

Coach Mitch's®

Tax Delinquent Property

"Ridiculously Simple System..."®

**Techniques
To Own or Control
Tax Delinquent Property**

Before, During or After the Tax Auction Sale

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Coach Mitch

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The techniques described herein, allow anyone to invest successfully in tax delinquent property. The ideas generated here are powerful. Choose actions wisely, treat those in trouble with respect, and follow through with all promises and decisions. Consider this a great opportunity. Good luck.

Feel free to call with questions. 518-439-6100 until midnight EST

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Techniques To Own or Control Tax Delinquent Property Before, During or After the Tax Auction Sale

Introduction

Investing in tax delinquent property has been a well kept secret. This is the most comprehensive book of techniques that has yet been put together. Many years of experience and education have been poured into this publication. The insights shared should be considered carefully.

There are many, many techniques, which can be used to profit in the real estate investing world. The reader / investor should concentrate on those few techniques that suit their personality. Described in this manual, are enough ways to invest so that only a few techniques should be enough to occupy oneself. However, it is good to understand all the techniques so that one can work with any situation that is stumbled upon.

IMPORTANT - Author's Assumptions

The author assumes that the reader is familiar with the basic terminology of real estate investing. Industry jargon has been kept to a minimum.

The author assumes that the reader can / will teach himself, or take classes, or engage a coach, or otherwise acquire the knowledge, to put into practice many of the actions described in this manual.

Each topic in this manual is treated as a stand-alone idea. A fuller explanation of many of the ideas can be found in other parts of this course. If an idea appeals to the reader, it must be thoroughly investigated.

The author is not an attorney and this manual gives no legal advice. The reader is noticed that they should engage competent professional help prior to attempting any of these strategies. All paperwork must be created, overseen, and be compliant with the law of the state being invested within.

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Strategies To Follow Before The Tax Sale

- 1 Determine what your plan is.
- 2 If you want a good rate of return, then do tax lien certificates.
- 3 If you want to buy and then sell, then do tax deed auctions.
- 4 If you want to buy and hold or rent, then do tax deed auctions.

1 Basic Plan To Locate Tax Delinquent Properties and Tax Delinquent Property Owners

- 5 Contact the county Tax Commissioner to see how the lists of Tax Delinquent property owners are stored within that county: computerized, fiche, paper, card, or tape.
- 6 Get the entire tax delinquent property database list from any of the 3332 counties where you may be interested in doing business.
 - 6.1 Because there are so many counties, you can choose where in the country you wish to invest. Easiest are those counties which are within a one hour drive from your home base AND where the county records are online.
- 7 Know when the properties tax delinquent status will be made public.
- 8 Contact the tax delinquent property owner at some point prior to the property being publicly listed in the newspaper for being tax delinquent.

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- 8.1 The further from a tax sale that you contact the tax delinquent, the lower their motivation to sell at a great price, because they feel that they still have time to pay the taxes.
- 8.2 However, you have the opportunity to determine the seller's motivations and you can control the property via **Coach Mitch's famous \$1 Option**, allowing you significant time to sell the property for a profit.

8.3 **IMPORTANT - Determine your level of marketing**

There are often many thousands of tax delinquent properties to contact, research, and view. Because there are so many tax delinquent properties, you cannot do a good a thorough research job. Too many leads - what a terrible situation!!

You MUST restrict your marketing to the number of properties that you can reasonably research, view, and purchase or option.

1 Determine the number of available hours you have to research properties, view properties, and your available funds.

2 Test market and determine your marketing return rate. Thereafter, only market to that number of tax delinquents that you can reasonably deal with or you risk wasting monies, and frustrating yourself and sellers.

3 EXAMPLE: Let's say you have regular 40 hour J-O-B. With other activities, you legitimately have 1 hour free time each day during the week and 4 hours free time each Saturday and Sunday. That's 13 hours total each week.

Let's pretend that it takes 3 hours to resolve a lead, including basic computer research, preparing the marketing, conversations with prospects, drive time and miscellaneous items.

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Therefore, you can reasonably handle about 4 good leads per week.

Let's further pretend that you average a 10% response to your marketing postcards. 65 postcards sent x 60% success rate (40% failure, Not At That Address) = 4 leads. 65 postcards x \$0.50 per postcard = \$32.5/week cost. Each lead costs you \$8. Make the most of each lead.

- 8.4 When a postcard is returned by a tax delinquent it would be great to do basic research prior to speaking with that contact.

Look up the tax delinquent in the Mortgagor's database and see if the property that is tax delinquent is also mortgaged. If the property is free and clear, or nearly so, then you know that the tax delinquent has the potential to give you a great deal because there is no lien against the property.

Check for other liens and don't forget to check for IRS liens. This data will give you leverage in any negotiation.

- 9 After making contact with the tax delinquents, see what sort of transaction you can create.
- 10 Employ skip tracing techniques to find tax delinquent property owners who have abandoned their property.
- 10.1 Finding tax delinquents who have abandoned their property is the single most profitable technique in real estate investing because these owners have no expectation of making any profit and will virtually give away the property.
- 11 When the skip tracer finds the tax delinquent, see what sort of transaction you can create.
- 11.2 A closing point is: you will have no motivation to reveal to creditors or to law enforcement where the owner is – if they give you the property at a good value.

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2 Put Basic / Contact Plan Into Action

2.1 Gather Basic Information Of Property Tax Delinquents

- 12 You want data that can be used in an Excel database. Often the county will supply you lists in the format of your choice. Convert the tax delinquent lists into a usable format; comma delimited, CSV, Excel, etc. These can all be converted into Excel format.
- 13 When getting the Delinquent Tax data base, be sure that you also ask for the Property Index Code so that you can identify the property by Type, e.g. single family home, duplex, farm land, etc.
- 14 Sort the database by type of property, so you have one big list of the types of properties that you plan on working with. Excel is good for this.
 - 14.1 EX: SFH, multifamily, buildable lots, small commercial, agricultural, horse farm, timeshares, condos, etc.
- 15 Lookup the telephone numbers of the owners of the property.
 - 15.1 The internet is a good tool for this.
 - 15.2 There are many telephone number gathering sites.
 - 15.3 You may have to purchase data from these sites. Prepare a budget.
 - 15.4 You should investigate cell phone number information sites.
- 16 Lookup the email addresses of the owners of the property by subscribing to an email reverse lookup service and contact the owners via email.
 - 16.1 Insert the email address into the Excel database.

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17 Subscribe to a database acquisition service such as Accurint, Merlin Data, etc. so that contact data can be purchased.

17.1 Insert the contact data into the Excel database.

2.2 Calling Plan To Tax Delinquent Property Owners

2.2.1 Property List With Telephone Numbers

18 For the list for which you have telephone numbers, mail **Postcard #1A - Tele #**, to the address to which the tax bill is being sent.

18.1 EX: "We are interested in your property at (address / Tax ID) 123 Broadway, Some Town, Some County, Some State, Tax ID# 12345-6789. Please contact us at 555-123-4567 or we can call you. Please expect our call Wednesday evening, the 12th between 6-8 PM, or Thursday morning, the 13th, between 7-10 am."

18.2 You will be surprised at how effective this tactic is. People will be at the phone waiting for your call. Be punctual, because if you don't call, or call late, you will have lost your "good will," and it could cost you.

