

Originally Published: **8/31/2006** In the **Up Front** section

## Liening on homeowners

by Paul Peters



Photo by Paul Peters

Flathead County Treasurer Adele Krantz processes a delinquent tax payment. Since a Virginia company began the process of purchasing Flathead County's tax liens in mid-August, Krantz's office has been inundated with payments.

incoming delinquent taxes is a result of Virginia-based Mooring Tax Asset Group (MTAG) having sent out 1,575 letters to Flathead County's delinquent taxpayers on Aug. 17, letting them know that in two weeks the company would be buying their tax liens from the county. The contacted taxpayers collectively owed about \$4.9 million in back taxes to the county.

MTAG sent another 899 letters to residents of Missoula County; additional letters were sent to delinquent taxpayers in Yellowstone, Gallatin and Lewis and Clark counties. In total, the company sent out 4,200 letters in Montana.

### **Delinquent Montana taxpayers put on notice**

Since Aug. 21, Flathead County Treasurer Adele Krantz and her staff have been busy, taking in as much as \$280,000 per day in back taxes.

"It's been nonstop," Krantz says. Last year at this time, Krantz says, her office was taking in between \$22,000 and \$55,000 per day.

The sudden rush of

MTAG is an arm of Mooring Financial, which invests in debt and loans. MTAG buys tax liens for Mooring Financial's portfolio and for private investors. It has serviced more than \$1 billion dollars in tax liens in 26 states since the company's 1997 inception.

Montana is one of 36 states that require counties to offer their delinquent taxes for sale. By Montana state law, counties must put each year's tax liens up for sale by mid-July. The liens are sold on a first come, first served basis. The person or company proposing to purchase a lien is required to send out a form letter, the wording of which is dictated by state law, to notify delinquent taxpayers that their lien may be sold.

Because of the letter's wording, Krantz says, it has set off alarms among its recipients, putting in motion the wave of cash now hitting the Flathead County tax office.

The letter explains that if delinquent taxes are not paid in full within two weeks, the property owner's tax lien may be sold. The letter goes on to warn: "THIS COULD RESULT IN THE LOSS OF YOUR PROPERTY."

"Get a rope," was the first thing out of Whitefish resident Ronald Marcoe's mouth when asked about the letter.

"It was threatening," he says, characterizing the message as, "You better pay it, or you'll lose your home."

Marcoe says he usually pays his taxes in biannual installments, but he says his mother died around the time his second installment was due this year and he forgot to make his payment. After Marcoe received the letter, he says, it took him three days to get a call answered at the Treasurer's Office and make arrangements to pay his delinquent taxes, because their phones were so swamped with callers responding to the letters.

Lambros D. Xethalis, a spokesperson for MTAG, knows people are usually alarmed to get a letter from his business.

"It's normal," he says. "They think they are going to lose the house in two weeks."

But despite the letter's threatening quality, it turns out that whether a homeowner's property tax lien is owned by the county or another entity, the laws governing foreclosure are essentially the same. The homeowner has three years from the mid-July tax sale to pay up, during which time the lien holder can collect 10 percent interest. If the lien has not been paid off after three years, the property can be deeded by the county to the lien holder.

But Xethalis notes that just a fraction of a percentage of such properties actually fall into his company's hands.

Krantz confirms that, saying that among property owners who owed 2002 taxes and could have lost their property to the county this year, foreclosure wasn't once

pursued; all the taxes were eventually paid by the deadline.

Part of the reason, Krantz says, is that if a tax lien holder takes possession of property, they get it free and clear of all other claims, including those of mortgage companies. Mortgage companies, she says, not wanting to lose the collateral for their loan, often end up paying the taxes and roll the expense into the property owner's mortgage.

But property as collateral and a 10-percent interest rate make buying tax liens an attractive investment.

"It's a safe investment, secured by real estate," Xethalis confirms.

This year, Xethalis says, MTAG will purchase about \$250 million in tax liens nationwide. He declined to disclose MTAG's expected return on that investment.

MTAG invested in Montana for the first time last year, purchasing 62 liens in Missoula County.

Part of the reason MTAG has expanded its business in Montana this year is the increasing value of regional real estate, which makes the company's investment even more secure. Krantz notes that as property values have risen in the Flathead, more and more individuals and companies have expressed interest in purchasing tax liens.

Despite the fact that nothing really changes for the property owner when his company buys their lien, Xethalis says when the letters go out, about 60 percent of all delinquent taxes are paid within the two-week notice given by the letter.

Of the 4,200 people who have received notices from MTAG in Montana, Xethalis says he expects to purchase between 2,000 and 2,500 liens.

Xethalis says that's good for counties, because it makes for a more predictable budget. The National Tax Lien Association, a nonprofit trade association to which MTAG belongs, devotes its website's introductory slide show—photos of a fireman, kids in a classroom and a horse-mounted policeman—to forwarding the idea that tax liens are good for local governments.

But Flathead County Commissioner Joe Brenneman says the sudden influx of cash probably won't affect the way the county budgets.

"We don't set aside a reserve for bad debt," he says. "We assume that what we send out is what we're going to get back."

Brenneman's assumption is based on the same fact that makes tax liens an attractive investment. They're secured by property.

What the county misses out on when tax liens are sold is the chance to earn interest on them. But both Brenneman and County Manager Mike Pence say that it's better to get the money up front from lien purchasers like MTAG, rather than

being forced to act as a collection agency.

“Our goal is to collect the principal,” Pence says. “We would rather have the money in the bank.”

*ppeters@missoulanews.com*