Frequently Asked Questions

1. Will this course teach me what I really need to know to understand tax sales and safe investing?

Absolutely. NTLA U's lead instructor is Brad Westover, the Executive Director of the National Tax Lien Association, the only non-profit trade association and most trusted educator in the tax sale industry. Brad has invested $1.5 billion in tax certificates over 28 years. Brad is also a Director with the National Association of Realtors.

2. What is the difference between a tax lien and a tax deed?

A tax lien is a claim against the fees (interest + penalties) associated with the delinquent property taxes, backed by real estate (land and improved property). A tax deed refers to a legal document granting ownership of a property to a government body when the owner fails to pay any associated property taxes. A tax deed gives the government agency the authority to sell the property to collect the delinquent taxes.

3. What do you need to understand in order to invest in tax certificates safely?

Everything that is included in NTLA's Master Class. (Modules 1 – Modules 12)

4. Who benefits from Tax Lien Certificate Sales?

Investors, local governments, current taxpayers, delinquent taxpayers, and America's communities all benefit from tax lien certificate sales.

5. How do investors benefit from Tax Lien Certificate Sales?

Tax investors have a legal claim for the penalties and interest on the tax certificates they purchase. If payment on the delinquent taxes is never made the investor has the right to begin a tax foreclosure and could force a redemption (payment) or potentially a claim on the real estate.

6. How do local governments benefit from Tax Lien Certificate Sales?

Local governments (counties and municipalities) receive immediate cash to fill the budget shortfall caused by delinquent taxpayers. They also transfer the risk of non-payment to the private sector.

7. How do delinquent taxpayers benefit from Tax Lien Certificate Sales?

Delinquent taxpayers often are allowed to pay less because the interest rate is bid down from the statutory rate. They are also given time to pay their taxes without losing their properties. Some states even allow installment/partial payment plans.

8. How do current taxpayers (non-delinquent) benefit from Tax Lien Certificate Sales?

Tax lien certificate sales assure that everyone pays their fair share of taxes. They are no longer threatened with tax increases to cover those not paying.

9. What government services are funded by property taxes?

Government services such as public schools, public health, emergency services (police and fire), Parks and Recreation, etc. are funded by property taxes.

10. How do local governments (Counties/Municipalities) process property taxes from start to finish?

Review Module 2.

11. What are the roles of county property appraisers, tax collectors, and treasurers?

County property appraisers are tasked with assessing the value of every real estate parcel within their jurisdiction (both vacant land and improved property) as a basis for ad-valorem taxes to be calculated. Tax collectors are charged with noticing, billing, and collecting real property and personal property taxes. Treasurers are tasked with safely investing and safeguarding local government funds.

12. What typical procedures do local governments use to prepare for a tax sale?

Every state, and even some counties, often have different policies and procedures. The best source for the exact procedures is directly from the local government or their designated auction vendors. The general procedures include: 1. notifying delinquent taxpayers 2. advertising in the local paper 3. contracting with a 3rd party auction vendor 4. publishing the procedures for the auction including: the registration requirements, the deposit requirements, the auction website or physical location of the auction, the bidding protocol, final payment instructions.

13. How are tax lien certificates sold to investors?

Tax lien certificates are sold via auctions both live and on-line, sealed bids, securitizations, and secondary market traded from investor to investors. See Module 5.

14. Are there different types of tax certificate auctions?

Yes. There are a variety of auction procedures. See Module 5.

15. What are the legal rights of a tax certificate investor?

Tax certificate investors own the rights of a lien holder. In short, the rights to any fees, penalties and interest and if the delinquent taxpayer never pays the right to commence tax foreclosure and receive either their interest income or potentially the property via a tax deed. During the redemption period the tax investor has no rights to access the property.

16. What is a property tax redemption?

A property tax redemption is the payment of the back (delinquent) taxes with associated fees, penalties and interest. This redemption payment can be made by the delinquent taxpayer, family or friends, a mortgage company, etc.

