

Coach Mitch's
Tax Delinquent Real Estate
Ridiculously Simple System *sm*

Court House
Primer

How to find the records you need
so you can create the deals you want.

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The court house, the tax assessor's office, the county recorder, and the tax collector all have a good deal of valuable information. Knowing the specific information you require, and knowing where it is located, will permit you to gather and understand it. You have thus enabled yourself to make very informed real estate investing decisions.

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Have you prepared yourself?

By this time, you should have picked the geographic area that you want to invest within.

In addition, it is a great idea, and I think it is mandatory, to know about the law in the state in which you wish to invest. You should have read the appropriate state statutes regarding property tax. You should be very familiar with those sections of law specifically dealing with real estate that is delinquent in property tax.

Not knowing the law will cost you. It will cost you because the various governmental officials, from the lowliest clerk, to the top commissioners, will often misstate the law – and you will not realize it. They usually do know the law.

They will know that you don't know

If you show your ignorance, by not objecting to an incorrect statement, then it costs you. If you do not know about an exception in the law that they ignore, it can cost you. If you are not familiar with some stipulation or measure that must apply before the law can be appropriately applied, then it will cost you.

Government officials routinely will apply a “policy” that is against the spirit and the letter of the law. They do so in order to protect their own interests. If you allow their policy to be inflicted upon you without objecting then it will cost you. Since government makes the laws, it also makes the exceptions. Always ask, “What are the exceptions to the policy?” Now the government official knows that they are dealing with a smart individual, someone that they will have to treat differently than the others.

There is no faking this – you should

Read the law

Goto: www.prairienet.org/~scruffy/f/htm

This link has the latest updates to state statutes.

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Know your county officials

It hardly seems worth saying, because it seems so logical to me, but you should always know the names and the background of those officials that you will be working with – before you speak with them. Knowledge is Power. Don't walk in blind.

Goto: <http://www.naco.org/>

National Association of Counties.

This site lists all the links in the county site, including tax collectors, tax assessors, and county recorders.

An example:

Let's pretend that you are calling the tax assessor's office. You are speaking to a clerk and you are seeking information about the assessor. If your approach is to feign curiosity, you might ask, "Who is the tax assessor? How long has he/she been in office? Did they come from some other area? Is he/she a nice guy/lady?"

If you want more information ask, "Why do you say that? Since I'm looking to invest in this county, would he/she be a good person to ask advice about the area. Could you say more about that?" You get the idea.

Workers will appreciate that you are asking their opinion. If the worker is not comfortable saying anything, don't worry, they will make that plain to you. You want to be thought of as being a serious person; someone who is not wasting their time; someone who might help the county. And, best, someone who can bring credit to themselves for having helped you.

Don't forget about county law

There are well over 3000 counties in the US and many other taxing jurisdictions. All of the counties have different procedures and regulations in the area of tax delinquent real estate. There are many similarities. However, what is considered traditional in one area of the country may be considered verboten in another area of the country.

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Typically, you must check with your county tax collector to find out about any local rules that are laid on top of the state statute. Some states allow municipalities jurisdiction over the collection of taxes, so check with them, also.

Always check with the county attorney. They will also know about any local laws. When asking about a law or a county policy, there is no one better to ask than the county attorney.

The county attorney is often willing, and will certainly be able to fill you in on the exact legal process in that county.

The county attorney will use proper legal terminology, and will give the specific names of the laws and the sections of the law that apply. They will explain the rationale behind a policy, because they have to defend that policy in front of a judge, if necessary. When describing the legal framework surrounding tax delinquency, I find that the county attorney gives a different, more formal perspective than the tax collector.

You want to fully and completely understand the entire tax delinquent process, from its beginning, to its end.

Understanding the entire process will allow you to determine exactly where and how you can get a competitive edge. Knowledge is power.

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The Court House

Now, it is time to visit the courthouse. This could also be called the County Building, where many of the county offices are located.

From reading the law and from having spoken to your county officials, you should know exactly what public records you want to see.

