

Opposition to SB 766

Senate Bill 766 is designed to do essentially two things. First to allow the Baltimore City to remove any or all residential (as opposed to simply owner occupied) properties from the current tax sale and put people on a payment plan. Next to allow the city to then foreclose on those properties via the new "In Rem" foreclosure process. After three years.

The narrative pushing Senate Bill 766 is that:

- The current tax sale process is ineffective, bad, or downright evil.
- The new "In Rem" process is better.

Neither of these is true. I will address both with some bullet points, and further below flesh out these points in detail if you are interested in read more.

The problem is those pushing these narratives have gone unchallenged for 5 years. They are grossly exaggerating the harm of tax sale and totally ignoring the tremendous benefits.

There are serious problems with this bill.

- 1) We ALL (including me and other tax sale investors) want to see vulnerable populations protected. The problem is this bill takes out ALL residential properties out of the tax sale, NOT just owner occupants. It also removes from the sale properties owned by out of state owners, landlords and irresponsible businesses. Should a Business entity like an LLC or Corporation be protected from consequences of not paying taxes?
- 2) While well intended this bill ignores the tremendous amount of money collected before the tax sale due to the impending sale, and the tremendous rush right after the sale of people hoping it is not to late to pay. (It is not, too late.) Would these owners still pay without the risk of loss?
- 3) The move of these properties to the "In Rem" system is not only unnecessary (see bullet points below) It will delay collection of taxes on these properties for three years. It will also mean an additional 3 years of deterioration and risk of vacancy. This is CONTRARY to the stated goals of the advocates pushing this bill.
- 4) While this bill applies only to Baltimore city. I fully understand the political rational to allow Baltimore city to have what it wants. However, Baltimore city would be bankrupt without state dollars supporting it. Is it fair to the rest of the residents of this state to enable the city in its poor collection efforts?

I strongly oppose this bill. I would support an Amendment to limit to owner occupied homes or to limit to specific ages or income status.

Sincerely,

Ned Carey

I offer the bullet points below to back up my statements above.

1) Tax Sale has many benefits beyond just tax revenue collection.

In addition to tax revenue collected, (which would drop under the new bill), tax sale is a terrific way of

- Getting vacant properties back into productive use.
- Helping tenants buy properties at below market prices.
- Providing employment for low skilled and blue-collar workers
- Getting derelict properties OUT of the hands of irresponsible landlords and business people.

My company alone has led to hundreds of properties being renovated. This refutes the narrative that “Tax Sale Causes Blight” No investor would buy a tax lien on vacant property hoping “I’ll just collect interest or walk away from my investment.” To risk 100% of your investment to possibly earn 18% doesn’t make sense. Anyone who bids on vacant properties does so with the specific intent of taking the property.

The personal stories; examples of how this process can work!

- a. We sold a property to tenants for \$12,000. Redfin, an online brokerage, estimates the home is worth \$37,000 today. No tax sale foreclosures have been filed since on this property and this couple will not have to pay rent for the rest of their lives and they are building equity.
- b. Another tenant I sold a property to once texted me to say.

“You changed my life.”

Before she had even finished making payments to us, my company helped her resell her house and put \$12,000 in her pocket. More money than this young woman had ever seen at one time in her entire life. She now owns her own used car business, which was her dream. I am sure she would be willing to share her story. I would be happy to reach out to her.

- c. A man who cut lawns for a living lost his home to a fire. He became homeless and lived in his truck. He now regularly works for us changing locks, cleanout and hauling of properties, general maintenance etc. He credits us and the work we give him for getting him back on his feet. He has since gotten married and lives in his own home. A homeless man now has a stable happy life due to tax sale. His name is Anthony Williams and he signed up to testify at the hearing but was unable to unmute himself in time.

These stories would not happen with the new In Rem auctions. I’d be happy to explain why if you wanted to know in more detail.

Out of state owners, corporate ownership, and landlords

Perhaps one of the biggest benefits to tax sale is it is a process to collect from landlords and business people, that are collecting rents but not paying taxes. The majority residential properties in the tax sale are owned by landlords, out of state owners, LLCs, Corporations, or other business entities. Many properties we take are rented with a tenant in them, however the property does not have a lead certificate, it is not registered with the city, it would not pass a rental inspection and is in terrible shape. The landlord is collecting rent but not paying taxes. Tax sale foreclosed properties are universally decrepit, have leaking roofs, unsanitary conditions and would not pass a housing code or rental license inspection. Why should we create a system to enable these irresponsible choices?

A good example of an irresponsible owner is ABC capital. [ABC Capital hit with three new federal lawsuits](#) They are apparently one of the largest owners of vacant properties in the city. If the reports are true, they are outright criminals and scammers. I am proud that I have been able have taken vacant properties from them and resold them to responsible renovators. It is not just me that benefits from this. The city and the local neighborhood benefit too.

These stories are ***much more typical*** than the stories of tragedy you hear from housing advocates. Due to subtleties of timing, economics, and process details, most of these stories would not happen under the In Rem system.

2) Problems with the tax sale system are greatly exaggerated.

Baltimore City Delegation Hearing testimony included a story about a Hispanic family that lost their house because they did not speak English nor understand what the notices meant. I do not doubt that story, however in over 500 foreclosures my company has done, this situation has come up only once. That was for a commercial property which would not be affected by this bill. Other stories while tragic, represent a very tiny minority of tax sale cases.

3) The “In Rem” process is not only inferior it is totally unnecessary.

This new In Rem process is different from the traditional tax sale system and limits potential income to the city while being questionable constitutionally.

