

The Ultimate Investors Real Estate Club

Volume 1, Issue 1, May 2001

Making Big Money with Tax Sales

By Wesley Barney, © 2001 Ultimate Investors Real Estate Club.

As an active real estate investor, I am constantly seeking ways to acquire property below market value, regardless of the market conditions. There are opportunities to invest in real estate where the initial investment is low and the potential for profit is high, where thousands of properties are available for rock bottom prices. This relatively ignored area for making money in real estate shall be called Tax Sales!

What is a Tax Sale?

When a property owner fails to pay their real estate taxes, the local tax authority can seize and auction off their property. The same is true for commercial and multifamily income properties. Most cities and counties need to raise tax dollars to operate their respective governmental agencies and property taxes is often their favorite source of revenue. The tax collector has the authority to force the sale of a property for which back taxes are owed. This procedure is called a tax sale. There are two types of tax sales - a certificate sale or a deed sale. The type of tax sale that will result from back taxes is determined by the laws of the state.

Certificate State vs. Deed State

States are generally described as certificate or deed states. A certificate state is vastly different from a deed state. In a deed state, the winning bidder at a tax sale can immediately receive a deed of ownership. In most deed states the delinquent taxpayer has no redemption rights. After the sale, the property is yours. In a certificate state, the winning bidder receives a tax certificate, and the property owner has the right of redemption for a specified period. The certificate holder earns interest and is entitled to penalties paid by the property owner upon redemption. No interest is collected in the states where redemption is not allowed. Check your local taxing authority to

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Calendar of Events

Ultimate Investors Real Estate Club Meetings:

May

Date: Thursday, May 31, 2001

Address: 208 W. 30th Street
2nd Floor, Room L

Time: 7:00 to 9:00 p.m.

Non-member: \$10.00 at the door

June

Date: Thursday, June 28, 2001

Address: To be announced

Time: 7:00 to 9:00 p.m.

Non-member: \$10.00 at the door

July

Date: Thursday, July 12, 2001

Address: To be announced

Time: 7:00 to 9:00 p.m.

Non-member: \$10.00 at the door

Guest Speaker:

ADIEL GOREL,
PRESIDENT OF ICG INTERNATIONAL
Topic: Investing out of State

For further information, please call
Ultimate Investors Real Estate Club
at 718-424-7583.

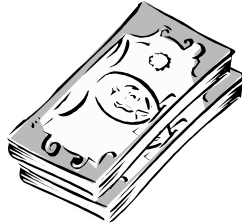
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determine whether you live in a deed or certificate state.

Tax Certificates

Tax Certificates entitle the holder to receive very high interest rates. Tax certificates are issued by the state or local agency to the successful bidder at the tax sale. A tax certificate is issued to an individual who has paid overdue taxes on someone else's property. It allows the holder of the certificate to collect interest on the taxes they have paid and, after a specified redemption period, it enables them to start legal proceeding to obtain title to the property.

Once a certificate has been issued, in order for that homeowner to redeem their property, they must pay you the back taxes, interest and penalties. The main reason why many people hold a tax certificate is to collect high interest on their money. [Special note: the redemption period varies from state to state.]



Tax Foreclosure

The second type of tax sale involves the sale of real estate for non payment of taxes just like mortgage foreclosure. If there are no purchases of a tax certificate at the auction sale, then the certificate reverts back to the taxing authority. Now if the owner redemption period elapses, *an opportunity* may exist to purchase the certificate directly from the taxing authority. This is an ideal situation because, it may allow the purchaser to receive a certificate on the property where the period of redemption has expired and then the purchaser can start the legal proceeding to get title to the property.

If however, the taxing authority has foreclosed on the property, an individual can generally purchase the property from the taxing authority at public auction in Long Island New York. Suffolk county for example, holds auctions of their tax foreclosure properties twice a year. These properties are referred to as surplus county-owned real estate. Suffolk county's website may be accessed at www.co.suffolk.ny.us

Finding out about Tax Sales

For more information on tax sales, write or call the tax collectors office nearest you. The title of officials varies regionally, but some of the more typical titles include: County Treasurer, County Auditor, Tax Collector, County Trustee and, Division of Real Estate.

Once you have contacted the county tax collector's office, ask to be put on the mailing list for any public notices for tax sales. The notices will generally outline in detail, where, when and under what conditions the auction will be held. You should also request a list of the properties offered for sale.

