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## Delinquent Property Taxpayers about to get Socked

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### Foreclosure Crisis Having Impact on Delinquent Taxes

This is a bad time of year for delinquent property taxpayers.

Local tax collectors are about to begin a yearly ritual that puts homeowners who don't pay their taxes on the hook for **\*interest** on what they owe, sometimes as much as 18-percent interest. It's the annual tax certificate sale, and it brings in big profits for investors.

With foreclosures way up, so is the amount owed in delinquent taxes. [In Hillsborough County, Florida](#), which is the Tampa area, \$161-million in delinquent property taxes is owed for 2008.

The list for all the properties in Hillsborough County that owe delinquent taxes is bigger than two Sunday newspapers combined. There are some 46,000 delinquent properties for 2008. That's a 40% increase over just two years ago.

The Tax Collectors Office says the increase in foreclosures is having an impact on people paying their taxes. "They're not paying them as soon as they used to. They're paying them a little later and some are going unpaid. And as a result we have more delinquent taxes this year than we've had before," said Charlotte Luke Director of Data Processing.

### Investors Cashing-In on Homeowners

Tax Collectors sell these tax certificates to recover the delinquent property tax money owed by homeowners, which is used to run the local government. Investors buy the certificates, which are essentially liens on the delinquent property. History shows they have a high likelihood of a good return.

An investor buys a certificate on a certain property, pays the taxes and in exchange earns interest on the delinquent amount the homeowner owes. That interest rate can be as high as 18% and is generally bid down by investors in an auction. It can go as low as 3%, but last year, averaged about 10%. That's a pretty hefty profit in these tough economic times.

In addition, part of what makes these certificates so attractive is that investors are guaranteed at least 5% in Florida, if the homeowner pays up in the first 3 months. So even if you bid your profit down to 3%, you can still make 5%. That's 2% in free money, guaranteed by Florida law.

It's pretty much guaranteed money. When the homeowner finally pays the taxes, which most do, they get stuck paying the interest on top of the taxes they owe. The price of being late.

If the property goes to foreclosure, investors still have a pretty high likelihood of being paid. These tax certificate liens are first in line to be paid, even before the mortgage. So, whoever holds the mortgage likely steps up and pays the taxes, plus interest.

### Look who's Cashing In

Those big returns make them attractive investments, and you might be surprised at just who is cashing in.

Luke, with the Hillsborough Tax Collectors Office, says big banks like Bank of America and J.P. Morgan Chase are among the biggest buyers. She says lending institutions often purchase the certificates in droves through middle-man companies, like Gulf Coast Holdings.

"Good interest rate. Return on their money." Luke says that's why these big banks are major players here. "They got in the game when the interest rates were going down. You invest in a property. It's a quick return on the money."

She says that guaranteed 5% return is also a major factor for the high level of interest from big institutions. "You just made 5% on the money you gave us for that certificate. Whether they (property owners) pay it next month or you only held it for a month or a few months, you're guaranteed 5%."

### Conflict of Interest

In other words, these banks are making a lot of money off of delinquent taxpayers, who also in many cases these days are struggling homeowners facing foreclosure. And there lies the potential conflict.

Some homeowners say it's not fair for big banks to cash in on homeowners facing foreclosure, especially since many borrowers have found it very difficult to get their lenders to do loan modifications to help them avoid foreclosure.

[Homeowners like Alex and Marlene Mendoza](#), facing foreclosure in Florida, are very frustrated by the inability to get their lenders to work with them to save their home. "I just wish you could knock some sense into them. It just doesn't make sense. Why do you want to take my house when I'm willing to still pay for it. I just need a little bit of help," Alex Mendoza said.

Families struggling to pay their taxes and their mortgage just wish the banks would help them, instead of finding new ways to cash in on their misery.

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