

Report: Some lose homes over as little as \$400

WASHINGTON (AP) — The elderly and other vulnerable homeowners are losing their homes because they owe as little as a few hundred dollars in back taxes, according to a report from a consumer group.

Outdated state laws allow big banks and other investors to reap windfall profits by buying the houses for a pittance and reselling them, the National Consumer Law Center said in a report released recently.

Local governments can seize and sell a home if the owner falls behind on property taxes and fees. The process helps governments make ends meet at a time when low property values and the weak economy are squeezing tax revenue.

But tax debts as small as \$400 can cause people to lose their homes because of arcane laws and misinformation among consumers, says John Rao, the report's author and an attorney with NCLC.

The consequences are "devastating for individuals, families and communities," Rao said. He said states should update laws so speculators can't profit from misinformed homeowners and people who have difficulty managing their finances.

The rules for property tax sales can be confusing, especially to elderly people who can't keep track of their finances and people in minority-heavy communities that were targeted by subprime lenders. Here's how it works:

- The government files a public document called a tax lien saying that it can seize the property if the taxes remain unpaid.

- If the taxes aren't paid, the government auctions the lien to investors. Past investors include JPMorgan Chase, Bank of America and people who respond to Internet get-rich schemes, the report said. Homes typically are sold at steep discounts.

- For a limited time, the

homeowner may buy back the home by paying to the investors the purchase price of the lien, plus interest, fees and other costs. That's possible because investors haven't bought the home itself — they have purchased the tax lien, which gives them the right to seize the home later.

- If the owner fails to pay all the costs, investors can sell the home at a big profit compared with the cost of buying the tax lien.

The report said state governments should make it easier for homeowners to retake their homes after tax lien sales. It said they should limit the interest and penalties investors can charge and increase court oversight.

It also called on local governments to let people pay back taxes or fees to investors on an installment plan, and to increase notice to homeowners and make sure they understand their rights.

Tax lien sales differ from most foreclosures, which

happen when people fall behind on mortgage payments. In many states, homes sold because of tax debts can be sold for only the amount of back taxes owed.

That means a \$200,000 home might fetch only \$1,200, the report said. In the process, homeowners can lose thousands of dollars in home equity that they have built up by making monthly payments.

It is difficult to put a figure on the number of homes sold in tax lien sales because the information is spread among thousands of local governments, Rao said.

A JPMorgan unit estimated in 2009 that about \$5 billion worth of tax liens are sold to investors each year, according to a transcript of remarks made at a government meeting in Kansas City, Kan.

Rao said he believes the actual number is much higher. He said Florida alone sold \$2 billion worth of tax

liens in 2008.

JPMorgan and Bank of America both said they have stopped buying and bundling and reselling tax liens but still hold tax liens that they already owned and manage them for others.

For elderly people, home equity might represent their only retirement savings. Many older Americans draw down the equity in their homes over time through reverse mortgages and other loans that use home equity as collateral.

People who got subprime mortgages before 2008 also face challenges staying current on property taxes. Sub-

prime lenders are less likely to bill borrowers for the property taxes and then pay the taxes directly to the government.

Instead, borrowers are expected to keep track of their taxes and pay them without help from the mortgage company.

People with higher-quality mortgages tend to pay taxes and insurance to their mortgage companies as part of their monthly bills.

The report is the first comprehensive study of each state's policies and procedures for tax lien sales. An early copy was obtained by The Associated Press.



Mifflin County now has an Elder Victim Advocate (EVA)

Working specifically with elderly crime victims and increase elderly awareness to help prevent crimes against them. Mifflin County Crime Victim Services' primary goal is to identify and protect the rights of crime victims and witnesses. We provide the victim and witness with a full range of free services.

The EVA provides free educational sessions locally on crime prevention.

For More Information

Crime Victim Services 717-242-3372
or **Area Agency on Aging 717-242-0315**

You can also visit

Crime Victim Services' website at
co.mifflin.pa.us/crimevictimservices

Answers

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SHIP, call 1-800-MEDICARE and request a referral to your local SHIP, or go to www.shiptalk.org and click on "Find a State SHIP."

Need more help? Local area agencies on aging can connect you with legal services organizations in your area. Check www.elder-care.gov for a list of resources. National nonprofits like the Medicare Rights Center (www.medicare-rights.org) and The Center for Medicare Advocacy (www.medicareadvocacy.org) can also help.

What if you're not covered by Medicare? Many states have consumer assistance programs staffed by in-

surance experts that focus on other health insurance issues. For example, these programs help you file an appeal if your private insurance plan denies a claim. They can advise you on Medicaid issues or help you understand your rights and choices if you lose job-based coverage. You can find contact information for consumer assistance programs online at www.familiesusa.org/resources/program-locator. The health care law provided much-needed funding to strengthen consumer assistance programs, and they are going to have an increasingly important role to play in the next few years.

So the next time you or a loved one feel baffled by the complexities of Medicare or

other types of health insurance, take a deep breath. It's perfectly normal. And re-

member, you're not on your own — there's help out there for you!

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