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Why Government Owned Homes?

Limited Capital Investors: For investors with very limited funds, this is the least expensive method of buying property. And for many investors, especially beginning investors, this may well be their only option, due to the fact that most other investments require significantly more capital.

Unlimited Capital Investors: For investors with unlimited capital (if such a person exists), there is no better way to maximize your leverage. The typical cash outlay for an investor is 30%. Our plan reduces the outlay to an average of 5%, that means you can control 600% more wealth.

Low Fixed Rate Loan

Lenders profit by interest rate and points. The government home loan program consistently offers the lowest available interest rate, and never exceeds a one point loan origination fee. The lower the interest rate, the better the monthly cash flow (income). While cash flow may not be every investors reason for buying a property, for some investors it may be the only reason.

Many investors choose adjustable rate mortgages in order to increase cash flow during the first year or two. We believe that a fixed rate loan is a far better alternative because your loan payments will never increase during the life of the loan, enabling you to make long term projections and intelligent, accurate business decisions.

Assumable Loans

When it comes time for you to sell the property, the loan we have arranged is fully assumable by your buyer. What that means to you is your property will be more marketable than the competitors. Advantages to you and your buyer:

- The fees to assume a loan are far less expensive than new financing, this enables you to ask more money for your house.
- The qualifications to assume a loan are generally more lenient than new financing.

This attracts more buyers that may not normally qualify to buy your home.

- The low interest rate you have will be the same interest rate your buyer assumes. Interest rates will definitely increase in the future, thereby making your property, with a low interest rate more marketable.

Closing Costs

Closing costs are an unavoidable expense in buying properties. The best anybody can do is limit them and eliminate any unnecessary fees. There are no unnecessary charges (garbage fees) associated with these loans. Plus, closing costs are a write off. That means Uncle Sam is helping you invest in your future.

Easy Qualifying

Many people are unable to buy property or multiple properties due to strict lender guidelines. These properties are government owned and it is mandatory that they are sold immediately. Easy qualifying is an incentive offered to buyers to sell these properties quickly.

Qualifications:

- Credit report with no outstanding bad debt
- Verification of employment
- Verification of source of funds to close.

Below Market Value

Guidelines require these properties be



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Wesley Barney at 718-424-7583

sold in less than nine days. In order to sell property in such a short period of time, prices generally must be discounted. It is not uncommon that an investor may purchase property significantly below market value.

Leverage:

Leverage is one of the key elements that make real estate investing attractive. Leverage is simply buying something with other people's money. This enables investors to acquire more gross wealth, thereby multiplying potential profits. There is no mortgage company, bank, or savings and loan that offers as generous of a loan to value as properties purchased from and financed by the U.S. government. In fact, government financing offers up to 100% of the purchase price in some states. In almost every state, the financing has proven to be superior to any conventional terms.

Selection

No investor can be expected to choose the optimal investment with a selection of only one. Therefore the greater the selection, the greater the opportunity to find the perfect investment. In most states, government properties are offered in great numbers. With the huge selection available, most investors have no difficulty finding excellent properties below market value with

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Types of Properties at the Tax Sale

Tax Sales cover many different types of properties including Undeveloped land, commercial real estate (4 units or more), investor-owned and owner-occupied real estate properties. If you plan to get involved in tax sales you need to become familiar with the tax laws and procedures of your state. Contact your State Department of Real Estate or check with your Local Law Library. Other good sources of information are your local taxing authority and real estate attorneys who are familiar with tax sales. Generally your local real estate club can direct you to pertinent books and/or homestudy courses.

Opportunity in Tax Sales

Tax Sales represent a unique and profitable method of investing in real estate. In most states, a tax lien is treated as a super priority lien, that means that tax sale investment is secured by a lien on the property that must be paid if the owner is to keep title to the property. When you purchase property at a tax sale, you are bidding on what is owed in back taxes. Any mortgages on the property will generally be wiped-out.

Whether you desire to invest to earn positive cash flow from interest on tax sale certificates or wish to acquire title to real estate, tax sales offer incredible returns for a relatively small cash outlay. I am often amazed at the number of people who are totally unaware of the opportunities that exist with tax sales. As George Washington Carver said, "Judge a man not by what he has but what he had to overcome to make his accomplishment." Good Luck!!

Special thanks to Harry Friedland, a real estate lawyer and investor who practices law in NY, NJ and Florida for consulting on this article on tax sales.

