numerous attempts to reconcile the lien or deed. Some of these efforts include sending certified letters and making public postings. Once the county has exhausted all available resources and redemption dates have expired, the property will be certified for public auction. The parcel list for the upcoming sale is filled with certified properties from across the county. Depending on which system classification is used, the state will either sell tax liens, or tax deeds at the upcoming auction. Tax sale dates are determined by either state statute, or are set by local county officials. These county auctions are usually conducted by the county treasurer, unless state law deems otherwise.

County Publication

Most counties are required by statute to publish a list of properties scheduled for auction between one and six weeks prior to the sale. Sales notices are usually published in a local newspaper, or other county wide publications. The use of the internet is becoming more and more common as tax sale lists are published on county websites. The internet will eventually become the primary platform used by states and counties to serve public notice, and relate all pertinent parcel information. Notices published in local newspapers can be found in the legal section with other legal notices. These notices may include parcel numbers, legal descriptions, lien amounts, and property owner information. Many property owners wait until the final week prior to the sale before settling the debt with the county. The number of property redemptions in the two week period just before the sale makes it is easy for investors to work from outdated county lists. Investors should check county lists for updates prior to researching properties to avoid wasting time. A current list can save you from spending valuable time on properties that are no longer available.

Due Diligence

The importance of due diligence when investing in tax liens and deeds cannot be stressed enough. Due diligence is the process of researching potential investments in order to make an educated decision with your investment. Investors that perform the necessary property research before the auction understand exactly what they are bidding on. The prepared investor knows what the potential return is, and also knows what properties to avoid. Many individuals that are new to Tax Liens and Deeds begin with the misconception that the majority of the properties they will be looking at will be single family homes. They also have the misconception that Tax Lien and Deed investing primarily consists of picking up properties for "pennies on the dollar." While properties are acquired all of the time for a fraction of the actual value, the majority of Tax Liens and Deeds are against raw land and other properties without structures or improvements. The opportunity to acquire homestead properties exists all over the country, but usually requires more research and time. Understanding how to conduct effective due diligence is the key to making incredible returns with Tax Liens and Deeds.

Bidder Registration

While some counties require bidders to pre-register as much as 2 weeks before the sale, most allow bidders to register on the day of. Some counties also require a registration fee due at the time of registration. This, and other valuable information may be determined though county websites, or contacting the counties directly by phone. Many counties have bidder packets they give to investors at the time of registration. These packets contain helpful information about county procedures, frequently asked questions, the bidding process, and acceptable payment options and time frames.

Method of Payment

The funds to pay for Tax Liens must be prepared prior to the auction. To determine which payment form to use, you must know what forms of payment are accepted. The acceptable payment methods and the time frame in which payment is due varies from county to county, as does. Many counties require full payment immediately after the sale, although most give bidders the rest of the day to make payment. Most counties will accept two or more of the following payment methods: certified funds (certified checks, such as bank checks), cashier's checks, money orders, or cash. A handful of counties actually offer financing on deeds at an interest rate set by state statute. After your finances have been set in order, the next step is to determine how much capital you are willing to invest.

Presiding Tax Authority

One of the many freedoms counties are given regarding the property taxation process is determining which county official shall preside over the collection and enforcement of property taxes. The presiding official may be the county treasurer, local tax collector, local constable, county sheriff, or the county auditor. The presiding authority may choose to appoint an employee of the county to officiate the sale. The presiding authority may request that county attorneys be present during the sale to interpret law, settle disputes or answer questions that are unfamiliar to county officials.

CHAPTER

4

The Day of the Sale

"Obstacles are those frightful things you see when you take your eyes off your goal."

– Henry Ford

The location of county auctions varies from county to county and is normally determined by county officials. Most counties post the exact location on the county website if available. The public notice counties put in local newspapers will also include the location, as well as the auction date and time. All county and property research should be complete before attending the sale. Investors should also be prepared with a list of properties including the maximum bid and any prepared notes. Registration usually takes place right before the sale as bidders arrive, although some counties require bidders to pre-register up to 2 weeks before the sale. Following registration, investors should receive a bidder packet, often referred to as investor packets. This packet outlines the county schedule, and any procedures pertinent to the sale. Although counties are not required to provide packets, most do. If you don't receive a packet prior to the auction, ask a county official about their availability.

Public tax sales begin in the morning, and continue until all eligible liens or deeds have been offered. The length of the sale is determined by how many individual parcels are being offered and can last for several days. It is not uncommon during tax sales that last several days for many registered bidders to go home early. County officials that oversee auctions that last more than one day often become anxious to get through the eligible liens and finish the sale. If county officials determine a shortage of bidders is slowing the process down, they may choose to change the bidding method. A simple change in the bidding system such as this could give the auction attendees the opportunity to make a much higher return. Investors may be able to purchase liens for nothing more than the delinquent taxes and penalties, with no "premium" or "overbid" necessary. Or it could mean that all Tax Liens purchased receive the maximum rate of return. A shortage of bidders in a Tax Deed auction could create even more lucrative opportunities. Properties could be acquired for the starting bid, which is the past due amount, plus all penalties and fees. Property taxes represent a very small percentage of the fair market value, meaning investors could purchase properties free and clear for a small fraction of the actual value.

Many states specify the method by which liens or deeds are to be sold in their state statutes. If no specific method is stated, counties may select their method of choice. Investors should become familiar with every method counties could use to auction tax liens and deeds. Every county or municipality in the country will practice at least one of the following bidding methods:

Bidding Down the Interest Rate

Auctions are generally conducted by oral bid. Each investor is given a bidder's card at the time of registration which is used to place bids. If more than one investor bids on any given lien, the bidder willing to accept the lowest accrued interest rate is awarded the lien. The starting bid is usually the state's maximum rate of return, which can vary from 8 to 24 percent. The interest rate is bid down in increments of ¼ of one percent, or .25 percent. This method can be very simple and profitable, but also requires preparation in the form of a predetermined minimum bid to ensure the rate of return is acceptable.

Premium Bidding

Premium bidding, also referred to as bonus bidding is one of the most common bidding methods in use today. Tax sales are conducted as public oral bid auctions. The county determines the starting, or minimum bid by adding the combined total of all delinquent taxes, penalties, and fees and is open to all registered bidders. Tax liens are bid up in price until a high bid is established. The certificate is awarded to the investor that bids the highest amount above the minimum bid or starting bid. The difference between the starting bid and the winning

bid is referred to as the “overbid” or “surplus”. Most counties will return this upon redemption, although the investor may need to file for it. It is important to note that the county payout procedures for the overbid vary, and will most likely tie up funds for an additional period of time that could range from a few weeks to a few months. Check with the county officials prior to the auction to see what their overbid procedures are prior to bidding.

In many counties the interest rate paid out to investors only applies to the minimum or starting bid. This means no interest is paid on the difference between the starting bid and the amount the lien sells for. Understanding which portion of the investment receives interest is crucial in determining the overall rate of return. Counties that pay out a return on the full purchase price offer an obvious advantage over counties that do not.

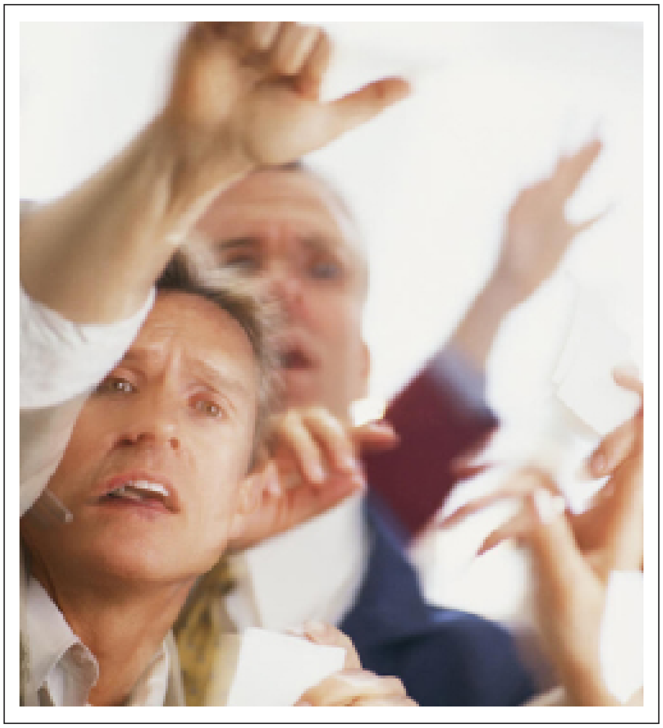
Bidding Down the Ownership

“Bidding Down the Ownership” is somewhat common, although many county officials and investor considered this to be the least desirable bidding method available. Many states that specify this method in state law actually allow counties to choose other systems instead. Other bidding methods are easier to use and are often less time consuming.

As the title implies, bidders compete by bidding down the percentage of property ownership they are willing to accept as collateral paying the delinquent taxes. The opening bid begins at full ownership and continues with each bid reducing property ownership at a rate of 1 percent per bid (99%, 98%, ECT). The investor willing to accept the lowest percentage of property ownership wins the deed or tax lien certificate. Bidding down the ownership favors the delinquent property owner, and not the investor. This doesn’t mean that there aren’t financial opportunities for smart investors at these auctions. For tax lien certificates, this percentage only affects the investment if the property owner fails to redeem the lien and the lien holder forecloses on the property. If foreclosure ensues or the Tax Deed is awarded, the investor and the property owner essentially become partners in property ownership. The added complications with this scenario are obvious, although they wouldn’t prevent the deed holder from making a sizable return. If foreclosure is awarded for a property of value, the deed holder should seek legal advice.