Look at the delinquent tax rolls. In your state, it may be called the "Book on Delinquent Taxes" or some name that is similar. Statute will say where the book shall be housed. The county recorder is a good place to start. The tax collector will have an even more up to date listing.

The "Gold"



The tax roll or the Book of Delinquent Taxes play an important role and you should pay particular attention to the information contained in these records.

Although each county has its records set up differently, the records should have common and important data.

Column Headings

The column headings will be different from county to county so be careful when associating data. Although you are used to thinking of a certain set of data by a certain name in one county, a different county, located just next door, will call that data something else entirely. It is easy to make an association error because the column names will be different.

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What you will find

- Every tax record will have an identifying number. Parcel Number is the most common designation. Tax Identification Number, Property ID, etc. are common variations, but this number will be easy to locate and understand. It is your most important identifier. Every tax record will have this number.
- You should see the name and address of the delinquent property owner.
- The situs address should be listed. This is the legal name for the physical address of the property. If the situs address is the same as the address of the owner, then, almost certainly, the owner occupies the property.
- The address where the tax bill is sent is important information. If the tax bill is being sent to the situs address, this indicates the property is owner occupied.

If the tax bill is being sent to an address other than the situs address, then the property is probably not being occupied by the owner. It may be an investor property. This could be your classic "out of state" property owner. It could also be a vacation home.

- A legal description of the property should be available.
- The records should certainly show the amount of taxes due, for that year and or the total owed over several years. Often listed are other fees or amounts due. Other fees would include the cost of interest, penalties, advertising, administrative fees, plus other municipal cost attached to the property such as the costs for lawn mowing, boarding up the building, etc.

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- Sometimes the tax exemptions are listed.

- In tax lien certificate states, the name and the address of the TLC owner will be listed.

- The records could show when the property became delinquent. In tax sale certificate states, this will typically be the date that the TLC was sold which encompasses the entire period of the delinquency.

- Some records give an indication of assessed values.

- Often the assessed value is broken down into two categories, land, and improvements.

- Some records give an indication of the fair market value.

- There is often a code for the property type, e.g.
 - the types of residential property: single family home or duplex, 3 or 4 plex, mixed use, etc.

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- the types of land: commercial, industrial, residential, agricultural the various types of vacant land, etc.

- the types of commercial property: 5 plex, 100 unit plex, mobile home parks, restaurants, retail, malls, industrial, junk yards, developments, horse farms, orange groves, factories, etc.

There are hundreds of property types, labeling all the sub-categories.

- Property size, zoning and sales history are sometimes available?

The Tax Assessor

Check the tax assessment rolls and see how properties are listed in that public record. Here you will find the property type, the physical dimensions, maps, the legal description, zoning information, sales history, millage rates or tax rates, tax exemptions, etc.

With more and more records being on line, many tax assessors have the tax payment history. They have digital maps showing the boundaries, the utility grid, the terrain, sky photo's and satellite. It's almost a one stop shop.

The County Recorder

Go to the office of the country recorder, also called the county clerk. The job of the county recorder is to keep records and maintain the many different types of

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documents held in the public domain. The county recorder, or the county clerk, takes in a document, time stamps it, affixes the official seal indicating that the document has been "recorded." The document is now stored.

At the county recorder, you will find any of the liens that are recorded against the property. A lien does not have to be recorded in order to be legal. Therefore, be sure to ask your tax delinquent seller if there are any unrecorded liens against the property or if they have granted any easements that have not been recorded.

Title Searches

Records are kept in many formats: paper, card decks, books, digital, tape, and fiche.

Ask one of the clerks to show you how to locate a record on a property. You will learn a great deal. If you own a property in the county or if you are interested in a particular property, then look up the records that are attached to that property.

A title search consists of looking at all recorded information that affects the property. The county recorder houses most of this information.

You will be looking for the data that constitutes an Abstract of Title. This includes:

- All manner of liens and judgments against property, from IRS liens to mechanic's liens, to mortgages or deeds of trust, to property tax liens to sales tax liens, to municipal liens, etc.;

- Business records, from incorporations to law suits; to sales tax;

- Divorce records, these are usually sealed, but the fact that a property is in a divorce action automatically means that is in a motivated situation;

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- Deeds

- Lis Pendens, this is where all pending legal actions are placed into the docket, such as mortgage foreclosures and tax foreclosure actions.