2.2.2 Property List Without Telephone Numbers

19 For the list where you do not have telephone numbers, mail **Postcard #1B - No Tele #**, to the address to which the tax bill is being sent.

19.1 EX: We are interested in your property at (address / Tax ID) 123 Broadway, Some Town, Some County, Some State, Tax ID# 123456789. Please call 555-123-1234 to discuss the possibilities."

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2.2.3 Sort The Returned Postcards

- 20 Sort the returns from Postcard #1A and #1B into three categories:
 - 20.1 **Postcard List #1A** - Tele Responders, all who have responded via telephone or you have called because you have the telephone number.
 - 20.2 **Postcard List #1B** - Non Responders, all who have not responded to you, and you did not receive the postcard back from the Post Office as "Undeliverable Mail."
 - 20.3 **Postcard List #1C** - Undeliverable, those from whom the Post Office has sent the postcard back as "Undeliverable Mail."

2.2.4 Following Up On The Returned Postcards

- 21 With **Postcard List #1A** -Tele Responders, try to make your best deal.
- 22 With **Postcard List #1B** - Non-responders, mail **Letter #1**
 - 22.1 EX: "This is in regard to your property at Tax ID# 123456789. The public records show that significant amounts of property taxes are owed. In a short time, the county will sell your property at a tax auction to recover the tax debt. **If you are not going to pay the taxes and only if you are not going to redeem your property, by not paying the taxes**, then contact us at 555-123-4567. As speculators in real estate, we would be interested in taking on that responsibility, giving you a token payment and providing you with a significant tax deduction."

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- 23 Included in the envelope, is a postage paid return postcard with a place the tax delinquent can place their phone numbers and the best times that they may be contacted.
- 24 With **Postcard List #1C**, Non Responders, sort these into two categories:
- 25 **Undeliverable List - Close #1A**, where you can do a drive by,
- 26 **Undeliverable List - Far #1B**, those that are far away and will be given to your team member in that area to investigate.
- 27 For property owners whom you could not contact, Give the **Undeliverable Lists #1A and #1B** to a Skip Tracer, so that he can find these folks who have abandoned their property.
- 27.1 **Tax delinquents who have abandoned their property are your best leads.** They will almost assuredly give you a quitclaim deed for a small sum, or work with you to make a very convenient and profitable transaction. They believe they have no leverage. You are giving them money that they never thought to receive.

3 Contact Property Owners Owing On Tax Lien Certificates

- 28 The tax lien certificate auction is much different than the tax deed auction because you are not purchasing the property; you are only purchasing a lien against the property.
- 28.1 However, the fundamentals are all the same. Someone is not paying their property taxes. That means that something negative is going on with the property. It is your job to contact the owner and try to ferret out enough information so you can create the right solution to the situation.
- 29 If you purchase the property, you can sell it at retail price.

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- 30 You can option the property for \$1 and sell it.
- 30.1 See **Coach Mitch's famous \$1 Option Series.**
- 30.2 There are many ways to use **Coach Mitch's famous \$1 Option.** The variations are too many to list. The biggest issue is to determine how to give the seller what he wants, but in a manner where you can make the profit you must have.
- 30.3 The option idea allows for the most freedom of movement, because if you are not required to purchase the property if the plans do not work out.
- 31 When optioning, the best potential is to option the property and then to contact the current holders of the tax lien against the property and sell the property to the lien holder. They might love the idea of getting the property now, versus waiting and then foreclosing.
- 32 The tax lien certificate sales are usually done yearly. There will often be thousands of TLC's going up for sale.
- 33 Not all TLC's are purchased, not by investors, nor anyone else.
- When a TLC is not purchased, the TLC escheats, or transfers, to the taxing jurisdiction, which is usually the city or the county.
- 33.1 You can go to the taxing jurisdiction and ask to purchase these liens. Some states allow for this contingency. This type of investing is called, "Over The Counter" because you go right up to the Tax Collectors counter to make the purchase. You will not have to bid against anyone and you will get the highest interest rate allowed by that state's law.
- 33.2 You must be very careful when purchasing liens that no one else chose to purchase. There might be a very good reason why no one purchased that lien. Check carefully. Most likely the property is not worth owning. Maybe the property is a ravine, or is contaminated, or is only 10' wide, etc.

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- 33.3 It is my personal opinion that the county should not put up property for auction sale unless it can be used for a purpose for which it is Zoned. However, the county needs cash and has no scruples about selling property that has no practical value. The county has warned you to "be careful." That seems to be sufficient for them; so "caveat emptor."

- 34 Buy Tax Lien Certificates at the Tax Lien Certificate Auction
 - 34.1 A TLC can be a great investment.
 - 34.2 Check to see the maximum interest rate the state allows. The rates vary greatly, from 8% to 36%.
 - 34.3 Learn and follow all procedures necessary for the legal conduct of owning a Tax Lien Certificate, TLC. Any violation of procedure can have serious consequences, including losing your principle, in some jurisdictions.

- 35 If the tax delinquent continues not to pay their taxes, as the owner of the previous year's TLC, you should be first in line to purchase the current year's tax lien.
 - 35.1 **IMPORTANT:** Should you allow another investor to purchase the TLC, in some jurisdictions, they, and not you, might now get the first right to foreclose the property. You will still be paid the interest on your lien, but you would not have the first right to foreclose. Know the law of succession in that taxing jurisdiction and that areas common practice, which might not follow the law exactly but will be upheld never-the-less, because, "That's just how we do it here."

- 36 Be prepared to pay the taxes until you can foreclose on the property.
 - 36.1 Know the number of years a property can be delinquent before tax lien holder's can start foreclosure proceedings.

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- 36.2 Be ready with the investment. You should plan to have enough available cash to purchase all liens up to the time that you will be legally able to foreclose on the property.
- 36.3 Your ability to foreclose can be in real jeopardy if you do not have sufficient cash to purchase all liens prior to foreclosing. Also, be sure to have the funds to foreclose. This will probably entail utilizing an attorney, at least the first time.
- 37 Foreclose on the tax lien at the earliest time that statute allows.
 - 37.1 Engage an attorney for this purpose. Judges like dealing with officers of the court because they have more credibility.
 - 37.2 This is a great way to get property for pennies on the dollar.
- 38 Another great idea is to talk to the property owner prior to the tax lien auction and only purchase the tax liens against those properties where you have determined that the potential that the owner is going to redeem the property is low, allowing for the heightened possibility that you can actually get the property for pennies on the dollar.
 - 38.1 I know of one particular investor who has created a hedge fund for buying TLC's. He enhances his ROI, Return On Investment, by contacting the tax delinquents and buying those TLC's where they say that the chance of redemption is low. He says that about 20% of his TLC's do not redeem, and he gets the property.
- 39 With the same idea in mind, talk to the property owner prior to the tax lien auction, and only purchase the tax liens against those properties where you have determined that the potential that the owner is going to redeem the property is high, allowing for the possibility that you can get a tax lien certificate redeemed quickly, earning your high interest quickly and getting a high Rate of Return.
 - 39.1 Often, a tax lien certificate will have earned the full year's interest or penalty after only one day has gone by.