17. How are redemptions processed? How do I get my investment back?

Typically, delinquent taxpayers pay their back taxes (penalties and interest) directly to the county. When the county receives the funds, they remit payment onto the tax certificate investor. In some rare occasions, the tax investor is asked to collect their investment directly from the taxpayer.

18. What is the "statutory" rate of interest for tax certificates?

The statutory interest rate simply means the maximum rate of interest set by state statute that a delinquent taxpayer can be penalized for paying late.

19. What if a delinquent taxpayer never pays on one of your tax certificates?

The delinquent taxpayer is at risk of losing their property through a tax foreclosure.

20. What are liens and encumbrances?

A lien is a claim, or legal right against assets, that are typically used as collateral to satisfy a debt or obligation. An encumbrance is a claim against a property by a party that is not the owner. An encumbrance can impact the transferability of the property and restrict its free use until the encumbrance is lifted. The most common types of encumbrance apply to real estate; these include mortgages, easements, and property tax liens.

21. Can you learn anything from past redemption history?

Of course. As an investor, would you like to know that Mr. Smith has been delinquent in paying his taxes for the past 8 years, but he has no other delinquent taxes because he pays every year in March? Or alternatively, would it be of interest to you that 90% of single family homes redeem in the first 3 months after the tax sale?

22. How do property tax foreclosures work?

Tax investors may initiate a tax foreclosure once a set statutory time period has been offered for a redemption period. Depending on the state, tax foreclosures can either be judicial (lawsuit) through the court system or administrative (government processed). For detailed instruction see Module 9.

23. Is lien priority important?

It is absolutely essential to understand lien priority. Suppose you buy a tax lien this year that was also delinquent the prior two years and has two other tax lien holders. Who has the right to tax foreclose first, the oldest tax lien or the newest tax lien? Also regarding lien priority, you should understand lien priority as it relates to IRS liens, code enforcement violations, property tax liens, mechanics liens, etc. Government property tax liens are generally considered a "super priority" liens to be paid first (or at a minimum on the same level as a federal IRS lien).

24. How do I leverage my purchasing power with bank financing?

Bank lending options to finance tax liens is detailed in Module 8.

25. What is the best way to set goals when investing in tax lien certificates?

The criteria for your investment decisions can be found in Module 4. First, determine if you like arbitrage spread of tax certificate investing, or if you prefer real estate acquisitions through tax deeds.

26. What is the best way to select states for investment

The best way is to study the detailed nuances outlined in every state/county. Ask a Certified Tax Lien Professional for additional intel that can only be garnered from experienced investing. Study the downloadable file found in Module 3.

27. What questions should I know before selecting which state to invest in?

The detailed questions you need to know are found in Module 4.

28. Where can I find tax sale listings and supplemental data?

There are three ways to obtain tax sale listing data: 1) from the government directly, 2) from the auction vendor site and 3) from a 3rd party supplemental data provider.

29. What are the most important data points to analyze?

The essentials of pre-auction due diligence can be found in Module 4.

30. What is the difference between Assessed Value and Market Value?

Assessed value is determined by a County Property Appraiser as the basis for property tax bills. Market value is the price at which real estate would sell for on the open market. Assessed value is generally always less than market value to prevent taxpayers from revolting that they are paying too much in taxes.

31. How can I compete with large banks and hedge funds?

This information can be found in Module 8. Large tax investment funds are typically interested in only properties with the highest probability of redemption (single family homes, townhomes, condos and clean commercial properties). Smaller investors have an advantage to generally knowing their local market better and can do additional due diligence such as pulling building permits, etc.

32. How do I filter tax liens into proper "buckets" to make good buy/no buy decisions?

Detailed instructions on filtering tax liens can be found in Module 4.

33. Is understanding land use classifications important?

Understanding land use classifications is absolutely crucial. See Module 4. It is especially important to understand if you are investing in a home, vacant land, a gas station, or an easement along the freeway.