If you are interested in foreclosures as a real estate investment strategy, checking the Lis Pendens is where you will find the first indication that a person is being foreclosed upon.

- In TLC states and in tax deed states, the foreclosure action is recorded and this list indicates those properties going to tax deed auction.

You can get a significant time advantage by knowing when the tax deed auction is. This is a process, and like all processes, they take time. Find out the exact process of filing for a tax deed foreclosure. Determine where the process starts, probably when the first application occurs. Then, see if you can get an automatic notification when any application for a foreclosure action occurs. These sellers are about to lose their homes. You can help them.

- In tax deed states, when the tax delinquency occurs, a tax lien is created and attached to the property. This lien can be recorded in a batch, as part of a large list of all the tax liens. Typically, only one number is used to record all the liens. Or, it could be that only one number is used to record all the tax liens in a single town within the county. Some states have separate department to handle these records.

These are the lists that you want.

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Contact the Computer Department and find out if these lists can be gotten in digital format, like a CD, or DVD. In order to manipulate the files easily, see if the files come in Excel, comma delimited, or CSV format?

Getting these lists of tax delinquent property is the key.

The court

In the court house, don't forget to visit the court. The Clerk of the Court is sometimes a person involved in tax foreclosure because the paperwork goes through their office. Judges must sign off when a county attaches a lien to a property. Some counties will have the clerk of the court be the office to give out applications to commence a tax foreclosure.

Investing

Now that you have a credible list of properties, you can locate and inspect them, find and contact the owner, and finally, negotiate a satisfactory transaction with the owner.

You will find that many of the properties will be inherited and that there will be several heirs to deal with. Probate law will be another area of your interest.

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he **BIG IDEA**

You can try to make a deal for tax delinquent property at any time. You do not have to wait until a tax deed auction occurs.

When you get the lists of tax delinquent property, you can market to these properties. You can find and market to the owners at any time. You don't have to wait until an auction to see if these owners, who are under considerable stress, will sell at a great price. Other guru's on TV speak to the idea of the great deals that can be gotten at tax auctions. You can get great deals at a tax auction. However, you can do even better deals when speaking directly to the harried tax delinquent owner prior to the auction. The closer to the auction date, the better the deal.

When investing in this manner, there will not be any competition, you won't be dealing with real estate agents, nor banks, nor lawyers. Best of all, you will regularly find transactions at 25¢ on the dollar – or less!

Let me stress that this IDEA is so different, that even the big name TV gurus do not focus on it. I have never understood how this obvious IDEA could be overlooked for so long by the real estate investing community. I believe that it is such an obvious and easy IDEA to implement, that I named my method **Coach Mitch's Ridiculously Simple System.**

Buying or controlling tax delinquent property prior to the tax deed auction sale, or prior to the last date of redemption on a tax lien certificate, is the single best strategy that I have ever found in many years of investing in real estate.

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The Process

Newspapers

Find out who conducts the tax sales. It might be the tax collector or it might be the sheriff or someone else; statute will say. They are usually responsible for advertising the tax sale and there are certain legal requirements that must be followed.

When you visit the office of the public official who has the responsibility of conducting the tax sales, you want to determine in what newspaper(s) the legal notices are published. Write down the name of the newspaper(s). Ask the clerk or the newspaper, but determine when the legal notices for the last tax sales were published.

Typically, three or four legal notices must be published announcing the sale, typically called the Notice of Sale. This Notice announces the sale date and location, along with a list of the tax delinquent properties that will be auctioned off or the TLC's, Tax Lien Certificates, that will be sold.

Go to the newspaper, or call, but get a copy of the very last published legal Notice of Sale. Once the Notice of Sale hits the newspapers, many of the delinquent property owners will decide to pay their taxes. By the last notice, most of those able to pay will have done so. If you wait the few weeks, from the first publication to the last notice, then those who have the ability and the desire, will have paid their taxes. The balance may not be able to pay their taxes or they don't wish to. You don't want to waste your time by researching the properties that have had their taxes paid, i.e. they have been redeemed.