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- 39.2 The Rate of Return, ROR, is greatly enhanced if you get your investment back plus the interest well prior to the statutory time limit.
- Example: a 12% annual interest is doubled to a 24% ROR if the tax delinquent were to pay in six months versus 12 months.
- 39.2 Looking at #38 and #39, it is very interesting that in both cases, the idea is to purchase a TLC and you can win big if the tax delinquent redeems or does not redeem. If there is a redemption, you get the interest or penalty. If there is no redemption, you get the property – for pennies on the dollar. You win either way. WoW.
- 3.1 An Alternate Plan:
Deal With TLC Property Owners Close To Their Final
Redemption Date**
- 40 Instead of getting the complete tax delinquent roll, an alternative strategy is to get the lists of tax liens sold in previous years.
- 40.1 Go back one year prior to the last year of the redemption period. If the property is allowed to be tax delinquent for three (3) years, then ask for the TLC records going back four (4) years. The current year is not delinquent.
- 40.2 You can go back even further. Very often, a TLC investor will continue paying for the taxes and never sue for foreclosure. These are great leads, especially on improved property. On vacant land, the taxes and interest accumulate and quickly total more than the value of the land. Be careful.
- 41 Sort all the records by the date the TLC was sold.
- 41.1 Sort the records by the column showing if the TLC was paid or redeemed and eliminate those records.

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- 41.2 The list now shows, in year date order, those TLC's still outstanding.
- 42 Contact the delinquents that are the closest to going to tax deed sale and make your best deal if they are not going to redeem.
- 42.1 Use **Coach Mitch's famous \$1 Option** to control the property and then sell the option to the TLC owner. He will no longer have to do a foreclosure, with its costs and stresses, and he will have a much easier time of getting ownership of the property.

4 Other Good Ideas To Employ Before The Tax Deed Auction

4.1 Buy Property Just Prior To The Tax Deed Auction

- 43 The city or county will publish the tax auction list about three (3) weeks prior to the auction. Scour the list for opportunities.
- 43.1 Be sure to do due diligence. You don't have much time but you are usually dealing with only a few hundred properties.
- 44 Buy just prior to the tax deed auction - literally.
- 44.1 Knock on the door the day before the tax deed auction and ask the owner if they are going to redeem the property. If the owner is not going to redeem, then offer \$100 for a quitclaim deed. The owner no longer has any expectation of being "saved" by a friend or a relative and has given up. In his mind, he no longer owns the property. Sometimes you get lucky.
- 44.2 Be sure to get the signatures of all owners – Notarized.
- 44.3 Be sure to have enough time to record your deed at the County Recorders.

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- 44.4 Be sure to be in contact with the Sheriff's office or the office that is conducting the tax deed auction and inform them that you are the new owner, that you are going to pay the taxes, and that they should pull the property from the tax deed auction.
- 44.5 You may want to let the property go through the tax deed auction and recover the overage, providing that you were able to record your deed.
- 45 You should be familiar with the rules of your taxing jurisdiction regarding the circumstances regarding removing a property from the auction
- 46 If the seller says, "No" to your offer of \$100, then be sure to ask, "What are you going to do?" They may have a plan, or they may have no answer. Ask, "What do you need to get for the property?"
- 47 Of tremendous value, buying prior to the tax deed auction negates any title questions, because you are the owner prior to the tax auction, giving you clean title.
- 48 After purchasing the property for \$100 just prior to the tax deed auction, you can pay the taxes and resell the property at wholesale, as is; Or
- 49 Resell, at retail, after the property has been rehabilitated. Or
- 50 Resell via a land contract. Or
- 50.1 In a land contract, you do not pass title until the last payment has been made. In many states, this allows you to evict a non-payer vs. being forced to foreclose. It's a big difference.
- 51 Resell via taking back a 1st mortgage and a 2nd mortgage. Or
- 51.1 Sell the mortgages or part of the mortgages, at a discount, for cash or trade, to recoup some monies.

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51.2 By getting two mortgages, you reduce the amount of discount that you will take, i.e. you will get more money in your pocket.

51.3 This concept can only be fully understood when you are knowledgeable about discounted cash flows. This is a wonderful area, full of profit. You can have the ability to sell properties with exactly those terms that will make a purchaser happy.

52 Rent out the property, as is, as a "handyman special." Or

52.1 Let the "handyman" work on the property, at his expense. You can give a rental credit for work accomplished.

52.2 You can apply the value of the work done to any down payment, when the "handyman" decides to purchase.

52.3 You can give the "handyman" an option to purchase the property for the After Repaired Value, ARV. Determine the ARV of the property, and stipulate that all items on the work list must be accomplished in order to get the value of the materials (not the work) credited to the down payment. If the work is not complete, then stipulate that the option is not valid.

52.4 Example: Handyman pays for materials, you credit the cost.

Value "As Is" - your cost	\$20000
Cost of materials (only) for repairs	\$10000
Value of handyman's labor - free	\$15000
ARV (purchase price)	\$60000
Less down payment – the materials	\$10000
Mortgage	\$50000
Profit - with no work or cash	\$30000

52.5 Example: You pay for materials and credit value of work

"As Is" - your cost	\$20000
Cost of materials (only) for repairs	\$10000
Value of handyman's labor	\$15000
ARV (purchase price)	\$60000

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Less down payment – the labor	\$15000
Mortgage	\$45000
Profit - only paying for materials	\$15000

- 52.6 You are protected because the credit for the labor is not applied unless the work is completed to your satisfaction. Labor is often 60% of the cost of a rehab.
- 53 Rent out the property, after it's been rehabilitated. Or
- 54 Rent out the property as a Rent To Own.
- 54.1 Rent To Own With a Purchase Option.
- 54.2 Rent To Own using **Coach Mitch's "Non-Option Option"**
- This will allow you to increase the rent by the "non-option" amount, which will be applied to the down payment, when the renter tries to buy the home.
- 54.3 **Coach Mitch's "Non-Option Option"** is a clever way to be paid an increased rent which seems like an option fee but is actually a rental credit to be used only if a purchase is done and is lost if not accomplished.
- Determine the down payment / costs needed to purchase the home, give a rental credit for this amount toward a purchase by increasing the monthly rent by dividing the amount of the rental credit by the number of months in the lease, and give tenants a first right of refusal to purchase the home at some point in the future. Be sure to limit the amount of the rental credit. Two to four years of rental credit is a good number.

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4.2 Control Property Prior To The Tax Deed Auction

- 55 So that you have the best potential of success, after the initial conversation with the owner in distress, determine what they want and give it to them.
- 56 Have a set of options, preferably, from **Coach Mitch's famous \$1 Option Series**, filled out and at the ready, with the amounts that the seller wants. You will know this information from the initial telephone conversation.
- 57 Don't forget that you can set the terms. Go prepared.
- 58 If you want to purchase the property, by paying the seller the full purchase amount, but on a monthly basis, (without a down payment) then structure one of your offers that way.
- 59 If you want to purchase the property, by paying a down payment now, with the rest on a monthly basis, then structure one of your offers that way.
- 60 If you only want to option the property, my favorite strategy, then have several options filled out with your best guess as to what the seller will take and what you are sure will be a good deal for you.
 - 60.1 Create several options with a range of pricing offers.
 - 60.2 If the offer involves a note, be sure to create different options with numbers whose time value of money are equal.
 - 60.3 If the seller gives a number that is just below the number in your option, you can say, "You've been very nice. I'm going to take it at a higher price I was prepared to pay and give you a bonus. How do you like that?" Great credibility.
- 61 If you have found that the seller 'needs' a certain amount of cash, make sure that one option has this specific amount available to the seller. Upon your purchase of the property, have the cash available.