The city has always had the right to foreclose on their own liens. It did so effectively in the O’Malley administration via project 5000. Sadly, it no longer does with the frequency it could. The city is the largest owner of liens on vacant housing. Rather than creating a new system, why don’t the advocates push for the city to foreclose on the thousands of vacant property liens they have now?

Due to the way the In Rem law is written the city cannot collect more that the taxes owed. Under the current system the **city can receive more money** than the taxes owed from the sale of a property. The advocates want to dismantle the old system that is more beneficial to the city and replace it with the new In Rem system they have created.

Housing advocates want the city to do more In Rem foreclosures to address the vacant house problem, but sadly Baltimore City is not very good at disposing of properties. Project 5000 was a failure, not because they struggled to acquire 5000 properties but because they struggled to sell those properties. The city has had a number of programs over the years; SCOPE, Vacants to Value and the Receivership program. By her own admission Odette Ramos doesn't think the city receivership program is very effective. Yet somehow, she thinks the city's In Rem foreclosures will fix everything.

4) The Statistics supporting this bill have been manipulated.

You have probably heard the Mark Twain saying, "There are three kinds of lies: Lies, damn lies, and statistics." The statistics you have been exposed to may have been manipulated or simply false. This could be seen in the City Delegation public hearing when Delagate Sandy Rosenberg questioned Dan Ellis, he admitted the statistic he offered was wrong. The reality is he quoted a statistic of how many Residential (non commercial) properties went into the sale. Owner-occupied numbers are MUCH lower.

Even SDAT statistics on owner-occupied status are not accurate. My personal experience is that many of the properties we ultimately foreclose on which are listed as owner-occupied are not currently owner-occupied.

The Baltimore Banner in their recent article on tax sale [Tax sale nightmare: How an unpaid bill can cost Baltimore homeowners thousands, or even their homes](#) admits

"And it's only in rare cases that the properties themselves are acquired at all: Lienholders obtained the deed to the property in just 2.7% of cases."

Given that about 8,000 to 10,000 properties go into the tax sale every year that equates to 216 to 270 properties changing hands due to foreclosure. Further most of those 250~ properties are vacant, or investor owned. It is a tragedy whenever someone loses their home, however the scale of the problem is much smaller than advocates would have you believe. The rare exception is easily handled by creating safety nets and tweaks to existing law.

The Baltimore Banner article mentioned above, refers to a woman who struggled due to covid, who wound up in tax sale. Fortunately, a program was designed specifically to help people in this situation and she was able to keep her home. While the article presented it as awful that tax sale almost cost the woman her home; the reality is the safety net did exactly what it was designed to do.

Many protections have been added to the tax sale code especially recently. I support these. Wholesale changing of the code is not justified.

5) Manipulative rhetoric.

Housing advocates have often used inflammatory language against tax sale that is easy to throw out without justification. This is a manipulative tool to influence people to your point of view without providing substance.

A common retort you hear is that tax sale is “Predatory” Why is it less predatory if the city takes a property via foreclosure vs a private investor?

Why is it less “predatory” if the city collects the high interest rates vs an investor collecting a much lower interest rate? Advocates leave out the part that investors collect less money on their investment that the city does as normal late charges. Due to the way bidding works in Maryland, investors earn a lower rate on their money invested than the city gets in normal late charges. Interest gets bid down to as low as 2-4% in recent years.

You also hear about “greedy” investors are charging “exorbitant” interest rates. Did you know that investors generally get a lower rate than the city collects? The high interest rates are charged regardless of if the property goes into tax sale. The 18% interest is the rate that all citizens pay for late water bills and property tax payments. When an owner occupied property in Baltimore city goes into tax sale the interest rate drops to 12% for the tax sale investor. 18% and 12% are the starting interest rates for investors which are then bid DOWN.

6) False assertions.

An online post by Shelterforce [vacant homes wither under flawed tax sale system](#) Quoted Dan Ellis referring to foreclosures on vacant houses, as saying,

“the certificate cannot be redeemed and the property can’t be purchased.”

He was referring to a situation where a tax lien expired, worthless, because no one filed a foreclosure action. His statement is untrue. The tax lien no longer exists at all in that situation, so it doesn’t need to be redeemed, and the taxes due under the lien are considered paid. The title is clear, and the property can easily be sold.

“if the investor did not file a new deed after foreclosing on the original owner, the debt reverts back to that owner,”

Again untrue. While this can lead to a title that is not clear, and difficulty selling the property, there is a process to reverse this and correct the situation. In no case does the former debt become owed by the previous owner.

In the Baltimore Banner article mentioned above, Jonathan Sacks, executive director of the HUB West Baltimore Community Development corporation was quoted as saying.

“These properties are often held hostage” by lienholders.

There is no way for the lienholder to hold the property hostage. The current owner has full use and rights to the property, including the right to sell. The lienholder doesn’t even have the right to go onto the property.

On her website [tax sale working group meeting Ramos presentation](#) Odette Ramos said:

The current redemption period is 2 years for all properties - meaning the new owner of the lien has to wait two years to foreclose.

She was referring to how the process to foreclose on vacant properties should be sped up. She is factually wrong. The owner must start foreclosure before two years is up or the lien expires worthless. The truth is that there is already a process to speed up foreclosures for vacant properties.

These are just a few of the examples of how the housing advocates don't really understand, or accurately portray how the process actually works.

Conclusion

When you look at the totality of the situation, the entire narrative supporting this bill is not supported by logic or facts. The negatives of the current tax sale system have been grossly overstated and misrepresented. Many of the problems brought up are not even resolved by this bill. Yet the very positive benefits of tax sale to the city have been completely ignored.

I live in Baltimore City, I vote, and I strongly oppose this bill.

I do support amendments that limit this bill to owner occupants or low income property owners.