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Back to the court house

1 Back at the courthouse; go to the tax roll records showing all the properties that are delinquent for the non-payment of taxes. Take along a legal pad so you can take notes.

2 Write down the names and addresses of at least 100 delinquent property owners. Write down the legal descriptions of each of the properties, the date of delinquency, and the amount of taxes due.

3 Then, take that list to the office of the Tax Assessor or County Appraiser and look up the assessed values. It will be broken down into three sections. You will see the assessed value of the land and the assessed value of the improvements to the land and the total. This only requires three entries: use "Land Value," "Improved Value" and "Total Value."

4 Get the appropriate Plat maps from the Tax Assessor, then mark the approximate location of each of these properties on a county Grid map. This is your inspection tour.

5 Inspect the properties, at least via Google Earth.

6 If you are interested, then contact the owner and negotiate a transaction.

TAX DEED AUCTION SALES

The following is a procedure that has worked well over the years.

Get the list of properties going to auction

1 A Notice of a tax sale can be received from a copy of the newspaper, or it can be a list of the properties furnished by the Treasurer or the Tax Collector, it might be a list furnished by the attorney firm handling the counties legal work or from a download off the internet. The internet is being increasingly used.

Now, do some preliminary work at home.

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2 Take the list and number the items coming up for sale in numerical order starting with the number 1 and going through to the end of the last item on the list.

3 This list of properties going to tax sale auction will always have a legal description of the property being offered for sale.

In many Southern and Western states, there is a system of Townships and Ranges. Scan through the list and as stated in the legal descriptions, mark all the properties that are located either in a city, which has Additions, or in the county, which has Subdivisions. Write down the names of these Additions or Subdivisions. Then plan on getting a Plat map of the Additions or Subdivisions that have properties going up for auction that you plan on inspecting.

In the older Eastern and Midwestern states, a system of metes and bounds, a set of surveyor's terms, is used in legal descriptions.

In either case, the Plat map and county Grid map will help to locate the property so that you can create a route to inspect the properties.

3 Your first stop in the courthouse is the office of the county official responsible for the sale. You need to get the list of all the properties which have been redeemed up to this point in time. This saves you a lot of work.

Get Plat Maps

4 Next, obtain Plat maps so that you can physically locate and inspect all the properties that have not been redeemed.

These Plat maps are a great help when getting ready to check out property coming up for public auction. They can normally be found in several different courthouse offices. Generally, all Plat maps have to be recorded in the office of the County Recorder, County Auditor, Office of the County Appraiser, or the County Clerk. The Building Department and Economic Development are other offices that could have the maps.

County Grid maps

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5 You should also obtain a county "grid" map, as it is commonly called. The Grid map is a map of the entire county that shows the Townships and Range Numbers. Each of the Plat maps will have a Township Number, Range Number, or in the case of Additions to a city, the name of the city.

By the use of the county Grid map, you can find the approximate location of all cities and Subdivisions in the county. The Plat maps will give you the exact location of each property.

Having the Grid map is especially important for those rural properties that have few boundary markers. Use these maps to organize a route so that you will not have to back track very many times to find each of the properties.

Mark the Grid

6 Now, you need to mark out your inspection tour. You can also do this at home if you are organized enough to get the maps beforehand. It will save a lot of time if you can mark your route at home because this process can take several hours. This time is much better spent inspecting properties.

Take the auction list that you have gotten, i.e., the newspaper advertisement or the list from the county or the attorney representing the county, and number each item coming up for auction in ascending numerical order starting with the number "1".

When you locate that property on the Plat map, place the number you gave it alongside the lot number or the approximate location on the county map. Do this procedure for the entire list of properties scheduled to be sold at the tax auction. If you were able, it would be wise to check out every property on the list so that you do not miss something good.

Take notes

7 Everyone has a different method of taking notes. Use your method and be complete. For instance, you can identify the property by the number on the Plat map. Describe anything that you notice that you think is important to you.