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4.3 "Bad" Real Estate Can Be Good

62 This is a very exciting area. Most of the property that is tax delinquent has a particular problem. That is why owners usually do not pay the taxes. However, there are always those who are skilled at 'fixing' a problem, and to them the "problem property" is a gold mine.

63 Find pollution contaminated real estate within the tax delinquent database and make your best deal. Your Building or Engineering Departments will know of the properties that are contaminated. The Tax Collector will also know which properties are contaminated. Usually they did not sell at the last auction and they will be offered again at the upcoming auction. Owners of contaminated property are very happy to speak to anyone who may take this headache off their hands. Most folks think in the conventional manner; but you will benefit by thinking creatively.

Think of those who are not afraid of contaminated property, because they work with it all the time, and offer to partner with them. You put up the property; they clean it up and make it ready for resale. You split any profits. This is a very effective technique.

63.1 Partner/sell to an excavator.

63.2 Partner/sell to a pollution clean-up firm.

63.3 Partner/sell to a lead abatement firm.

63.4 Partner/sell to an asbestos removal firm.

Think of those who have a need and / or a particular use for a property and offer to partner with them. You put up the property; they put in their services. You both win.

63.5 Find land needing development.

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- 63.6 Partner/sell to a land developer.
 - 63.7 Partner/sell to a well driller, driveway installer, etc.
 - 63.8 Partner/sell to a house or modular builder.
 - 63.9 Partner/sell to a surveyor, architect, etc.
 - 63.10 Set up a limited partnership and bring in as many of the contractors as you need, with each getting a piece of the profits.
- 64 Use Industrial Development Authority bonds to redo large, abandoned properties, typically in the inner city. These are large, and involved projects, \$2MM+
- 64.1 IDA bonding is a very involved project. You will need significant monetary resources. A limited partnership arrangement is often used. The limited partners will provide the bankability, while you provide the expertise and the energy to guide the project. This project is a public/private ordeal. It needs significant political resources. Be sure any partners can bring political clout to the table as well as their money / credit. Choose partners carefully, as you don't want someone who has political enemies that can slow down or quash the project.
- 65 Building Inspectors
- 65.1 I have had many great conversations with Building Inspectors. The idea is to help the community by taking a bad property and making it a good property. That is the charge of the Building Inspector.
 - 65.2 If spoken to with this constructive attitude, Building Inspectors may be happy to tell you about their "problem properties." You can get inside information about the owner's situation as well as any issues with the property. This method of lead generation is very underutilized.
- 66 Condemned Buildings

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- 66.1 Each municipality has a list of buildings that are condemned. The owner is usually willing to make a very good deal to be out from under this situation. Be sure of your strategy. Don't take on a nightmare just because you want to do a deal. Make sure it is a "good" deal for you.
- 66.2 The municipality might mitigate taxes and fees, like lawn mowing fees, board up costs, etc., if you show a plan to do something with the property. They just want the property back on the tax rolls and neighbors don't want the blight.
- 66.3 Be sure to check the Condemned Buildings list before bidding on a property at a tax auction. Sometimes, the structure that you are bidding on has been torn down.
- 67 Landlords Owning Buildings With Evicted Tenants
 - 67.1 This is a great source of leads. The property may not be tax delinquent, but the owner is thinking about it. Landlords with trouble tenants are not happy and often they just want out. They will often finance the property for you.
- 68 Landbanking
 - 68.1 This is latest scheme that municipalities are using to overcome the issue of unpaid taxes that are so high that owners will let the property go, rather than fix it up.
 - 68.2 In this case, the taxing authority, usually the city, or the county, has taken over a property and is looking for a good use or an angle investor. The city or county will listen to any plan that you may have. Sometimes you can get the property for \$1.
- 4.4 Vacant Lots**
- 69 Most tax delinquent properties are vacant lots, many of which are inner city lots. Put up new housing on these lots or sell "as is."

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4.5 Put Housing On Vacant Lots

- 70 Find and buy or control several vacant building lots in a localized area.

Find a local church or a Not-For-Profit whose members would like to live in a home of their own. With your help, the NFP can interview the congregants / members to find those qualifying for a takeout mortgage. Showing samples, you can order a modular home, complete with carpets, curtains, appliances, and furniture. I have sold homes like this many times. The home and all furnishings can all be put into the mortgage and it makes for a very attractive package. Sell at a reduced price to the market and split profits with the NFP. The new home owners get a new home at a bargain cost and all make a profit. Pastors are especially open to this arrangement. When congregants buy a home, it is usually far enough from the church that they find another church to attend. With this arrangement, the flock stays close to their shepherd. The pastor and the church get a bonus, and Everyone wins.

This strategy is possible because you found tax delinquent lots that were able to be gotten at very low cost. Were you to create your own Not-For-Profit, then your profits would be tax free. Another way to eliminate capital gains taxes would be to purchase the lots via a Self Directed IRA.

- 71 Buildable empty lots can accommodate a home from a modular or a mobile home factory. Convince the modular factory owner, or one of their dealers, to put a home on your lot on spec, i.e. on the speculation that you will sell it.
- 71.1 The modular home merely needs to be on the lot. It does not have to be set, i.e. secured to the land. People can see the structure and tour the inside. That will be enough to make a good impression and someone will buy it.
- 72 Get tax defaulted buildable lots and find overstock modular homes. This combo will allow you to sell a brand new home at 70% of FMV and still make a very healthy profit. WoW.

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- 72.1 This strategy requires that you have access to cash or immediate credit. A mobile home or modular factory or dealer that has overstock will sell at very reduced prices, but you must be able to act immediately.
- 73 Any modular factory that has overstock or wants to merchandise in a novel way can be approached with this idea. The factory owner is safe as long as the home is not set or does not get a Certificate of Occupancy. The home can be shown and when a purchaser is found, a foundation or pad can be created. If the home is not sold, then the factory can haul it away, hopefully to one of your vacant tax delinquent lots in another setting.
- 73.1 The municipality will be happy to give you a list of their vacant lots that are tax delinquent. If the housing applicant does not want to live on the particular lot offered, then you have a ready list with a number of other lots that they can look at. The applicant does not know that the city owns the lot. You can deal with the city after the applicant chooses their lot.
- Most of the available lots will be in the ghetto. The applicants will very much like the idea of owning their own home; however, they would love the idea of that home being on the other side of town, and not in the ghetto. Every single one of the applicants asked me if I had any housing outside the ghetto. Folks in the ghetto know that life is better on the other side of the tracks.
- 74 Furniture companies can be approached in the same way. They can put their furniture in the home, on spec, and the entire furniture package will be sold with the home "as is" for a discounted price. The advertisement value is enormous.
- 74.1 The "good will" generated by this type project will bring you accolades from public and private officials and much future business.
- 74.2 In your community, you will be seen as a hero.