Random Selection

Counties that utilize a random selection method of bidding select bidder numbers at random, and offer the lien to the bidder chosen. Tax liens are purchased for the accumulative total of all delinquent taxes, penalties and fees. An advantage found in using this method is that there is no competitive bidding. If the investor declines the opportunity to purchase the lien, the process is repeated. If multiple investors decline the lien being offered, the presenting tax authority will usually offer it to anyone that would like to purchase it. The exact system used to select bidders depends on the number of bidders attending and the preference of the county officials. Systems can be as simple as pieces of paper in a box, although some counties opt for more complex systems that use computer programs to randomly select bidder numbers. An obvious disadvantage found this method is the inability to research specific liens prior to the sale.



Because bidders would have no way of knowing which liens would be offered to them, investors must be able to assess the quality of a lien based on very limited information.

Rotational Bidding

Counties that utilize rotational bidding select bidders by sequential progression through a list of registered bidders. County officials offer Tax Liens to bidders as they progressively work down a list of all registered bidders. Each investor is given an equal opportunity to purchase tax liens. Tax liens are offered for the accumulative total of all delinquent taxes, penalties and fees. Due to properties being offered to one investor at a time, there is no bidding or surpluses required. If the investor selected declines the opportunity to purchase the lien being offered, the process is repeated with the next investor on the list. If multiple investors decline the lien, the presenting tax authority will usually ask if anyone would like to purchase it. The number of opportunities a bidder receives depends on the number of registered bidders and liens. An obvious disadvantage found this method is the inability to research specific liens prior to the sale. Because bidders would have no way of knowing which liens would be offered to them, investors must be able to assess the quality of a lien based on very limited information.

CHAPTER

5

Post Auction Procedure

"There is little difference in people, but that little difference makes a big difference. The little difference is attitude. The big difference is whether it is positive or negative".

– W Clement Stone

Acceptable Forms of Payment

Accepted forms of payment and when their due varies slightly from county to county. Most counties require full payment immediately following the sale. Winning bidders who fail to do so forfeit all liens awarded and may be subject to additional county action and penalties. Basic county research will reveal what the standard procedures are. Most counties accept two or more of the following payment methods: certified funds (certified checks such as bank checks), cashier's checks, money orders, or cash.

Foreclosure Filings and County Recorders

Many states have time restrictions that require foreclosure filings be complete within a set time frame following the sale. An example of this is found in the state of Maryland where state statutes allow certificate holders to file for foreclosure 6 months after the auction date. Just as a date is set that dictates how soon foreclosure can be filed, if foreclosure is not filed within 2 years of the sales date the certificate is forfeited and becomes void. Understanding county procedures and the active tracking of investments should help investors avoid any loss of lien rights.

Some states require that all tax lien certificates be sent to the county official in charge of recording liens a short time after the sale. Liens must be recorded in order for the county to have official record of the Tax Lien and the lien holder. An example of this is found in the New York state statutes. Investors are required to have the certificates recorded with the local tax collector within 60 days following the sale in order to maintain lien rights. A tax lien without property foreclosure rights is simply an I.O.U. Again, very basic research before the sale will help you avoid simple mistakes.

Lien Redemption

Delinquent property owners must pay all delinquent taxes, penalties and fees directly to the county in order to remove the impending tax lien. Property owners can redeem anytime before, and even shortly after the redemption period has passed. The foreclosure process requires that all parties with interest in the property be properly notified about the impending foreclosure. This notification must be made for a set period of time before the foreclosure process can be fully executed and the property rights transferred.

Foreclosure

There are two primary methods states and counties use to foreclose on properties. The first is self executing and the second in non self executing.

Those states and counties that have self-executing foreclosures handle all of the required notices and steps necessary to foreclose. The lien holder simply waits for the process to be executed to collect a tax deed to the property. States and counties that practice non self executing foreclosures require the lien holder to send the necessary notice and perform the proper procedures. Individual counties stipulate the necessary procedures to foreclose on any property. The procedures are the same for any financial institution foreclosing on real property, including mortgage companies. The foreclosure notice is the last chance for property owners to redeem before losing all ownership rights to the property.

Tracking and Re-investing

Tracking liens is a very simple process of recording and monitoring significant dates. Acquiring multiple liens and re-investing the returns can become a more complicated process. Liens should be filed and organized according to redemption dates. Other dates of significance should also be tracked, with a reminder system in place to notify the lien holder of upcoming dates of importance. Significant dates include redemption dates, required foreclosure filings, county recording requirements and upcoming sales. Investors purchasing more than a few liens should consider acquiring tax lien software to help manage their holdings.

Re-investing is an important factor in building, or growing assets in tax lien and deed investing. Properties redeem at different periods of the redemption period. If you have ever heard anyone talk about returns of 100%, or more with tax liens, the claim is actually possible. However, it requires prompt re-investment of redeemed liens. Your potential rate of return is based on annual yields. When a lending institution advertises investment returns of 4.75%, they are basing that number on an annual return. Florida is an example of a state that offers investors a unique opportunity to make incredible returns. Florida has a 5% penalty on all liens that redeem within the first year following the sale. This 5% is on top of the standard rate of return you would normally receive. An example of this would be if you purchased a tax lien in Florida at an 18% return and it redeemed within the first 30 days. Under normal circumstances your rate of return would only be 1½%, which is one month's interest at an 18% rate of return. This would hardly be worth the time and effort you had invested. Florida government officials understood this when they approved the 5% penalty on all first year redemptions. With this 5% penalty, your overall rate of return is 6 ½% of your total investment. A return of 6 ½% in 30 days or less is actually an annual return rate of 78%! This number is achieved by multiplying your return by the duration of the investment. An easier way to understand this is to calculate your rate of return if you could duplicate the process every month for a year. However, your investment must be re-invested quickly to make the highest return possible. The goal of every tax lien investor is to have their money constantly invested and earning income. The process of acquiring liens gets easier as you become comfortable with specific counties and auction types. Many investors only purchase liens from specific counties. These buying habits can go on for years as investors become familiar with auction officials and procedures.

CHAPTER 6

Investing for Yield vs Property Acquisition

"I think stocks will be a great way to make 6 or 7 percent for the next 10 or 15 years. But anyone who expects 15 percent a year is living in a dream world."

– Warren Buffett

There are some investors whose sole reason for purchasing tax lien certificates or redemption deeds is to make the guaranteed interest rates. They prefer that all of their tax liens redeem before the redemption period expires. They do not wish to deal with any part of the foreclosure process if they can avoid it. Their primary concern is the checks that they receive from the county for the redemption of liens. This allows the investor to re-invest these funds into more liens. Other investors have a completely different set of objectives with their investments. Many tax lien investors focus primarily on property ownership and the opportunity to acquire properties for a fraction of market value. They're willing to invest more time and take on greater perceived risks for the ability to acquire property free and clear. These investors often carry the desire to replace their income altogether. They invest for the opportunity to generate residual income through properties they acquire.

Tax liens are an incredible diverse form of investing. To be successful in your endeavors you must devise an investment strategy. This strategy should be based on your investment objectives. A chapter dedicated to assessing your resources and determining your investment strategy will make this process very simple. You will find 4 separate investor profiles to choose from. Each profile outlines a different investment strategy based on your objectives available resources. Each profile also includes a list of the states where the profile may be utilized. Our objective is to help you narrow your search for the right state, county and lien or deed.

The High Yield Investor

High Yield Tax Lien Certificates: Tax liens can generate higher returns than almost any other secured investment. Tax liens can generate returns between 8 and 24 percent per year with minimal risks. Many states allow you to purchase tax liens directly from the county. This is often referred to as "over the counter" investing. Over the counter investing allows you to conduct research from the comfort of your home. It also provides you with the necessary time to conduct the proper due diligence and research.

Redemption Deeds: Redemption deeds generate some of the highest returns of any form of tax lien and deed investing. Texas is the most commonly referred to state that utilizes a redemption deed system. Texas also pays investors through a penalty rate, rather than a standard annual interest rate. Penalty rates range from 8 to 50 percent depending on the state. Texas provides investors with a 25% penalty for the first year of a two year redemption period, and an additional 25% for the second year. Penalty rates pay a flat percentage of the total and do not accrue with time. A deed that redeems one month after the sale pays the same return as one that redeems after 11 months. This dramatically affects the rate of return when you look at it on an annual level. A 25% return in one month is actually a 300% rate of return annually. Because Texas imposes such a severe penalty upon redemption, normal tax liens are more likely to redeem than a redemption deed in Texas. This makes many redemption deeds an appealing investment for those seeking property and those interested in a high rate of return.

The Property Acquisition Investor

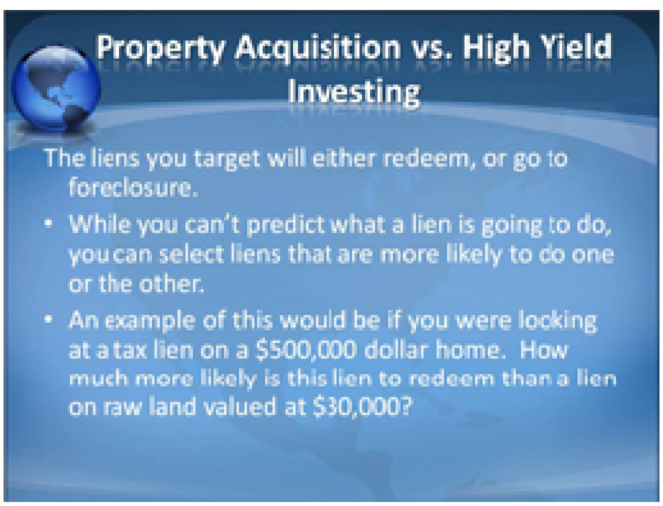
Many invest in tax liens or deeds with the primary objective of property acquisition. These investors are attracted to the lump sum transactions and residual income property ownership can generate. They also understand that property ownership through tax liens is an acquired skill as well as a numbers game. The more tax liens are purchased, the more likely you are of acquiring a deed.