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Take photos

8 These days, digital cameras are not very expensive. It is a very good idea to take photographs of the properties so that you can remember the property. Write the file number of the photo onto your notes for the property so you associate the right picture with the right property.

Back at the courthouse

Now, roll up your sleeves and go about your due diligence.

The tax assessment rolls

9 Use the owner's name or the parcel identification number to look up the property in the tax assessment rolls. You want to determine the value of the land and the value of the improvements for each property that you saw.

Write down the assessed values on your tax sale list beside each property description. Note the address of the owner if it is different from the situs or the property address. You may need to contact the owner before or after the sale.

Be sure to check the Assessment Roll to see if the property owner owns other properties in the county. If one property is in trouble, then the owner might be other properties that are in trouble.

One student discovered that a tax delinquent owner had 95 properties, and all were tax delinquent. Her first transaction could be worth a few million.

10 If there is time before the sale, you may want to try to buy it from him prior to the sale for pennies on the dollar. Check with the Tax Collector and find out when the last moment is that the tax delinquent owner can pay the outstanding taxes and redeem the property.

The County Recorder

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You can trace the history of any property in the county back to the time that the State became a part of the United States and even further back if you have the interest and you want to spend a little time.

At this point, you have probably narrowed the list of properties that hold your greatest interest down to only a few properties. The Grantor or "Direct" Index books refer to the Seller or the Mortgagor, if there was a mortgage against the property. The Grantee or "INDIRECT" index refers to the party receiving a deed or other instrument relating to the property.

If you need help, ask a clerk for assistance. That is what they are for and typically, they are very nice to work with. Title researchers will also be at the Recorders office and they will answer questions. People are nice.

11 For any parcel that interests you, start with the name of the owner listed on your list of properties for sale; then go to the Grantee Index. Look up the book and page number whereby he obtained title to the property. You will want to check if there are mortgages or other liens attached to the property.

Next, go to the Grantor Index and look up the owner's name. If he has signed a mortgage, after he became the record owner, that mortgage will show up here in this index. The book and page number where it is recorded will indicate a place to view the actual document.

You can switch back and forth in these two books and make certain that all mortgages and liens have been released, if you think that is necessary.

12 Normally it is not necessary in the case of judicial foreclosure sales where the sale is the result of a court order obtained after all parties of interest have been served, or service has been attempted. This is because the tax delinquent property has gone through a tax foreclosure process and is now the property or under the jurisdiction of the county.

In the judicial foreclosure process, the liens are stripped away, with the exception of tax liens, IRS liens and some other exceptions in rare instances. Be sure to know which liens, if any, are NOT stripped away in the tax jurisdiction that you are working. Statute will say. Check with the County Attorney and the Tax Collector.

When the tax lien certificate sale or the tax deed auction is a ministerial foreclosure sale, you should check these records carefully. County Treasurers, Tax Collectors, County Auditors, and others responsible for conducting these sales are not

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usually practicing attorneys and the procedure is not always handled in a proper legal manner.

You need to make certain that all parties of record have been properly served. The county has a file on each property. Ask the county officer whose responsibility it is to conduct the sale to show you, in each case, the record of who the county attempted to serve.

Check the list of parties at interest against the list of attempted service. Check the certified letters and the returns received, not deliverable or refused. If you buy the property, in the case of ministerial tax sales, it may be wise to do a Quiet Title Action to confirm fee simple title in your name. You can do this yourself.

Other liens

13 The next step is to see if there are IRS or other liens and judgments against the tax delinquent owner.

Although a concern to many tax lien certificate investors and those attending public auctions of tax forfeited real estate, it is easy to check.

These liens are normally recorded in the office of the County Recorder or County Clerk. All you have to do is check the lien book for the particular lien. Just ask the clerk where IRS liens are filed. This lien book is in alphabetical order by last name. Sales tax liens are also listed this way. Each of the lien books must be viewed to be certain that you know about the existence of other liens.

If you plan on only buying at a tax auction, then this checking process is less important, with the exception of knowing which liens stay with the property.