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4.6 Where To Look For Real Estate

- 75 In RE markets that are trending lower, buying at very low prices is easy, but selling is hard. The only real estate that does sell, sells at low prices.
- 76 In RE markets that are trending higher, buying at very low prices is hard, but selling is easy. Option the properties for \$1 using **Coach Mitch's famous \$1 Option Series.**
- 77 In any RE market, always look in the Path of Progress. Find the direction where progress is being made, the areas where building is going on. Look in that area.
- 78 Be general in locating a direction but be specific in searching any localized area.
 - 78.1 If "north" is the direction of progress then look in a northerly direction, typically along the highways or the outskirts of the busy area where the development has not yet reached, and which has not yet been run up in price.
 - 78.2 Seek any properties that are buildable or near to existing construction.

4.7 Seek Specific Types Of Properties Before The Auction - Depending On Your Goals

- 79 Every type of property is sometimes tax delinquent, somewhere. Therefore, you can pick the types of property that hold your interest and allow for a significant return. Some of the best specific types are listed below. Be sure of what your plan is.
- 80 Specifically look for single family houses that are tax delinquent. This is my favorite.

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- 81 Specifically look for multifamily properties that are tax delinquent.
- 82 Specifically look for buildable lots in developments that are tax delinquent. This is also a sure money maker.
- 83 Specifically look for undeveloped lots next to golf courses that are tax delinquent. An unknown jewel.
- 83 Specifically look for boat slips that are tax delinquent. Unheard of.
- 84 Specifically look for time shares that are tax delinquent. You can get as many time shares as you want – for FREE. You must be careful about the management fees. These high fees are why people stopped making their payments.
- 85 Specifically look for condominiums that are tax delinquent.
- 86 Specifically look for town houses that are tax delinquent.
- 87 Specifically look for significant acreage, especially in rural areas.
- 88 Specifically look for small commercial properties. True gold.
- 89 Specifically look for commercial lots with some approvals, i.e. preliminary approvals, architectural, environmental, lot plans, etc.

I know of a situation where an investor found a 10 acre parcel that was owned by the county. A major part of the cost of development had already been spent by a developer. In fact, the municipality had already preliminarily approved the parcel for 100 townhomes. Then the original developer abandoned the project. The county sold the parcel to the new developer for 10% of FMV. It was a \$10MM project. The developer probably saved \$500K in upfront development costs.

In their first foray into tax delinquent property investing, this same investor found five tax delinquent building lots in a wealthy suburb for \$5K each. Each lot later sold for \$60K.
- 90 Specifically look for abandoned properties within your chosen type of desired property. These are the "golden nuggets."

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The stories are legend about how much profit was made when that tax delinquent owner was finally found. The tax delinquent has mentally divorced themselves from the property and anything that they get is "found" money to them.

I recall one situation where a brother of the owner was finally located. He was the Power Of Attorney, POA, for the owner, his sister, who was a drug addict. He only wanted \$14K, enough money to pay for a drug rehab treatment. One of the provisions was that under no circumstances were we to contact his sister and tell her money was available. The property was listed for \$110K and a developer called within 3 days and offered \$80K.

5 \$1 Options or Other Ideas To Control The Property

- 91 Owners of property that are in tax default will still want to sell at high pricing levels, especially if the property is in the Path of Progress. Option the properties for \$1 using one of **Coach Mitch's famous \$1 Options.**

Option for \$1 at the sellers "must get" price and sell for something above that amount. FSBO's are great for this.

You can take your profit in many ways; cash, a note, a car or other personal property, services, like accounting or roofing. You can even defer payment and keep a percentage of ownership and contract to sell at a later date. This last strategy might be good if the property is in a particularly good location, for instance, near a "to-be-built" project.

- 92 Option FSBO's at the price that the seller "must get." Then sell at some higher amount. Let the seller continue to market.

Coach Mitch's Non-Exclusive Option is a great way to get inventory. The owner gets a double win. He can still try and sell his home himself, and he now allows another real estate

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professional (you) to also work on selling his house. You get another piece of inventory.

If you have several optioned properties then you can advertise: "RE Investor has too many properties. Must sell them all - NOW." When John reads this ad, he tells Jane, "This guy is desperate." When John calls, he feels strong, "What do you have?" I answer, "Thanks for calling. I've got a lot of homes. What do you want? I've got homes all over the place. Which school district do you want? How many bedrooms do you need? How much are you comfortable paying each month?" John now sees that he is not in charge. You have the power.

Even if you only make \$2K or \$3K a transaction, it pays the bills.

- 93 Contact the owner one year prior to the tax deed auction. The owner is not as motivated to sell very cheap, however he may give you an option to the property, and that allows you to list the property in MLS. The option gives you an inchoate, or a future interest in the property, and therefore, the ability to list it.

I took control of one home a day and I closed on one home a week. That's smok'in! You can do it also.

- 94 Check the public notices for each state that you are interested in. When you see a property that is being advertised as coming up for tax auction, contact the owner and offer \$100 to purchase the property. Or
- 95 Offer to purchase for some significant sum, up to 60% FMV. Then tie up the property for \$1 using one of **Coach Mitch's famous \$1 Options** and list the property in MLS. Or
- 96 Offer to purchase the property Subject To the existing financing, plus owner held paper. Then tie up the property via contract and list the property in MLS. Or
- 97 Offer to option the property. Then put the property in MLS for a short duration listing. Or

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- 98 For a quitclaim deed, offer \$100 plus an IOU for some sum. Be prepared to pay the back taxes and market the property. Or
- With the right property, this is a powerful tactic because you win no matter what happens.
If the property is sold prior to the tax sale you win. Or
- You can let the property go through the tax sale and get the Excess Proceeds. Or
- You can pay the taxes, market the property and sell at retail.
- 99 Many tax delinquents have given up. They know that they are going to lose the property and are just waiting for the sheriff to throw them out. Worse, they don't have the money to move.
- Determine the amount to move. Offer the \$2000 or some similarly small amount for a quitclaim deed and help the tax delinquent owner to move on to the next phase of his life. Or
- 100 Offer \$100 for a quitclaim deed the day before the auction. Or
- 101 For a quitclaim deed, offer \$100 plus a set amount upon sale.Or
- 101.1 EX: \$100 + \$25000 upon a sale.
- 102 For a quitclaim deed, offer \$100 plus a set percentage of the sale price, less marketing costs. Or
- 102.1 EX: \$100 + 50% of the sales price - \$500
- 103 For a quitclaim deed, offer \$100 plus a set amount of the sale price, plus a set percentage of the sale price, less marketing costs. Or
- 103.1 EX: \$100 + \$12500 + 25% of the sales price - \$500
- 104 Work out all payment formulas beforehand so that they are equal to each other. This is an unusual but powerful thought. Or

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- 104.1 EX: $\$50000 = \$100 + 50\%$ of the sales price - \$500
(\$24700 to seller) Or
- this should be equal to
- 104.2 EX: $\$50000 = \$100 + \$12500 + 25\%$ of sales price - \$500
(\$24700 to seller) Or
- 105 Pick the amount that you are willing to pay. All sales prices should equal that amount. Get good at the math.
- One of the formulas will appeal to the seller.