Property Acquisition with Tax Lien Certificates: Property acquisition through tax liens happens on a regular basis in the United States. However, investing in tax liens with the expectation of obtaining property with every purchase is unreasonable. Only a small portion of tax liens will lead to property ownership. However, there are ways to increase your chances of acquiring properties. No one enjoys losing money. In fact, most will go to great lengths to avoid the loss of property. With that said, most people will do anything to avoid losing property to the state because of delinquent property taxes.

Property Acquisition with Tax Redemption Deeds: Redemption deeds are appealing investments for those seeking property and those interested in a high rate of return. Many redemption deed states use high penalty rates and shorter redemption periods to make it difficult for property owners to redeem.

Property Acquisition with Tax Deeds: Purchasing tax deeds is very similar to other real estate strategies such as foreclosures, probate sales and others. The primary objective for any of these methods is the acquisition of property at a price significantly below the fair market value. A tax deed is a deed to a property, free and clear. The key point to successful investing in deeds is to evaluate the property to determine its value. Knowing what a property is worth is more valuable than any other information you can obtain.

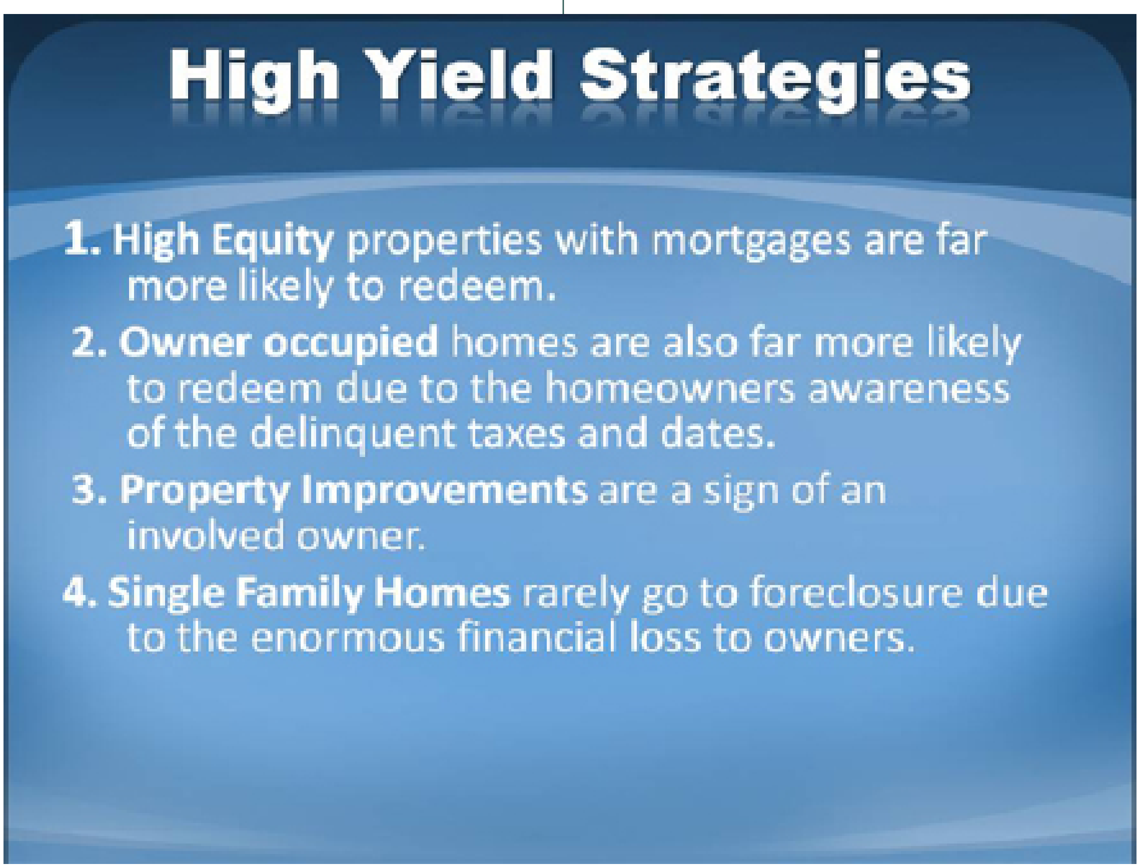
The following chart lists different factors that come into play when determining whether a tax lien will, or will not redeem.



High Yield Strategies

There are many different ways to increase the security of your investments. Your objective is to select liens that are most likely redeem. Arizona counties pay out a 16% maximum rate of return. If you purchased a lien on a single family that was valued at $300,000, how likely would guess this lien is to redeem? Chances are a mortgage company holds the note on the property and the resident is merely paying down a large mortgage. The fact that a tax lien exists on the property really doesn't tell you a lot about the situation. A tax lien isn't a sure sign of financial distress. Tax liens are common among property owners with the finances to pay for them. Many individuals see the penalties that they pay to redeem a tax lien as being a more affordable way of borrowing money. Others may have simply forgot to pay, or haven't received the mail notifying them delinquent property taxes. Neither the lender, or the property owner would allow this property to be lost to the state. If for some reason the property owner failed to redeem the property before the redemption period passed, the lender would redeem the property once they were notified of the impending foreclosure. The purpose of the foreclosure process is to notify any party with interest in the property. This is done sending certified letters to everyone listed on the property title. This is wonderful news for the investor that's looking for a secure way to invest. This means that even if the property owner didn't have the funds to pay the delinquent taxes, the lender would pay the debt to avoid losing their first lien position.

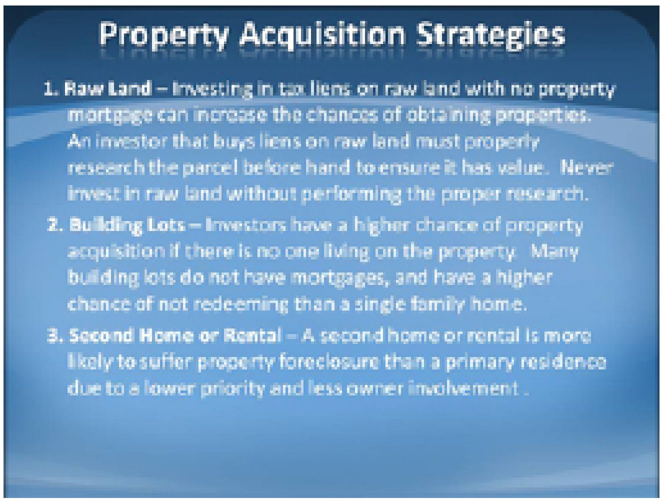
A property description is listed below to help those who invest for a high rate of return. Each item describes a separate attribute a property might possess that would increase the chances of the lien redeeming. Of greatest importance is to look for properties of value. The greater the value, the less likely the property is to go to foreclosure.

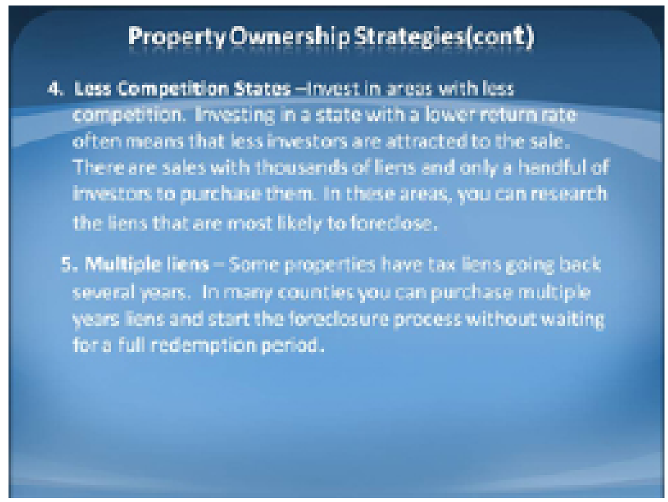


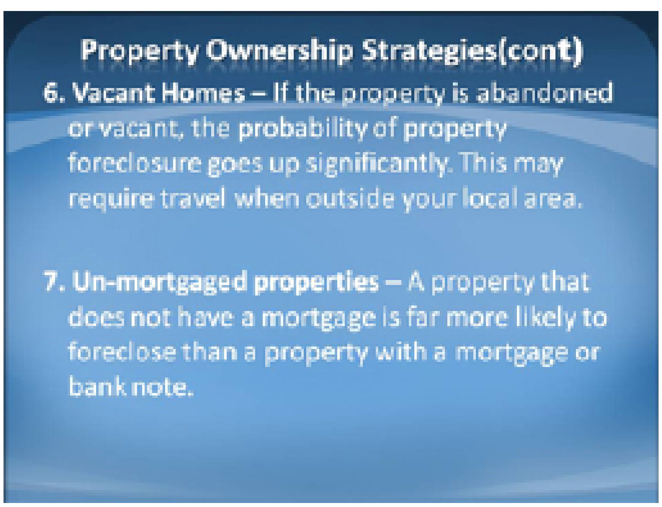
Property Acquisition Strategies

Property acquisition is the primary objective of many investors. Many tax liens and deeds can be found on raw land. Raw land could be defined as land without improvements such as a home or structure. This may trouble many that have the preconception that single family homes made up the majority of all liens and deeds. Single family homes and other properties with structures are commonly found in tax sale lists across the country.