Pearls of Wisdom

*He worked by day
And toiled by night.
He gave up play
And some delight.
Dry books he read,
New things to learn.
And forged ahead,
Success to earn.
He plodded on
With faith and pluck.
And when he won
Others called it luck.*

AUTHOR UNKNOWN

Index of Tax Sales Terms

Tax Sale:

A sale of real property after a period of non-payment of real estate taxes

Tax Lien:

A debt attached against property for failing to pay taxes.

Tax Foreclosure:

The process of enforcing a lien against property for non-payment of delinquent property taxes.

Tax Certificate:

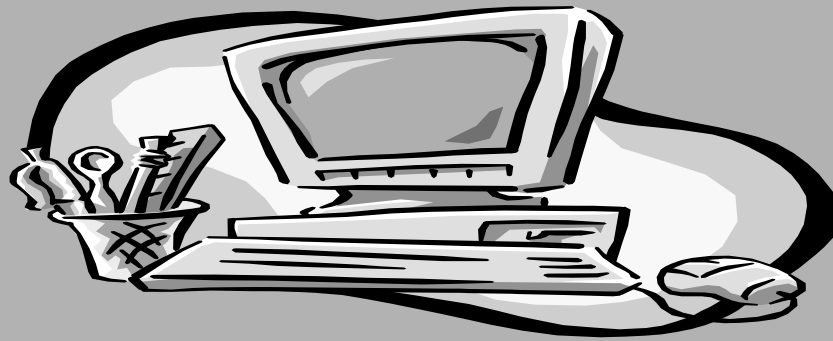
An assignment of debt the delinquent taxpayer owes to the taxing authority, it creates nothing more than a lien on real property and it does not convey ownership.

Tax Deed:

An instrument given at a tax sale if you are the successful bidder in a deed state you will receive a deed of ownership.

Redemption Period:

The period during which an owner can reclaim foreclosed property, if the former owner acts within the state redemption period, they can reclaim the property back by paying the debt and legal fees.



Web Wise Solutions

There are several new websites that have become available recently that provide real estate related information to the general public. Among them are New York City Department of Building Codes and New York City Property Data and Tax maps. See below for more details on the type of information that is available and how to access it.

BUILDING CODE IS ON THE WEB IN NEW YORK CITY

(nyc.gov/buildings)

The New York City Department of Buildings has for the first time posted the city's voluminous building code on its website - www.nyc.gov/buildings. In the past, this information was only available in hardcopy and individuals requesting access to the information were required to pay \$45.00 for it. The hard copy is approximately 800 pages. Traditionally, this service was used almost exclusively by the professional community, architects and engineers use the code. With online access, this information is available to Joe Homeowner and Mr and Mrs Contractor who previously did not generally own the hard copy version.

The code sets out the regulations governing all building construction in New York City, not just administrative requirements such as when a particular type of permit or certificate of occupancy is needed, but technical standards as well. Those include requirements for plumbing, lights, heat and ventilation and fire system. The two questions the Department of Building receives from homeowners are the requirements for fences and swimming pools. The online version of the code has 19 chapters.

NYC PROPERTY DATA AND TAX MAPS:

New York City tax maps, assessment records, ownership information and property financial statements are now available on line via the Real Estate Information Network (REINET) web site.

Individual property records may be accessed for \$1.00 each. Payment is made by opening an account with minimum balance of \$25.00 by credit card or by debit from checking account. Detailed ownership information is available including operating histories indicating income and expenses for one to five years. For more information log on to www.Reinet.com or call 570-420-5505.

Support Groups that Offer Seminars and Workshops

Turn your television on and it is hard not to stumble across infomercial gurus selling the sizzle of real estate investing. But there's very little real meat in the presentations – mostly a come-on to purchase their books, tapes and seminars which can cost thousands of dollars.

For mom and pop real estate investors, one of the best inexpensive sources of practical information are investor support groups like the Ultimate Investor Real Estate Club. They offer down-to-earth seminars and workshops that usually are given by unpretentious specialists. They range

from rank and file members who have learned in the trenches and are willing to share their inside tips, successes and failures. The guest speakers include lawyers, bankers, brokers and real estate entrepreneurs who

discuss new investment opportunities.

The objective of the organization is to provide quality educational programs on a variety of subjects relating to real estate investing, business, economics, marketing, taxation, finance, politics, law and retirement planning. We believe that having information on the above subject matters will enhance and increase your chances for success in the business world and, and put you a step above the competition.