6 Payment

- 106 Go to the tax deed auctions of counties that do not require full payment at the auction.
- 107 Market the property while waiting for the approval of the sale.
- Each state sets up payment rules and counties can alter them. Seek out counties where only a small down payment is required to hold the property until the auction transaction is officially approved, and upon approval, the balance is required in a set number of days (30). You could easily have a total of 45 to 60 days or more until you have to pay the balance of the bid.
- 108 Pay 10% down payment upon a successful tax deed sale.
- 109 Contact investors, informing them that you have purchased real estate at 50% FMV, do a limited partnership to do a rehab and resell, and split profits. Or
- 110 Sell to investors at 70% FMV, let them assume risks. Or
- 111 Wait the 30-60 days that it takes for "official" approval. Or

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- 112 Payoff property within the legal time allotted, 30 days.
- 7 Know the law**
- 113 In order to know where the best real estate investing opportunities are, know the law regarding tax delinquent property, and follow the stream of events that must take place according to the law.
- 114 Knowing the tax delinquent law allows you to get information well before others. Understanding the legal details will protect you and give you ammunition to fight bureaucracy. Bureaucrats will fight you less and give you more if they believe that you know the law.
- 115 Get the lists of those properties which are scheduled to go to tax auction at the earliest possible date – hopefully prior to any public notice.
- 115.1 TX - 4 weeks – 2 months prior to auction – When the county attorney files the judgment against the property.
- 115.2 NY – 1 year prior to auction – After 3 years of being tax delinquent, the county takes the property, then there is a 1 year redemption time, then tax auction takes place.
- 116 Scheduling of the auction is dependent upon when the county has completed its tax sale pre-auction process.
- 116.1 FL – 4 to 8 weeks prior to auction – The official process starts when an application for a tax deed is first processed.
- This application is a public document. If you have the right relationship created, then the clerk can tell you that an application for a tax deed has been submitted. Bingo!
- 116.2 Then, sometime later, the Clerk of the Court creates a list of those applying for tax deed. It may be available. This is another place in the system where publicly available information can be gotten months prior to any announcement in a newspaper.

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- 116.3 Then other official acts must occur prior to the property being scheduled for a tax deed auction. For instance, the Clerk of the Court orders a Title Search of the property. This is also public information available to you.
- 116.4 This is a great technique. Use it in FL to get lists of tax delinquent property scheduled to be auctioned for a tax deed 3 to 6 months prior to other investors. Apply this technique in other states.
- 116.4 Learn the system and know when any taxing jurisdiction first gets an application or does any public filing of any records for any legal action against a tax delinquent property.
- 116.5 Then you know the tax delinquent is in play. That is when the owner is most vulnerable and is the most motivated because he knows that he will lose the property unless he acts. You are providing good information to him and offering an out by relieving the tax delinquent of his burden.

8 Marketing and Notes

- 117 When locating and controlling a piece of land, market so that it moves quickly.
 - 117.1 EX: Ad "Beautiful lot on the lake. Value \$15K. Anxious owner will Quick Sell at \$10K with \$1K dp + \$100/m. Phone"
 - 117.2 The \$1000 down payment should be recovering for the cost of the lot plus the cost of marketing to find and advertise the lot. BTW, fuel costs and signage are part of marketing.
- 118 Create a note with a monthly payment that will be comfortable for the buyer to make each month.

Ask the buyer, "How much can you afford to pay each month? The more you can pay each month, the quicker the loan will be paid off."

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- 119 Keep the note. This is your monthly income. Do this many times.
- 119.1 $N=168$ months, $I=10\%$, $PV=\$9000$, $PMT=\$100/\text{month}$
- 119.2 You did a \$1 option on the property OR you paid \$500 cash for the property. Then you marketed the property. You sold the property for \$10K. A buyer gave you \$1000 to return all your money, with some to spare. Then you created a \$9K note and are receiving \$100/m for 168 months. Sweet.
- 119.3 Let's say you sold 20 lots in exactly this manner.
A \$100/m payment x 20 loans = \$2000/m.
- That's \$24K/year, the amount that most folks bring home, after taxes, from a full time job. You can collect the \$2000 monthly profit for the next 14 years. 168 is the Number (N) of months of each note.
- $168 \text{ months} \times \$100/\text{month} = \$16800/\text{note} \times 20 \text{ notes} =$
a total of \$336,000 for all 20 notes.
- 120 Sell the note vs collecting payments. This is your immediate profit.
- 120.1 Sell the note to give an investor an 18% return - $PV = \$6120$.
PV means Present Value or the value of the asset.
- 120.2 $N=168$ months, $I=10\%$, $PV=\$9000$, $PMT=\$100/\text{month}$
Investors yield $I=18\%$, $PV=6120$ your profit
- 120.3 You made another \$6120, probably in under 60 days.
Do that 20 times/year = \$122,400/year versus \$336K
- 121 Adjust the note before selling. There are many ways to do this. It is extremely important that you learn and understand Discounted Cash Flow Analysis.
- 121.1 If PMT (Payment) is \$100 and I (Interest) is 10%, see if buyer can pay \$200/month if interest is cut by 50%?
- 121.2 $N=50$, $I=5\%$, $PV=9000$, $PMT=\$200$ New note

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Notice that the number of months to pay is dramatically cut.

- 122 Double the payment, and cut the interest in half.
 - 122.1 That is the equation.
 - 122.2 Keep the same ratio for other amounts.
 - 123.3 If buyer can only increase payment by 25% then decrease the interest by 12.5%, etc. Keep the ratios the same.
- 124 Now, sell your note, discounted to yield an investor 18% or the ROR that is current in the marketplace.
 - 124.1 $N=50, I=18\%, PV=\underline{\$8471}, PMT=\$200$
 - 124.2 You made an additional \$2351 by knowing how to manipulate the paper.
- 125 Create your notes so that when you sell, you get your minimally acceptable amount, i.e. \$20000. The property must be worth at least \$25000.
 - 125.1 Medium term, low interest, medium/high payment
 $N=48, I=7\%, PV=25000, PMT=\575
 $I=18\%, PV=20214$
 - 125.2 Longer term, medium interest, lower payment
 $N=115, I=12\%, PV=25000, PMT=\367
 $I=18\% PV=20040$
 - 125.3 Very long term, low interest, low payment
 $N=544, I=5.5\%, PV=25000, PMT=\125
 $I=18\% PV=\underline{\$8331}$ very low immediate sale
 - 125.4 But, see if buyer will double his payment to cut interest 50% and to dramatically reduce the number of payments.

 $N=\underline{114}, I=\underline{2.75\%}, PV=\$25000, PMT=\$250$ medium pmt
 $I=18\%, PV=\underline{\$13614}$ much better profit to you

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When you can show a buyer the different ways that a note can be created, then they get both curious and anxious to see if a note can be created that will get them the property more quickly. This will often allow you to make a better profit because the money is coming in more quickly.

Another good technique for convincing a seller to sell to you on advantaged terms, and for a buyer to buy from you on good terms, is to use a Balloon as part of the note.

The Balloon will be a significant payment at some point in the life of the note, usually at the end, finalizing the note.

The Balloon creates several important advantages.

The Balloon also allows you to offer a lower offer and a lower interest rate to the seller and have it be accepted. This is so because the Balloon allows you to give the buyer a higher perceived payment as the buyer sees that a 168 (14 year) payment will be paid off in a much shorter time, 5 years (the Balloon).

Regular note: N=544, I=2.75%, PV=20000, PMT=\$64
N=60 (5 years) FV (Future Value) = \$18810
Balloon: A \$18810 Balloon in 5 years helps a seller feel that he is getting close to full value for the property (\$25K) because you add in the $\$64 \times 60 \text{ months} = 3840 + 18810 = 22650$. You have 5 years to sell and collect monies (rental or note payments on a wraparound note).