Raw land actually creates great opportunities to acquire property. Raw land is the most likely to have no mortgage, be lost in the midst of family confusion, or legal estate proceedings. Any investor that purchases tax liens should not expect to get the property every time. Only a small portion of tax liens will lead to property ownership. However, there are ways to increase your chances of acquiring properties. Listed below are just a few things to look for.







CHAPTER 7

Locating County Lists

"Create a definite plan for carrying out your desire and begin at once, whether you are ready or not, to put this plan into action"

– Napoleon Hill

There are over 3,000 counties in the United States, not including Canada, Puerto Rico, Guam and the U.S. Virgin Islands. Finding the right state to begin investing in can be confusing and difficult to determine. Counties delegate the responsibility of handling tax sales to one of the following officials: the county treasurer, the county tax collector, the assessor, the county clerk, the local sheriff, the county appraiser, or the county real estate division. Although a variety of individuals may preside over the tax sale, their duties are very similar.

The County Assessor: The assessor is charged with several administrative and statutory duties. However, the assessor's primary duty and responsibility is to assess all real property within county/ municipalities, except that which is otherwise provided by law. This includes all residential, commercial, industrial and agricultural classes of property.

The Treasurer or Tax Collector: The treasurer or tax collector is an elected official, and generally serves a four-year term with two primary responsibilities. The tax collector or treasurer is responsible for collecting taxes on all secured and unsecured property, as well as all transient occupancy taxes. The treasurer is also responsible for cash management, safeguarding county funds, providing full financial accountability, maintaining effective cash flow, and investing idle funds. Because the treasurer or tax collector is an elected official, any qualified voter in the County may serve as the County Treasurer.

The Sheriff's Office: Although the sheriff's primary responsibility is to protect and serve, they are also an officer of the court. In many counties the sheriff is responsible for handling tax auctions. They may also be used in the foreclosure process with tax defaulted properties.

Finding County Websites: A step by step guide

Using the internet to find county websites is the one of the quickest ways to evaluate many counties in a short period of time. The following is a step by step guide to locate counties using the National Association of Counties website.

Step 1: NACO is a great website to use to connect to county websites. Go to www.naco.org.

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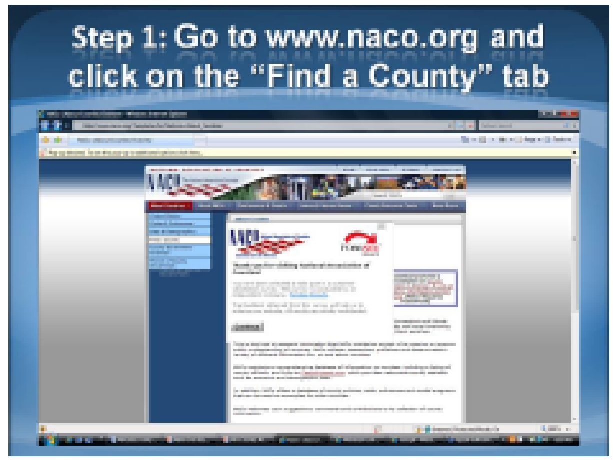

Step 2: Click on the state you would like to research.

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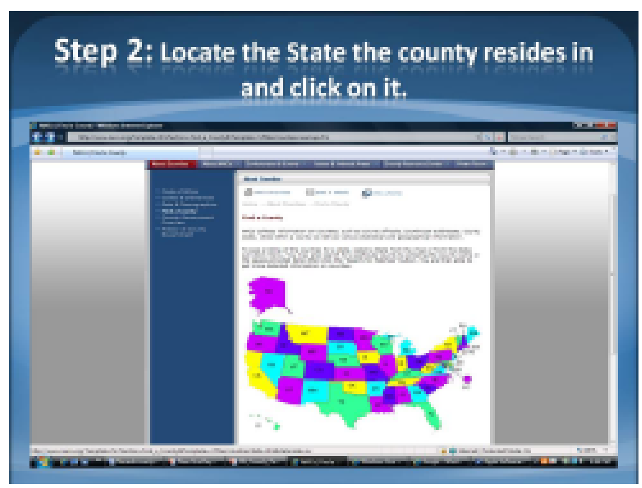

Step 3: Select the county and then click to be connected to the county information page.

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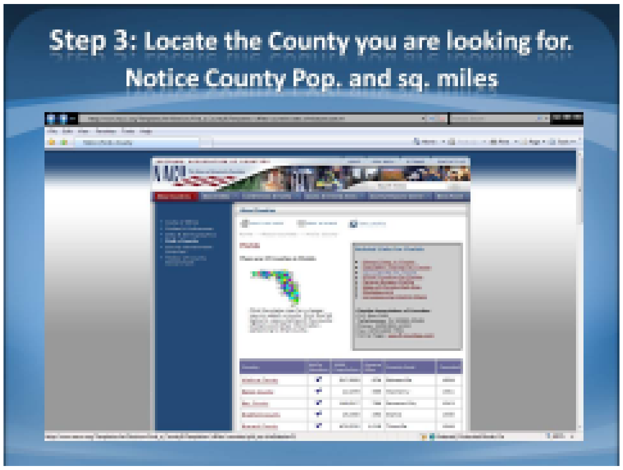

Step 4: By click on the county link you can be directed to the county website.

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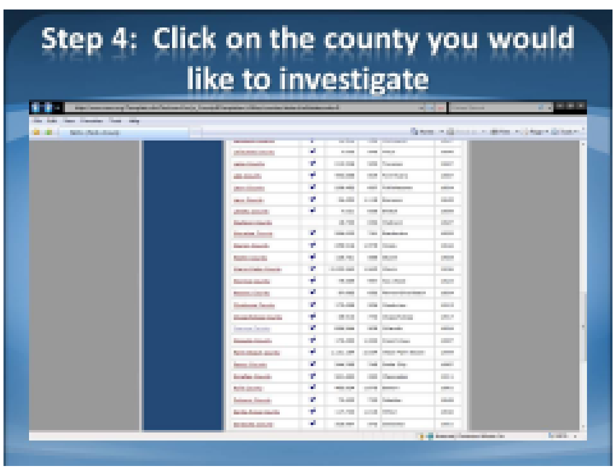

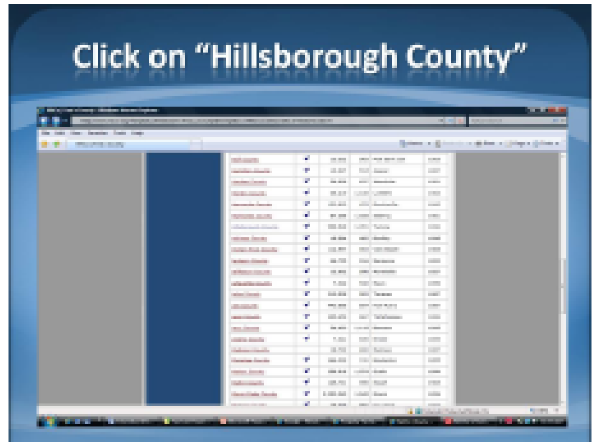

Online County Records: One of the quickest and easiest ways to start researching properties is to use the county public records. Counties are required by law to keep and make available government property records. Many counties have these records available on the internet. This is part of the same process that title companies go through to guarantee the title to any property. The local Assessor is responsible for assessing the property's value, and to determine the tax amount due. These public records include much of the information pertaining to a property. With a little time and patience they can be your greatest resource to research properties. By using this resource you can obtain the property information by owner name, parcel number, or address. These records include detailed information about the property.

County Records: The information may include the following.

Maps	Square footage
Lot Size	Year Built
Site address	Tax information
Legal description	Assessed Value
Improvement information	Market Value
Bedrooms	Land Zoning
Bathrooms	Owner Information
Sales Information	Photograph

The naco.org link will take you directly to the home page of the county you are interested in.

Notes

Use the search tool on the county website if it is available. Use keywords such as “tax sale” “tax lien” or “auction” to locate the information you need.

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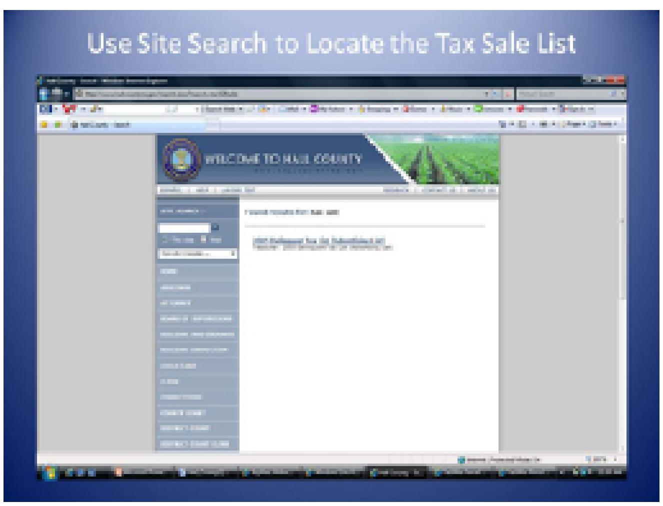

The search tool took me to the county tax sale list. The list can usually be found in the county treasurer, or tax collector’s section of the website.