34. What are the pros and cons of investing in tax liens secured by residential property?

Residential liens are generally the highest redeeming land use classification, as well as the quickest redeeming. Widely accepted as the "safest" investment if you are looking for interest income and not owning property. Very few tax foreclosures occur in America on homes, condos or townhomes. One disadvantage is you could eventually be tax foreclosing on an owner with a hardship with significant reputational risk through media, etc. In Florida, the opening bid at a tax deed auction is 50% of the assessed value for owner occupied residents…not the typical opening bid of the taxes owed.

35. What can I learn online from a county property appraiser's website?

Most property appraisers offer fantastic, detailed property information from every property in their jurisdiction. This data includes: the parcel identification number, the lot and block, the owner name, the date last sold and amount, the assessed value of the land, the assessed value of the improved property (building only), an aerial view of the property, the property tax amount, any exemptions, etc.

36. What is the easiest way to determine risk of non-payment?

There are lots of ways to determine risk, see Module 4. One of the strongest arguments to determine likelihood of payment is by calculating the lien to value ratio. Divide the lien amount by the value of the property. The lower that percentage is, the safer the investment.

37. Is understanding land value important?

Understanding land value is very important. Improved properties can always be destroyed leaving just the land. As a standard calculation, you can assess risk by dividing the lien amount by the land value.

38. When should you clearly not buy a tax lien certificate?

Risks associated with tax lien investing can be found in Module 4. There are many reasons NOT to invest in particular liens. “Loser Tax Liens” will not only not pay you interest, but they will also take your principal invested, which is no different than buying a losing lottery ticket.

39. When is desktop due diligence insufficient?

Specific due diligence guidelines can be found in Module 4.

40. How do I calculate Lien-to-Value Ratio? Why is this important?

Simply divide the lien amount by the assessed value of the property to get a LTV% calculation. Arguably the most important calculation to indicate the probability of a taxpayer redeeming (paying) the tax lien. The lower the rate the better.

41. What Lien-to-Value Ratio is generally acceptable?

Average LTV% ratios for one year’s taxes in America is generally under 15% (most around 2 to 5%). Tax lien investors that are targeting properties that may never redeem, hoping to get real estate properties through a tax deed, are generally willing to accept much higher LTV percentages.

42. How do I calculate Horizon Lien-to-Value Ratio? Why is this important?

Add the lien amount with all the costs and fees to commence foreclosure including all prior year’s delinquent taxes, attorney’s fees, filing fees, etc divided by the lien amount. In short, all your costs to take the lien through foreclosure are divided by the value of the property. This will be a higher percentage than your LTV calculation and give you a clear idea if tax foreclosing is a good or a bad idea.

43. Should you use a Realtor?

When a lien is maturing and you are contemplating commencing a tax foreclosure, it is valuable to get a local Realtor to give you a true market value of the lien collateral through a “BPO” Broker Price Opinion or a “CMA” Comparative Market Analysis. These reports are validation of your values.

44. What is an “Assignment Purchase”?

Purchasing liens on the secondary market (from other lien holders) are done via assignments. A tax investor assigns their rights over to another tax investor. Additionally, counties can sell a package of tax liens via assignment in a negotiated transaction.

45. What are “County-Held” Certificates?

County held certificates are tax liens which were offered for sale at auction and every bidder online or in the room, passed, or in other words opted NOT to buy these liens. In general, something is wrong for ALL bidders to pass. Liens that are generally in county held certificates are “easements, land locked property, swamp land, desert land, the lien amounts exceed the market value of the property. 100% of these liens need extra steps of due diligence before an investor considers purchasing anything from a county held certificate.

46. What are subsequent taxes and subsequent tax sales?

Subsequent taxes are taxes which come due after your initial purchase. In some states, the initial purchaser has the first right of refusal to also purchase the “sub” taxes. Other states simply sell the subsequent taxes to other investors. Subsequent tax rates are generally set by state statute and can increase your ROI (return on investment) because they are at a higher rate than a bid down rate.

47. How do you register for a tax certificate auction?

Registering for a tax certificate auction is easy. Every county offers clear instruction either on their website or their auction vendors website. General requirements include a W9 form, a deposit, a mailing address, the name to issue the tax certificates, and a signature on an affidavit that you understand the auction rules.

