

TAX LIENS

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According to the NSP Notice “an NSP recipient may not provide NSP funds to another party to finance an acquisition of tax foreclosed (or any other) properties from itself, other than to pay the necessary and reasonable costs related to the appraisal and transfer of title.” Is the NSP recipient the municipality administering the funds or are the subcontractors of the municipality? If it is the municipality, then would that preclude down payment assistance to a homeowner who purchases a HUD \$1 home from the municipality which must be in the chain of title or a municipal land-bank?

The unit of general local government (municipality or urban county) is the recipient. Sales at nominal value (One Dollar Houses, for example) are acceptable. The recipient may use down payment assistance to assist purchasers of tax-foreclosed houses. The concern in prohibiting third party purchases on tax-foreclosed properties is that grantees will in effect reimburse themselves for the value of the tax lien. HUD does not allow units of government to receive funds in this way, which would also reduce available NSP funding for other projects.

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Can NSP funds be used to pay “back taxes,” clear tax liens or other liens, code enforcement fines, etc. if they are associated with acquisition costs?

Yes, there are some situations where NSP funds could be used to pay these taxes, but the options are limited. If title to a foreclosed property is held by a private entity and the tax was levied by the NSP grantee or another jurisdiction, then NSP funds can be used indirectly to clear the tax liens through the acquisition process. For example, if the fair market value of a foreclosed property less the NSP required purchase discount is valued at \$100,000, and the property has a \$10,000 tax lien, the NSP grantee can acquire the property for \$100,000. The title company disbursing the funds from the transaction will give the seller \$90,000 less any applicable fees and \$10,000 will be forwarded to the jurisdiction that levied the tax lien. Please keep in mind that you have only 18 months to obligate your jurisdiction's NSP funds. Therefore, it is important that you be careful not to take on acquisitions that may get mired in title or other issues preventing timely closing. If a property has title or other legal issues associated with it that could delay the acquisition, we strongly encourage you to move on to the next property.