Notes

Tax sale lists can have thousands of parcels. The size depends on the size and population of the county.

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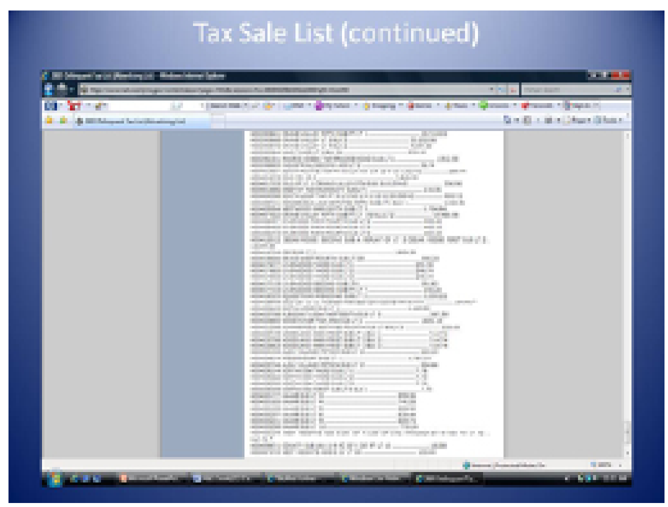

Your next step is to research the lien. Copy the parcel number for the lien and locate the Assessor's link. The Assessor's web page will often have parcel search tools to locate county records.

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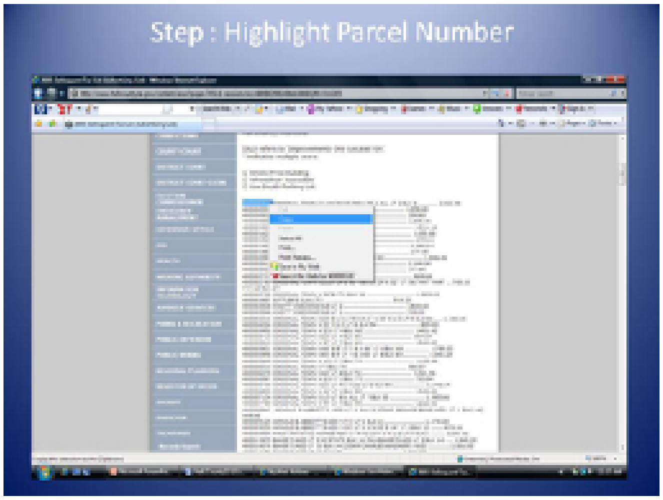

The Assessor's office can be found under the "Elected Officials" tab

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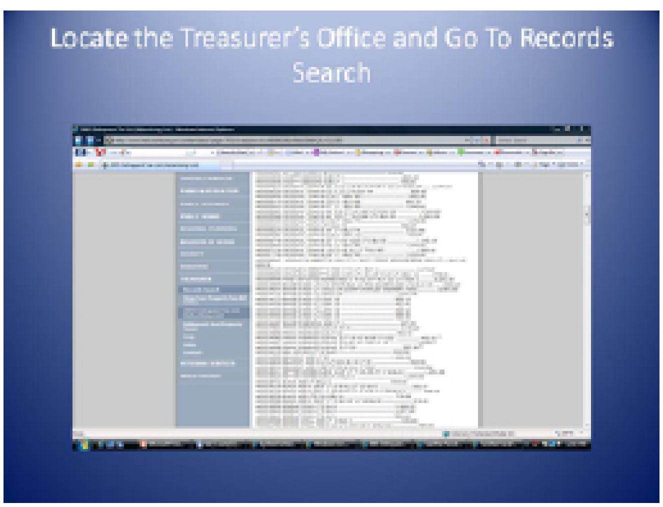

Paste the parcel number in the search tool located in the Assessor's section of the website.

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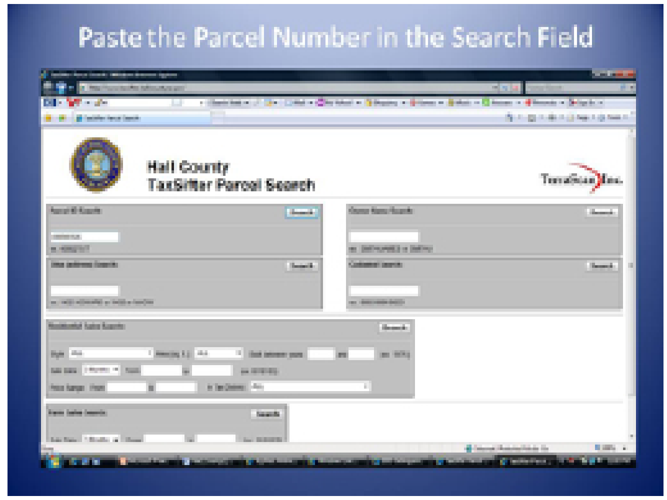

This website provides links with every parcel. One link is for the Treasurer's information on the property and the other is for t he Assessor's information on the property. Both are useful.

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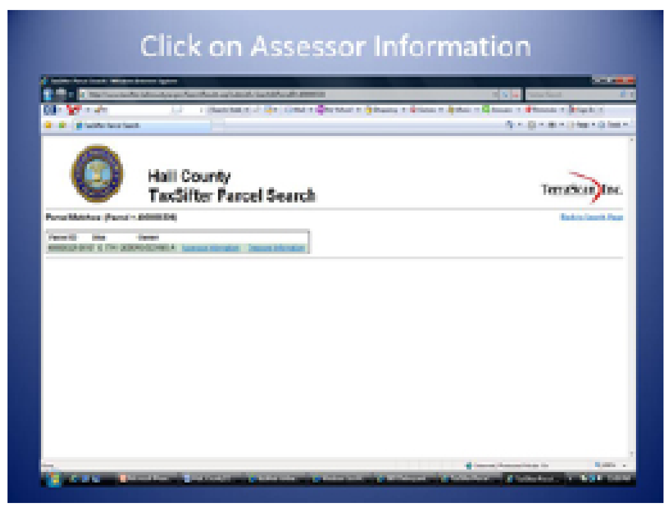

The assessor's information about a property often includes size, improvements, bedrooms, zoning, sales history, and assessed value.

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All of the information the assessor has can help you value the property. Assessed values are typically low, but can help you determine whether a property has little, or no value.

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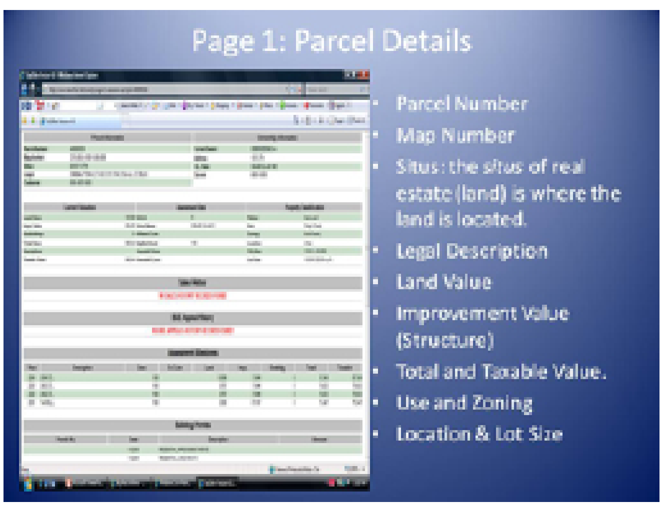

This property record actually has a picture of property. Use sites like Yahoo Real Estate, or www.zillow.com to find satellite images and estimates of property value.

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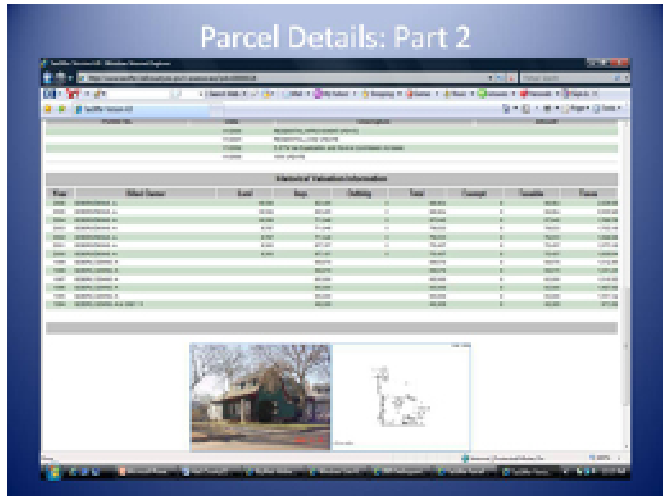


CHAPTER 8

Reading Tax Sales List

"Go confidently in the direction of your dreams! Live the life you've imagined. As you simplify your life, the laws of the universe will be simpler."

– Henry David Thoreau

Reading a tax sale list can seem complicated at first. However, it becomes much easier once an understanding is gained about the information that's included in most lists. There are many types of tax sale lists found throughout the country. Listed below are some of the most commonly used county lists.

- Pre-Auction Tax Lien Certificate Lists
- Assignment Purchasing Lists for TLC (over the counter)
- Pre-Auction Tax Deed or Redemption Deed Lists
- Assignment Purchasing List for Deeds (over the Counter)

What information is included in the list?