But, if you are planning on buying property prior to the tax deed auction, then knowing about the liens and judgments is paramount. If you are the new owner, and you want to do something with the property, then these liens become your responsibility. Judgments follow the property.

Clerk of the Court - Civil

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14 In the case of judicial foreclosure sales, there will be a Case File number for each tax delinquent property. Ask the Clerk of the Court to show you each of these files. There is a good deal of valuable information to be garnered in each file.

You can verify upon whom process of service was obtained and those parties of interest who were not served or could not be found. You will see a legal description, and the names and addresses of any party whose taxes are being foreclosed. There is often a good deal of other interesting information. In many cases, documents in this file will give you an adjudged or appraised value of the property.

City Clerks

15 City clerks are an invaluable source of information. In the smaller communities, if you mention the name of the owner or the location of the property, you may learn a good deal about what is happening regarding that property. Plat maps and the various additions in the city will be available from the City Clerk. You can also learn about utilities, their availability, costs, the paths of progress, crime statistics, and other information regarding the community. They love to talk and they are very helpful.

Chambers of Commerce

16 You should plan to visit the Chamber of Commerce. Pick up all the literature that you can. If you have purchased some properties at the tax sale, there is a lot of valuable information in this office that will help you to create a brochure about the property.

The Chambers normally have city maps and county maps. You can learn about industries, employment, and housing, information on other properties for sale, information on local realtors, special loan programs, economic zones, and a host of other valuable information. You can obtain a list of local news media outlets in which you might want to advertise your newly acquired real estate for sale.

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TAX LIEN CERTIFICATE SALES

Currently, 31 states offer an investment known as tax lien certificates. TLC sales are usually held on the same date each year.

TLC's

A tax lien certificate is nothing more than the evidence of a lien. When a public tax lien sale is conducted, the purchaser of a tax certificate is purchasing the lien of the county or other taxing jurisdiction. The purchaser of a tax certificate hopes to receive a high yield on his money when the certificate is redeemed or paid off. In the event the owner of the property does not redeem, the holder of the tax certificate is entitled to go through the legal procedure established by statute and receive a deed to the property.

Due diligence

You will want to do at least a cursory check on any property that you might be interested in acquiring a tax lien certificate against.

The worst possible circumstance is that you purchase a lien by paying the taxes, and the property is not worth the amount of the taxes.

Even worse, you then innocently acquire additional TLC's against the property by paying the taxes for one or more years until you are legally able to foreclose. It will be at this point that you realize that the property is not desirable. That is why the owner did not pay the taxes himself. Now you are in the exact same position. At this point, you should no longer pay the taxes and either someone else will buy the TLC or the TLC will escheat to the county.

You will have lost all of your investment. While G-d is not making any more land, not all the land he has made was worth making – or at least it is not worth owning.

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Unless you have done prior proper due diligence, you should be very conscious that most folks do not let their property go to the point of a tax foreclosure sale unless they have no interest in the property or they have not been able to sell it. If a property could not be sold, then investigate – something could be very wrong with the property.

AUTOMATION

A good deal of the above process can be sped up via computers.

There are a growing number of counties conducting their tax sales on line. You might be competing against buyers from Europe, Asia, or the Middle East.

Google Earth is a free service showing satellite views of property over the internet. TLC buyers can now “see” a house or the land that you are considering before purchasing. By taking one minute to “look” at each property, you will “see” that they are not suitable, and you can eliminate the potential of bidding or doing further research on those properties. You will “see” a ravine. Google Earth shows property boundary lines so you can “see” a thin sliver of land or property that is landlocked.

Utilize your laptop by inputting the data that you have gotten or downloaded from the County Courthouse. Employ GPS mapping software. You will input the addresses and the software will create your route. This is a wonderful timesaver, especially in the cities and suburbs. Plat maps are still most useful when searching for rural parcels.

Most counties have many thousands of tax delinquent properties. You can save a great deal of time if you can get the digitized file and manipulate the data in Excel. You can then easily search for the property types that interest you, for out-of-state owners, etc.

Be careful and good luck,

Mitchell Goldstein
Coach Mitch