A Balloon allows you to give the buyer a lower interest rate now, because the note will be completely due (Balloon) in 5 years. The full payment of the note in such a short amount of time will increase the overall yield dramatically.

A typical Wrap-Around note will be shorter in time than the original note and it will have a higher interest rate and consequently a higher monthly payment, so that a profit can be made.

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Wrap note: N=360, I=7%, PV=25000, PMT=\$166
N=60 (5 years) FV (Future Value) = \$23533
Payments: PMT to you \$166/m, a PMT to Seller \$80/m
You make \$86/month profit for 60 months
Balloon: FV to you = \$23533, FV to Seller = \$18650
You make \$4883 profit at Balloon

Yield to you: N=544, I=9.84%, PV=20000, PMT=\$166
Balloon: N=60, FV=\$23533 (from Wrap note)
Final: N=60, (profit from Balloons) PV=\$4883
+ (\$86 x 60 payments) PMT=\$5160
=\$10043 profit

The original note to the seller was \$20000 at 2.75%. The ROR you made on the note is 9.84%. Over 60 months you earned \$10043 profit on a \$0 out-of-pocket investment.

Now it gets interesting –

Let's pretend that the new buyer could double his payment from \$166 to \$332/month and that he liked the idea of quickly paying down the note. You adjust the note.

Original note: N=360, I=7%, PV=\$25000, PMT=\$166
Double PMT, halve Int I=3.5% PMT= \$332
New note: N= 86 I=3.5% PV=\$25000, PMT=\$332
Balloon N= 60, FV=\$ 8039, PMT=\$332
New ROR to you **I=44.4%**

Balloon you owe=\$23533 - Balloon paid to you \$8039 =
Balloon still outstanding - **you still owe \$15494**

But you had \$268 profit/month for 60 months
I purposely showed a strategy that might backfire. You must be careful. You must understand and be prepared with your exit strategies.

125.5 Understanding the Time Value of Money and how to
Analysis Discounted Cash Flows will help you close many
more deals and make you lot's more money.

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9 Contact The Bank And Buy A Portfolio Strategy see #147 - #152

Strategies To Follow During The Tax Deed Auction Sale

1 Bid Correctly

Each state is different. Often, a county will have different rules from other counties in a state. The presumption is that you will understand all the rules / issues pertaining to the particular auction you attend. This must all be ascertained well prior to attending the auction.

The Tax Collector's website will have a listing of the rules of procedure.

The ideas below pertain to both tax deed and TLC auctions.

126 Determine beforehand what you will do with a property. You do not want to buy a property and then determine if you wish to resell it or rent it out, if you will rehab the property or keep it as is.

126.1 You MUST know your exit strategy.

127 In regular markets, try to pay no more than 60% of the Fair Market Value when bidding at the tax deed auction.

128 In hot markets don't go over 80% FMV when bidding at the tax deed auction.

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129 In poor markets definitely do not go over 50% FMV when bidding at the tax deed auction.

2 Know Who Is Bidding And Why They Are Bidding

130 At the auction, watch who is bidding on more than one property. These bidders are probability professional real estate investors.

131 During a lull, go to each of them, introduce yourself and ask if they invest in real estate.

131.1 If the investor says, "Yes" then give them your card and ask if you can call to see what kind of properties they are looking for, because you come across properties all the time that they may be interested in. Get their contact information.

131.2 I have never had anyone say "No" to me.

132 Do not engage in conversation while the bidding is going on.

132.1 Often bidders will quiz you about your opinions. Don't say anything. You have worked to get your information. Don't give it away, especially to a potential competitor.

133 Finding the real estate investors who attend tax auctions is a great way to increase your list of persons to whom you can wholesale your properties. These are serious investors, with cash and know how. They are great contacts.

133.3 These are great folks to know because they are real estate investors who have cash. You know they have cash because they are at a tax auction, and cash is required.

133.4 At some point you may need cash to do a transaction. You may have a lead on a property, or you may have an option on a property. These investors will have cash available for the right deal. Be prepared with numbers. It is a small circle, so make sure that you deal correctly with them.

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- 134 At the auction, watch all the bidders. Keep track of what they are all doing.
 - 134.1 In the auction handout, keep track of the amounts of the winning bid and the runner up. Keep track of the Bidder Numbers for the winning bid and the runner up. You can find out who these people are by making a Freedom Of Information Law, FOIL, request with the Tax Collector's office. These folks may want more property. They are buyers – with cash.
- 135 See who is bidding on a property that does not have any value.
 - 135.1 This indicates an individual who does not do their homework.
- 136 See who is bidding on a property and paying too much for it.
 - 136.1 This indicates an individual who is emotional and who can be manipulated in a negotiation.

Strategies To Follow After The Tax Lien Certificate Auction

1 Buy The Tax Lien Certificate And Hold Strategy

- 137 Upon winning a bid, check the property auction number and the properties Tax ID number to be sure you are paying for the property tax certificate that you bid on. In the excitement of an auction, many mistakes are made.

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- 138 After the tax lien auction, for any certificate that you purchased, determine what the law requires of you regarding noticing the property owner.
- Be sure to follow any legal requirements to the absolute letter of the law or the owner can claim that he did not receive "due process," and that your lien claim is not valid. You will weaken or even lose your claim to the property should you not follow all laws explicitly.
- 139 Be sure to set aside enough monies so that you can purchase the future tax liens against that property at succeeding tax lien certificate auctions. If someone else purchases the lien against that property, he can cause trouble when you go to foreclose on the property.
- 140 Know exactly when you can foreclose on the property and proceed with the process as soon as is possible.
- 140.1 Speak with the County Treasurer and to the County Attorney to find out specifics of the local law.
- 141 Know exactly how to foreclose on the property and proceed with the process as soon as is possible.
- 142 Know exactly, if and when the time has passed that you no longer can foreclose on a tax lien.
- 142.1 You will be surprised to learn that there are Statutes of Limitations on tax liens. You MUST know what the SOL's are in any state that you invest. Florida is 7 years.
- Look at any county in Florida and you will see dozens, sometimes hundreds, of tax liens that fall away each year as no longer valid because they are over 7 years old.
- There are many investors, particularly trust funds, which will invest in the tax liens against a particular property; but they have never foreclosed on the property. After 7 years, that tax lien is void and the investment is lost. Sad. Be careful, because often the accumulated outstanding lien debt is

Techniques To Own or Control Tax Delinquent Property Before, During or After the Tax Auction Sale

greater than the value of the underlying property. This is particularly true of land.

- 143 Understand that if your strategy is to hold the property through the tax deed auction, that the property must have decent value or the chances are that no one will buy it and you will be stuck owning a property without value. Your time and money has been misspent.
- 144 Find competent legal help to conduct the foreclosing process. Get names of attorneys from the staff at the County Tax Collectors office. Look at files of tax foreclosure cases for the names of attorneys. The best attorney may be the most used attorney. Ask.

2 Buy The Tax Certificate And Get It Redeemed Strategy

- 145 A wonderful strategy is to get the tax certificate on properties that have mortgages and then contact the mortgagors. Tell them that they will lose their collateral unless they redeem the property.