The information included varies, but will usually consist of the following:

- **Legal Property Owner** – You can usually find the name of the legal property owner included in tax sale listings.
- **Parcel Number** – In the same way a social security number identifies a person, a parcel number identifies a property.
- **Amount Due** – This part of the listing includes how much is due, and usually includes all delinquent taxes, penalties and fees.
- **Legal Description** – There are four types of legal descriptions used with real estate in the United States. The 3 systems used are Lots and Block, Government Land Survey, Metes and Bounds and Monuments.

These items can also be included in a tax sale list.

Property Address – this will be the Physical address of the property.

Zoning Class – this will designate what the property's zoning classification. A few examples would be residential, agricultural, industrial or commercial.

Assessed Property Value – This is the county's assessed value for the property.

Other Ways to Locate Tax Sale Lists

There are many ways for an investor to find current tax sale lists. With over 3000 counties to work from there is always a sale going on somewhere. Listed below are some different resources that can be used to locate and evaluate tax sale lists.

The Internet: The internet is one of the easiest and quickest ways to research counties and locate tax sale lists. Your research should focus heavily on county websites. There are a variety of ways to find county websites including internet search engines, www.naco.org, state websites, or contacting the county directly. After locating the county web address enter the destination in your computer's address bar. Shortly after logging in you will be directed to the website's home page. Look for the link to the government agency that handles the delinquent taxes or the tax sale. This can often be a local tax collector, treasurer, sheriff, county clerk, or constable, depending on the county. Once you have logged into the agency link that handles the tax sale, you should see a link where information about the annual tax sale is available. These steps may vary from county to county, but can usually be easily navigated with a little practice.

Some counties provide an extraordinary amount of information investors need to properly research and invest. This information might include tax sale lists, registration information, and questions and answers regarding county regulations. Smaller counties may only provide investors with the department head's name and the county's address and phone number. Your ability to navigate county websites will improve as you become familiar with a variety of county website. After doing this several times you will find that you can do it quickly and without many problems.

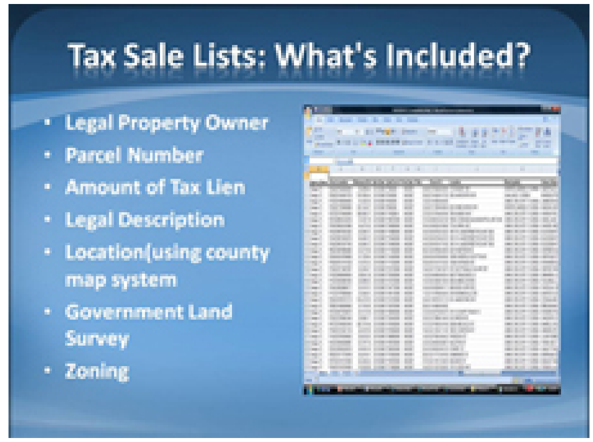
As you browse through county websites, pay careful attention to any links titled "Tax Sale List", "Assignment Purchasing List", "Land Auction List", or "Delinquent Tax List". Some counties enable you to download these lists directly from their site, or they may prefer to email you a current list. These lists may not be available at all times of the year, but are re-populated a month or so before the sale date. A quick call or email can be a very effective tool to get the information you need if you are unable to locate the information online. One of the advantages of researching counties using the internet is the amount of time you can save. Read all that you can about the policy and procedures counties use when performing your research. Doing this will help you avoid common mistakes while you are getting started.

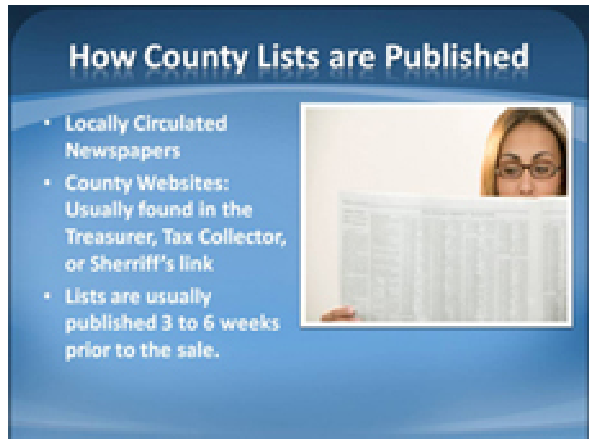
Mail: Mailing requests is a great way to contact several counties within a state with minimal time and effort. Always include a self addressed stamped envelope with your request to the county. One disadvantage of using the mail system is there are no guarantees that the county will send anything back, and the process could take anywhere from 2 to 6 weeks. Most counties are not required by law to reply to such requests. Anything that you can do to improve your chances for a response is recommended.

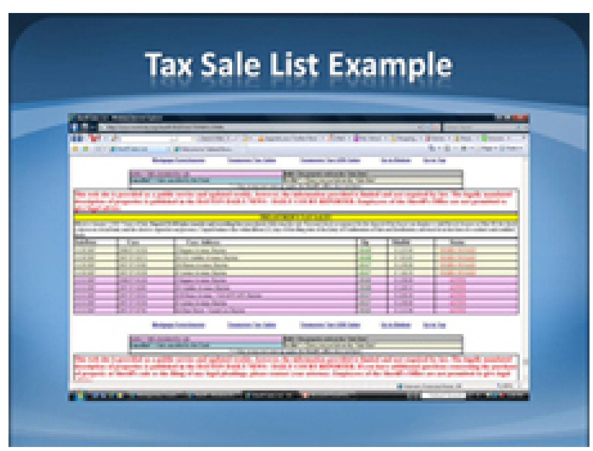
Email: You can usually find the email address for county officials in the same section of the website you located the tax sale details.

Telephone: One of the quickest ways to get in touch with the county is make a phone call. Before calling the county, write down any questions that you might have. A friendly voice and the right questions go a long way when working with county's hourly paid employees.

Broker: Companies that collect tax sale lists from counties across the country are called brokers. They may pay the county for these lists. They charge investors to use the list, or use the website to find lists throughout the county.







CHAPTER 9

Risks and How to Avoid Them

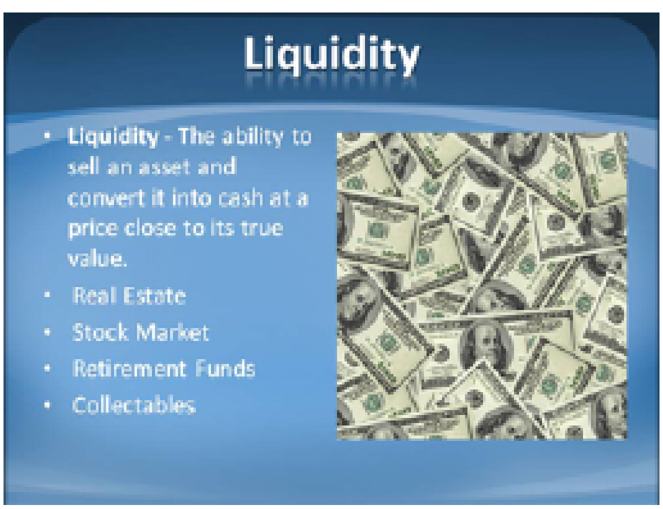
"Fear doesn't exist anywhere except in the mind."

– Dale Carnegie

Tax liens and deeds are unique in the world of investments. They seem to break all of rules that define most forms of investing. In order to better understand some of the potential risks investors may face, let's recap some of the characteristics of liens and deeds. First, all liens and deeds are issued by the local government and are enforced by state statute. Second, tax liens are classified as first position liens, meaning they take precedence over other financial obligations including mortgages. The following section will outline potential risks associated with tax liens and deeds as well as how to avoid them.

Liquidity

Many forms of real estate investing require high levels of capital be committed for what is often an unknown length of time. Liquidity is the term used to describe how readily available capital is. Capital that is liquid is easily accessible for investments, while capital that is not liquid may not be used until the terms of the involved investment are satisfied. Many investments require investors to sell the investment before a return is made. Investments such as these are considered to have a low level of liquidity. A downside of many forms of real estate investing is the lengthy time period before a return may be collected.

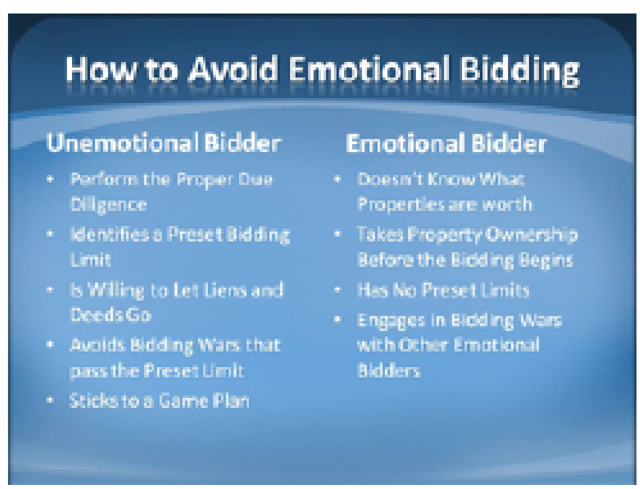


Time Frames

Some may view the time frame involved with many tax liens as a downside. However, longer investment periods are only a potential risk if you're investing funds that you need. Both tax deeds and redemption deeds have redemption periods that range from 60 days to 5 years. Most redemption periods fall between 18 months and 3 years, although the actual time in which they redeem may be much sooner. If lengthy time frames do not fit your investment strategy, avoid states with longer redemption periods. There are over 3000 counties in U.S. If the county statutes and procedures don't fit well with your objectives, move on and find a county that does.

