

Lien Plan Set To Aid Owners

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<http://online.wsj.com/article/SB10001424052748704507404576179014148306894.html>

A measure approved by New York's City Council to assist homeowners who have fallen behind on property taxes or water and sewer bills could generate increased revenues for the city while aiding low-income property owners, city officials said Thursday.

The Lien Sale Reform and Reauthorization Act, approved unanimously by the council on Wednesday, caps interest rates that debt-servicing companies can charge. It also makes it easier for senior citizens and veterans to qualify for exemptions to help hold on to their homes if they fall behind on bills. Under the legislation, owners of two- and three-family homes can rack up as much as \$2,000 in unpaid water and sewer bills—up from \$1,000—over the course of a single year before the city can sell a lien established on their homes.

Domenic M. Recchia, a Brooklyn City Council member, said the measure will increase revenue going into the city's coffers because, among other things, it allows the city to sell liens on two- and three-family homes with unpaid bills, instead of just on single-family houses, as has been done previously.

"This lien sale brings in millions of dollars every year for the city, and since we've been doing it, people have been paying their bills," Mr. Recchia said.

Since 1997, the city has held an annual lien sale to generate revenue from unpaid water and property tax bills by selling the debts to investors.

Once a home is added to the lien list, its owner has 90 days to pay the bills before a lien against the home is bundled into a trust with thousands of other loans. They then are sold to investors, who then collect principal and interest payments through a servicing company.

Those servicers often tack on thousands of dollars in fees and a steep interest rate, forcing homeowners to borrow more to pay the bills back, says Josh Zinner, co-director of the Neighborhood Economic Development Advocacy Project, a consumer advocacy group.

"What we think is primarily happening is people get into other forms of high-interest debt, and that's a lot of stress for people who are living check to check," he said. "It creates a downward spiral of high-cost credit that's really a burden on families."

The vast majority of homeowners with property in the lien sale pay their bills before the debt is sold, but the sale typically raises about \$40 million each year, according to a city finance official.

Since 1996, adding properties to the lien sale list has resulted in the city recouping more than \$5 billion in unpaid bills, the official said.

Advocates have pointed out that homes in the 2010 tax lien sale were concentrated in poor neighborhoods in New York that have also had high rates of foreclosure.

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