“What you get on TV is marketing. Here is the real stuff” said Wesley Barney, president and founder of the Ultimate Investor Real Estate Club. If a person is serious about it, we give him or her the real tools to do it, as opposed to the theoretical stuff.

The seminars that we have at Ultimate Investor Real Estate Club focus on tax lien certificates, foreclosures, lease options, fixer upper properties, investing inside and outside of the state, and much more.

The benefits and services that the Ultimate Investor Real Estate Club provides its members are monthly meetings

which members attend for free in addition to referral services to professionals in the real estate community and field trips, investment opportunity to buy real estate plus newsletter. Membership dues are \$79.00 per year. The club meets once per month with a hiatus in December, July and August. All meetings are free to members with a discount on the workshops.

Locating Bargain in Real Estate, REOs and REPs Can Help

By Wesley Barney, © 2001 Ultimate Investors Real Estate Club.

Property that is not sold through foreclosure sale reverts back to the lender and becomes an REO (Real Estate Owned) property.

REO property is maintained by the banks, and is generally considered to be non-performing assets on the lender balance sheet. Lenders do not want REO. Buying REO properties from banks and government agencies has advantages and disadvantages. The largest disadvantage is that most REO property is sold through brokers in AS-IS condition. In other words, the buyer is responsible for repairs. On the positive side, since these assets are not desirable, the buyer may be able to negotiate a below market price.

REO's through Fannie Mae

Fannie Mae has its own REO program and offers a wide selection of foreclosed property for sale to the general public.

To receive their free list, call 1-800-732-6643 or logon to their website www.Fanniemae.com for a link to their property listing nationwide.

Success is 99 percent failure.

*Soichiro Honda
Founder, Honda Motor Corporation*

Other Available Resources

For the serious investor, there are many reliable sources of good information. Some key resources are provided below.

- Housing Education Program
100 Gold Street
New York, NY 10038
212-863-8830
www.nyc.gov/hpd
- New York City Mortgage Coalition. This group of home counseling specialists assist prospective homebuyers in understanding the home buying process. Call 212-493-7419 or www.nycp.org
- Fannie Mae: Fannie Mae's mission is to make mortgages readily available. Contact them at 800-732-6643 or www.fanniemae.com
- New York Legal Referral Service that can refer you to a real estate lawyer for a low cost consultation. You can reach them at 212-626-7373 or www.abeny.org
- National Association of Home Inspectors. Enter zip code of the property or area in which you are interested and receive a list of home inspection firms. Call 800-448-3942 or www.nahi.org.
- Jack Brause Library – The Real Estate Institute of New York University School of continuing and professional studies located at 11 W. 42nd Street, Room 510. Whatever your research needs, the Jack Brause Library provides timely access to critical information sources either in person or over the phone. The information provided includes
 - Research – a specific subject
 - Obtain a list of developers
 - Verify zoning codes
 - Browse over 100 periodicals
 - Access a variety of online sources
 - Study market trends

The Jack Brause Library offers direct access to several

electronic real estate resources via its home page www.nyu.edu/library/rie or call 212-790-1325

- Public Administrative sale of Real Estate. These properties are being offered for sale by public administration in as is condition. These properties are for sale by Public Administration are from surrogate court. Homeowners who died without a will. To get on their mailing list call public administrator at 360 Adams Street, Brooklyn, NY and ask for the public administrator number.
- Creative Real Estate on line – www.creonline.com

For Your Information:

Property Tax information is now available on the internet in New York City.

A long effort to provide specific real estate tax information on the internet has been achieved by the Department of Finance. Armed with block and lot information, internet users can now quickly obtain a financial snapshot of more than one million properties in New York City.

Using the new New York City Property web link, once particular block and lots are input along with user identification, within seconds, anyone can obtain access to information that includes annual and replacement real tax bill; current and tentative or final assessments, and Senior Citizen Rent Increase Exemptions (SCRIE) status.

The site link can be difficult to find, but should be available through the New York City Home page at www.nymlink.org/nys property or try a search of the finance agency or through the finance home page at www.nymlink.org/finance. For additional information call 718-935-9000. Good luck!!!

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Yes, I want to join U.I.R.E.C. Please find enclosed a check or money order for \$79.00. Make check payable to

Ultimate Real Estate Investors Club

25-49 McIntosh Street

East Elmhurst, NY 11369

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