Emotional Bidding

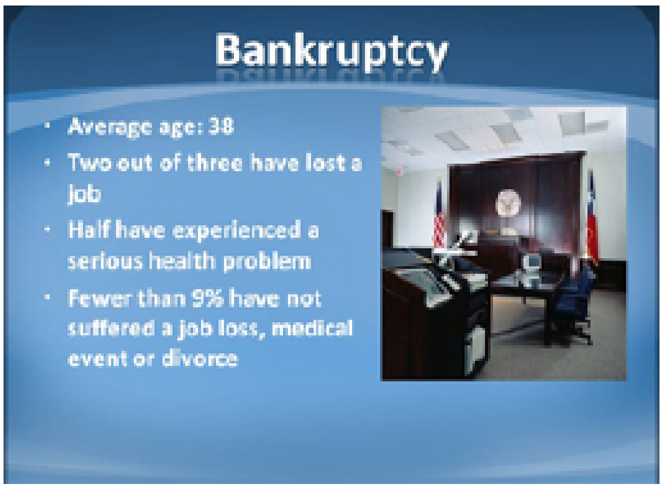
This risk is more attributed to the investor than it is to tax liens or deeds. Those familiar with oral auctions may understand why emotional bidding would be listed as a possible risk. Auctions are competitive in nature. In fact, those conducting auctions depend on the competitive nature of auctions for their successful operation. Emotional bidding can manifest itself in bidders that make foolish decisions based on emotion. We have witnessed emotional investors bid properties up far beyond what they were valued at simply because they didn't like being out bid. Can you imagine how



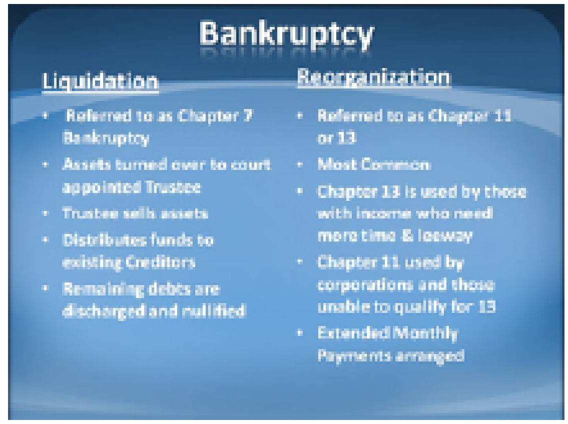
much money this foolish thought has cost investors? This could cost the investor at the auction at least 10 thousand dollars, maybe even more!

Bankruptcy

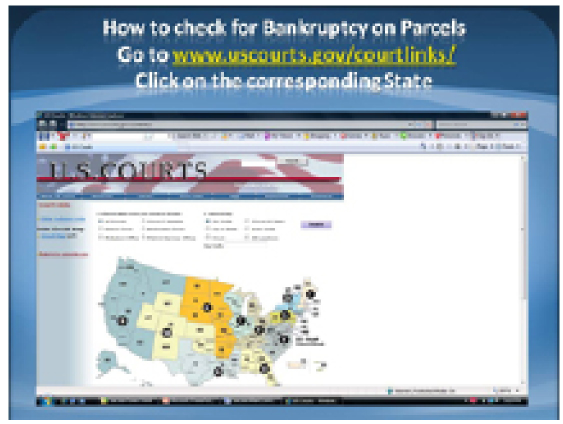
Each year the number of bankruptcy filings grows considerably. A brief explanation of bankruptcy procedure may help you understand if there are risks, and if so how you may avoid them. Bankruptcy exists as a form of relief for those unable to pay their debts.



Under U.S. law, bankruptcies fall into one of two categories, liquidation and reorganization. Liquidation bankruptcies are commonly referred to as Chapter 7 bankruptcies according to the U.S. bankruptcy court. The debtor turns over all assets (except for those that are exempt) to a court appointed trustee, who sells the assets and distributes the funds to the existing creditors. Any remaining debts are discharged and nullified. The other category is called reorganization. Reorganization is probably the most common form of bankruptcy and is referred to as Chapter 11 or 13. As an investor you can choose to avoid liens with bankruptcies. If you find out that a lien you already have has a bankruptcy filed, you may consider consulting with an attorney. Most bankruptcies do not include tax liens with other debts that are filed. Your investment is not lost in most cases.



Step 1



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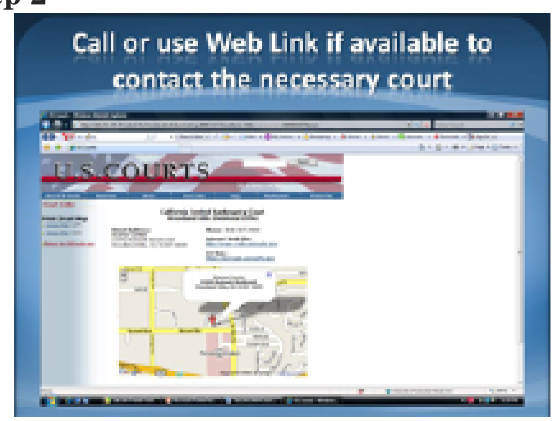

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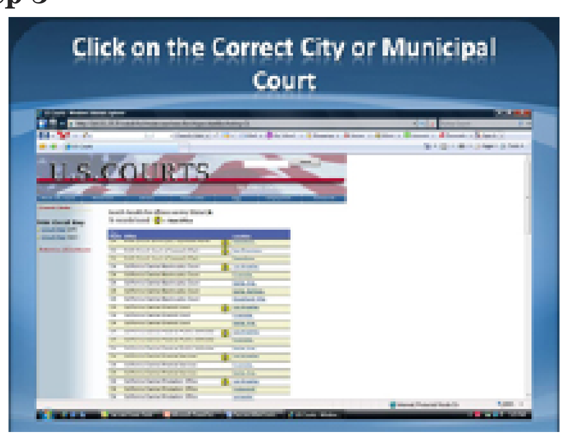

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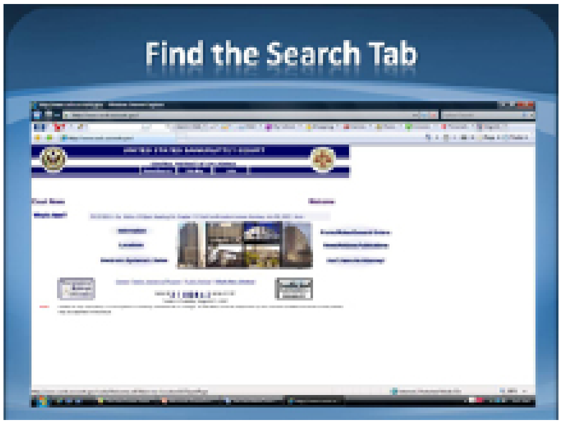
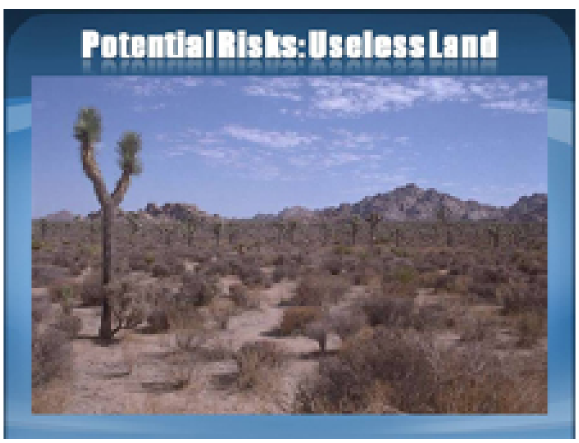


Useless Land

As you research properties and attend sales you will find many properties that offer tremendous investment opportunities. You will also find a lot of properties that that would be considered useless. Every publicly owned property is subject to annual property taxes. When a property with no real use or value is taxed, many property owners make a conscious decision to withhold property taxes. They want to lose the property to foreclosure. This may happen for a number of reasons. The county assessor may have evaluated the property wrong, in which case the property owner may be asked to pay a substantial tax annually. The property owner can dispute the assessor's evaluation, but this requires time and effort. Often times a property owner would prefer to let the property go than to put time or money into keeping it.



Beware of useless properties. When it comes to tax liens, one of the biggest risks an investor faces is purchasing a lien on a property that has no use and little value. These properties will most likely not redeem due to a lack of value and use. The owners might have made the decision to voluntarily let them go. Following the redemption period the certificate holder may foreclosure on the property and take ownership. The problem at that point is what to do with it. Useless land could be small parcels with drainage easements, or odd shaped properties between building lots. Only an onsite evaluation will allow you to determine a property's value or a potential sale.

Many properties that appear to have no use are literal diamonds in the rough. Properties adjoined to building lots or residential properties are great examples. Most home owners would be more than happy to increase the size of their lots. The advantage of properties such as this is they are usually inexpensive to acquire, although this is not always the case. We have witnessed worthless lots sell for more than $20,000 dollars at deed sales due to a lack of research on the part of the buyer. Many counties offer online maps to help demonstrate where parcels are located (see chapters on due diligence and locating county lists). This can be a valuable tool when reviewing tax sale lists. The properties with potential value can be narrowed down by those you see on site.

Those investing out of state, or site unseen, should avoid questionable properties and focus more on single family dwellings and commercial properties. It's hard to go wrong on homestead properties.