3 Buy Tax Lien Certificates Against Abandoned Property

- 146 When mailing, separate out those postcards which were returned as "Undeliverable." These indicate that the property has been abandoned. The owner has left and has given no forwarding address. He knows that property taxes are due – and does not care. This property is ripe for the taking.

Use a skip tracer to try to locate the owner. If you cannot locate the owner to create a transaction, that is OK.

Buy the TLC against this property and foreclose at the earliest opportunity. You have a low probability that the owner will appear.

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4 Contact The Bank And Buy A Portfolio Strategy

- 147 This is possibly the strongest strategy of them all. Contact a bank that has foreclosed property and offer to purchase a portfolio of their REO properties that have not sold and which are about to be lost at the tax deed auction sale. You must know when a tax certificate will be required to go to a tax deed auction and therefore be lost to the bank.
- 148 If employing this powerful strategy, do not pay very much for each property. Beware; these are the properties that the bank could not sell for some reason. However, the bank will often sell at a drastically reduced price, getting something, rather than nothing at all when the property goes through the tax deed sale.
- 149 You must calculate the amount of taxes owed that you will have to pay to redeem the properties. Make sure that the monies are available or you will lose the property to the auction.
- 150 Determine if the outstanding taxes are greater than the value of the property. You do not want to buy a property that cannot be sold at a profit.
- 151 If successful in buying a portfolio, you must know the exact amount of time left to you until each property will be auctioned.
- 152 Create a marketing plan geared to each properties tax deed auction schedule.
- 152.1 EX: Sell inexpensively with very little down and hold paper.
- 152.2 Do not be intimidated by the banks, you are doing them a favor. Expect a good deal in return.
- 152.3 The amount that banks get for properties in this situation is very little. Think in terms of \$1000 or less for a house. Don't forget, these are properties that have gone through a mortgage foreclosure, the bank tried to sell them and could

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not; the properties are often in poor condition and sometimes in bad neighborhoods.

Strategies To Follow After The Tax Deed Auction Sale

1 Get The Redemption Rights

153 After the tax deed auction, but before the county has legally accepted the bid, is a time when you are vulnerable.

If you did not win the bid, after the tax deed auction, find the previous owner and purchase his redemption rights, called Rescission Right. As the legal owner, you can reclaim the property as your own, for the amount of the outstanding taxes. Then, resell the property to the winning bidder at the tax auction, or to the second highest bidder, pocketing the profit. Should they not wish to buy the property, as the new owner, you can safely rehab the property and then resell or to rent out. Very nice.

I know one investor who has purchased almost the entirety of two blocks in the city where he is going to retire. At the auction, he didn't bid high enough for property on "his" block and another bidder got it. Before the county had officially accepted the bid, this investor found the owner, purchased the property from the owner for only a token amount, redeemed the property by paying the outstanding taxes, and took ownership right from under the successful auction bidder.

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Of course, the bidder was angry, and to add insult to injury, the bidder had already cleaned up the property, only to learn that he did not own it.

- 154 Even after a mortgage foreclosure auction has occurred, the previous owner has the right to pay off the bank and get the home back. The amount of redemption time a previous owner has is determined by each state. Know that time frame.
- 155 Find the previous owner, who just lost his home to a mortgage foreclosure auction, buy his rescission (redemption) rights to the property, pay the bank the amount owed, and claim the property.
 - 155.1 Then resell the property to the successful bidder at the auction. As the new owner, you can claim the overage.

2 Excess Proceeds OR Overage OR Overbid OR Surplus Funds These labels all mean the same thing

- 156 After purchasing the property for \$100 just prior to the tax deed auction, you can let the property go through the auction. The odds are that you will have a substantial over bid. As the new owner, you can claim the excess proceeds or overage.
 - 156.1 Not every state returns the excess proceeds.
 - 156.2 Even if the state allows the return of the excess proceeds, not all counties in the state will do so.
 - 156.3 Even if the county says it does return the excess proceeds, some counties make it so hard that the previous owner gives up. This is done on purpose, of course.
- 157 Without purchasing the property but after the tax deed sale, go after the Excess Proceeds.

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- 158 Find the states that have excess proceeds provisions in their law.
 - 158.1 Get the lists of properties sold at the tax deed auction.
 - 158.2 For those states, get the amounts of overbid or excess proceeds for each property.
 - 158.3 Locate the previous owners using a skip-tracer.
 - 158.4 Have the previous owners sign a form selling their rights of redemption to you. Or
 - 158.5 Have the previous owners sign forms that will allow you to get the excess proceeds on their behalf and split the excess proceeds on a percentage basis (75%, 25%).
 - 158.6 Some investors will offer some amount to the previous owner and purchase the rights to the excess proceeds. As the owner, you now can go and claim the entire overage. This approach is simpler, but it requires cash.
- 159 When using **Coach Mitch's famous \$1 Option**, include the clause that allows you to get the excess proceeds.

3 Struck Off Property

- 160 When the properties do not sell at the tax auction, they are referred to as "Struck Off." This is a favorite with gurus because it seems like easy pickings. Watch Out! Often, the reason that the property was not purchased is that there is something very wrong with the property.
- 161 The Struck Off properties go onto a special classification.
- 162 They will often be offered again at another tax sale.

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- 163 If they are not sold a second time, then often the properties will be made available to be purchased "Over The Counter."
- 164 Check with your county tax collector to see what happens to properties that do not sell at the tax sale. Ask if the county has a tax sale property Struck Off list.
- 165 Check the list of "Struck Offs" or "Strike Offs" properties.
- 166 Make sure that the property you are choosing to purchase from the Struck Off list is a property that you or your representative has inspected.
- 167 Do not ever purchase without inspecting first and doing research.
 - 167.1 There may be title issues or environmental issues that you would be responsible for if you were the new owner.
- 168 Try to negotiate the price with the tax collector.
 - 168.1 Often, you can pay less than the full amount of the outstanding taxes for the properties, especially if the Fair Market Value of the property is less than the outstanding taxes.
- 169 Get a BPO, Brokers Price Opinion, from a realtor, to back up your claim that the property has a certain value.
- 170 Check that the property no longer has liens against it.
 - 170.1 Some states have laws that do not eliminate all encumbrances against the property.
 - 170.2 EX: Texas allows hospital bills and funeral bills to remain against the property after a tax sale, IRS liens remain, etc.
- 171 The **under valuation** compared to the **over taxation** on the property is often the reason why no one has purchased the property at the tax auction. Be extremely careful.

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This is a fancy way to say that the accumulated outstanding taxes are higher than the property is worth.

- 171.1 EX: The property is tax assessed at \$10000, and the current Fair Market Value is \$15000. At \$500/year taxes, unpaid for 12 years, the accumulated amount of back taxes and interest is \$17466, not including administrative fees. The county will sit with this property for a long time unless it discounts the taxes. Be sure that the total amount owed is a true total, with all accumulated taxes, interest, fees, and penalties included.
- 171.2 The county cannot dismiss a state sales tax lien or an IRS lien. However, if you are dealing with a tax delinquent property well before the tax auction OR if you are dealing with a Struck Off property, then you have the time necessary to negotiate with these governmental agencies and see if anything can be done to satisfy them – and you.

I would love to hear about any ideas, strategies, tactics, or stories that you have developed. Any input is welcomed that will make this publication better.

Thank you and good luck in your investing.

Mitchell Goldstein – Coach Mitch