48. What is due diligence?

Due diligence is the process by which buy/no buy decisions are researched and determined both electronically and by drive by inspections. Module 4 covers all aspects of due diligence.

49. Which liens will survive foreclosure of the tax lien?

On par (equal) in priority are IRS liens and other government liens like code enforcement violations.

50. What does it mean to be “upside down” with regards to your tax certificate investment?

The Lien-to-Value ratio exceeds 100%. The lien amount exceeds the value of the property.

51. What is an easement?

An easement is a right to use and/or enter onto the real property of another without possessing it.

52. What are deed restrictions?

Deed restrictions are covenants written with a Homeowner's Association that restrict specific uses for a property. For example, a home cannot be sold, no one living in the home can be under the age of 55, the home can only be painted with the HOA approved colors, or no trucks are allowed in the community unless they are parked in the garage, etc.

53. What is a federal tax lien?

A federal tax lien is the government's legal claim against your property when you neglect or fail to pay a tax debt. The lien protects the government's interest in all your property, including real estate, personal property and financial assets.

54. What is environmental liability or EPA risk?

An environmental liability is a probable, measurable and reasonably estimable future expenditure of resources that exist for environmental cleanup costs resulting from past transactions or events. EPA risks come from acquiring tax liens on real estate with environmental risks (gas stations, dry cleaners, etc).

55. What is the Superfund Act and why should you know about it?

The US federal Superfund law, officially the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), established the federal Superfund program, administered by the Environmental Protection Agency (EPA). The program is designed to investigate cleanup sites contaminated with hazardous substances. Sites managed under this program are referred to as "Superfund" sites. There are over 40,000 superfund sites in America.

56. How does bankruptcy affect tax liens?

Everything you need to know about tax liens and bankruptcy can be found in Module 9.

57. What is a tax lien foreclosure?

Tax lien foreclosure is the sale of a property resulting from the property owner's failure to pay their tax liabilities. A tax lien foreclosure occurs when the property owner has not paid the required taxes, including property taxes and federal and state income taxes. All legal ramifications regarding tax foreclosures can be found in Module 9.

58. What is a judicial tax foreclosure?

A lawsuit through the US courts to give a delinquent taxpayer proper noticing of eminent loss of property if the taxes remain unpaid. The tax certificate investor files the suit and is the party who stands to take ownership if redemption does not occur.

59. What is an administrative tax foreclosure?

The tax foreclosure process administered through the local government. Local governments coordinate the foreclosure noticing requirements through the tax collectors and clerk of the court departments.

60. What is a quiet title suit?

An action to quiet title is a lawsuit brought in a court having jurisdiction over property disputes, in order to establish a party's title to real property, or personal property having a title, of against anyone and everyone, and thus "quiet" any challenges or claims to the title.

61. What is the best way to select an attorney for your tax foreclosures?

The NTLA recommends utilizing tax foreclosure attorneys that are members of the association.

62. You own a tax deeded property, now what?

To get a clear and marketable title and maximize your ROI follow the steps outlined in Module 6.

63. What if your tax deeded property is occupied by tenants?

Option #1 to consider is selling the home to the tenant. Many tax lien investors have found this is the first and best option to give a tenant the American dream of homeownership.

64. How do you sell a tax deeded property?

The process is quite simple. Get another BPO from a Realtor, attempt the various work out solutions found in Module 7, or get advice from a local Realtor on the economics of renting or selling.

65. What must your general contractor have before hiring the work to be performed?

Contractor's insurance, bonding, a license, and references.

66. What is a lease option?

A lease option is an agreement that gives a renter a choice to purchase the rented property during or at the end of the rental period.

67. What are my best options to continue learning and networking?

NTLA University is the required first step in earning your designation as a Certified Tax Lien Professional (CTLP) offered through the National Tax Lien Association. The best networking with other professionals in the tax sale industry occur twice per year at the NTLA Annual Conference in Florida in February/March and NTLA's Fall Symposium in October.