Those who seek secure interest rates will find that delinquent property owners rarely allow homes to be foreclosed on by the county. If by chance a property does not redeem and is foreclosed on, a homestead property is acquired for a fraction of the actual value. The best way to avoid worthless land is to properly research everything you bid on. Most worthless property liens are among the lowest priced certificates at the sale. This only makes sense seeing that most worthless lots have low assessed values, and therefore low property taxes. Avoiding the lowest priced liens is no guarantee, but it will help to weed out many of the undesirable properties.

Environmental Issues

Environmental issues are those classified as being contaminated, or require specialized clean up by certified parties. An example of a property with environmental issues might be an old gas station with underground gas tanks, or a commercial or industrial property that disposed of chemicals or solvents improperly.

In most cases the county or city will make note of any environmental issues they are aware of, and include it in their description of the lien at the sale. Is it possible for the county to sell properties with environmental issue without letting bidders know about it? The county can't reveal something they are not aware of. The danger of purchasing a property like this is found in U.S. Code Title 42 Section 9601 (20-I) which states that property owners are responsible for contamination, even if it existed prior to ownership. The law gives a provision to tax lien investors that does not classify them the same as an owner or operator.

An easy way to avoid environmental risks is to avoid questionable commercial properties. You may gravitate towards other types of property as your experience and funds increase, but to begin you would be better served to focus on simple and generic properties. One way to check a property for any environmental issues is to reference the EPA website for known environmental sites. Performing a title search will reveal any potential hazards, and should be considered before bidding on highly valued tax deeds.

Other Liens

There are a number of liens that can survive the foreclosure of a tax lien. Generally speaking, the foreclosure of tax liens will remove existing financial debts and obligations. Potential exceptions may be a variety of primarily government liens. Most states disclose any information they possess about impending liens prior to the auction in the county lien information. Those liens include:

I.R.S. liens: Liens may be placed by the I.R.S. on an individual's assets due to nonpayment of taxes.

Federal Government Lien: This may be the same as an I.R.S. lien, and is usually the result of unpaid federal taxes.

State Income Tax Lien: Some states may give equal priority to State Income Tax Liens, meaning they may survive foreclosure and prolong the process of acquiring property or the redemption thereof.

State Sales Tax Liens: Some states may create a lien against the property of a taxpayer that is delinquent on payment of the state sales tax. This is rare, but possible.

Mechanic's Lien: Most states utilize mechanic's liens to help those performing improvements or repairs on homes collect on unpaid services. Most states do not include these liens as those surviving foreclosure.

These liens may, or may not affect investors, depending on the investment strategy being used. Those investing in deeds should seek a local title company to perform title searches on potential investment properties. A simple title search is relatively inexpensive (around $40 or $50 dollars), and can help investors learn more about the property they intend to purchase. The cost of a title search should be viewed as part of the overall investment, and is justified by the amount typically invested to acquire deeds. Avoiding potential problems before you own them can save you countless dollars and time.

Easements and Ditches

An easement by definition is a right of way giving individuals other than the owner permission to use a property for a specific purpose. A common example of an easement is land with drainage. This land is required by the state or county to have a drain due to its location. A person that owns this property may do as they wish with the property as long as it does not interfere with the operation and maintenance of the drainage system. As you research properties prior to sales, you may be surprised by the number of ditches and drainage parcels you come across. Avoid these properties due to their lack of value and use. These properties are sold at auctions regularly because owners would rather let them go than pay the annual taxes.

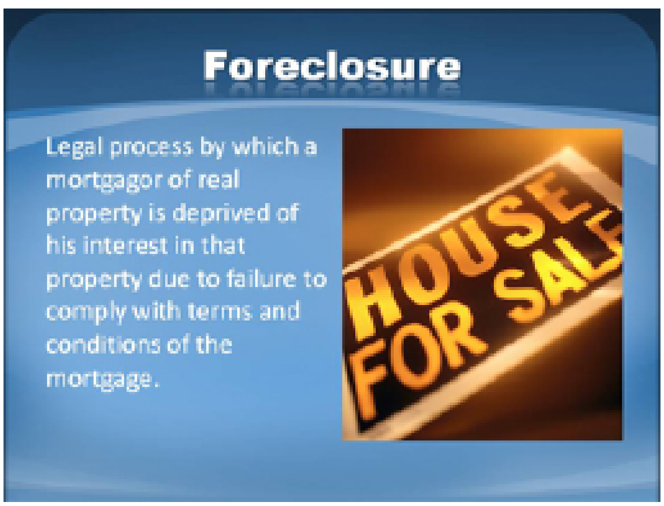
CHAPTER 10

Foreclosure

"Thinking will not overcome fear but action will."

– W. Clement Stone

Foreclosure proceedings should be understood by anyone investing in Tax Liens or Deeds. The first thing to understand is where the foreclosure process fits into the timeline of tax liens. Depending on state procedure, one of two things will happen following the set redemption period. The first is referred to as self executing foreclosure. Self executing means that the county handles all foreclosure procedures. The lien holder will receive a letter from the county treasurer stating that the redemption period has passed, and that a deed to the property will be mailed out once proof of certificate ownership is made and any required fees are paid. The second type is not self-executing, but requires the filing and procedures to be performed by the lien holder. This requires lien holders to follow strict protocol to foreclose on the borrower's right of redemption.



Foreclosure by definition is the process of removing, or barring an individual of the right to redeem a mortgage. It is also a process lenders pursue to recover collateral. The title or rights to the title are taken from the borrower as well as any interests or rights thereof.

Non-Judicial, or Power of Sale Foreclosure

The two most common types of foreclosure used are Judicial and Non-Judicial Foreclosure. The terms of the mortgage contract, or deed of trust determine which method is utilized in any given foreclosure. Non-Judicial foreclosures are also referred to as "power of sale foreclosures." Most lenders choose to include a power of sale stipulation in their mortgage contracts. The right to exercise non-judicial foreclosure must be created in writing, and is usually included in the contract. This allows the lender to take possession of the collateral (property) and sell it at a public auction without involving the courts in a foreclosure suit.

Without this stipulation, a lender must file suit against the borrower to receive legal authority to repossess the property. Imagine the incredible costs that would be incurred by lenders if court foreclosure suits were required for every foreclosure? In a power of sale foreclosure the trustee named in the deed of trust may sell the defaulted property at the request of the lender. Following the conditions set by the deed of trust, the trustee may initiate the foreclosure sale according to the legal procedures set forth by the state the sale was conducted in.

Judicial Foreclosure

The second type of foreclosure used is known as a judicial foreclosure. A judicial foreclosure requires mediation by the court, which officiates in the public sale of the property. The general procedures involved with a judicial foreclosure are similar in most states. However, each state has unique foreclosure laws and protocols that must be adhered to in order to enforce the foreclosure, and avoid added litigation. Many of the procedures followed in judicial foreclosures are similar to those found in power of sale foreclosures.

Tax Lien Foreclosures

Tax lien foreclosures are nearly identical to standard mortgage foreclosures. The lien holder acts in the same capacity as a mortgagor or lender. Most of the differences are found in the foreclosure laws which vary from state to state. Some states use a judicial system, although many allow lien holders to execute non-judicial foreclosures. Each state has statutes and procedures that must be closely followed. Failure to comply with procedures could forfeit a lien holder's rights to the property. While specific laws and procedures may differ from state to state, the general process is the same. A basic understanding of foreclosures should help you navigate the necessary steps required to acquire properties in most jurisdictions. If an investor is not confident in his or her abilities, or does not understand certain statutes, the services of a lawyer should be considered.

Titles or Deeds

Types of Titles

Following the completion of the foreclosure, the county will issue the certificate holder one of the following deeds:

- A Treasurer's Deed
- A Sheriff's Deed
- A Tax Deed

Although these deeds convey property ownership, they are not considered good titles due to the lack of a warranty deed. A warranty deed conveys that the deed grantor (the county) will protect the grantee, or one receiving the deed, against any and all claims against the property. Most counties will not take on the responsibilities and risks associated with the issuance of a warranty deed. A title must be free of all defects and potential liens before a property can be sold. This is because most lenders are leery of the risks associated with a clouded or doubtful title, and will not lend against the property. Most buyers will also avoid these types of titles due to the inability to insure the property with title insurance.

Title Insurance

Title insurance guarantees the owner has the title to the property and may legally transfer it to a buyer. If a problem were to arise with the transference of the title, the title insurance company would stand liable to pay any and all damages.

Quiet Titles

To rectify a clouded title, a quiet title action must be initiated in which all claims against the title are "quieted". A lawyer will most likely be needed to initiate this action, which professes title ownership to the courts. Once the courts are satisfied as to the ownership of the title, a quiet title judgment is made by the courts and is legally recorded as a "good" and insurable title.

Quitclaim Deeds: Making the Fast Sell

A property can be sold to investors with any of the titles you would receive directly from the county. The purchase price will be significantly lower due to the title status, but the low purchase price and quick turn around make this a common practice among many tax lien investors. Potential buyers may be found a number of ways, including newspapers and classified ads. Many online classified sites are also a great way find potential buyers.

Establishing a relationship with more than one buyer group will ensure the highest prices are continually paid for those properties being sold. Look for those purchasing organizations that advertise their interest in buying any home, or offer fast cash for homes, as these are usually buyers that specialize in clouded titles and have the capital to purchase these homes outright. Once a buyer is found and a purchase price is established, an attorney may use a quitclaim deed to transfer property ownership rights. Quitclaim deeds are a simple way of transferring titles and offer no guarantee about the condition of the title.