TAX LIEN CODE BIBLE

BY BRIAN PETERSEN

Acknowledgment:

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SECTION ONE

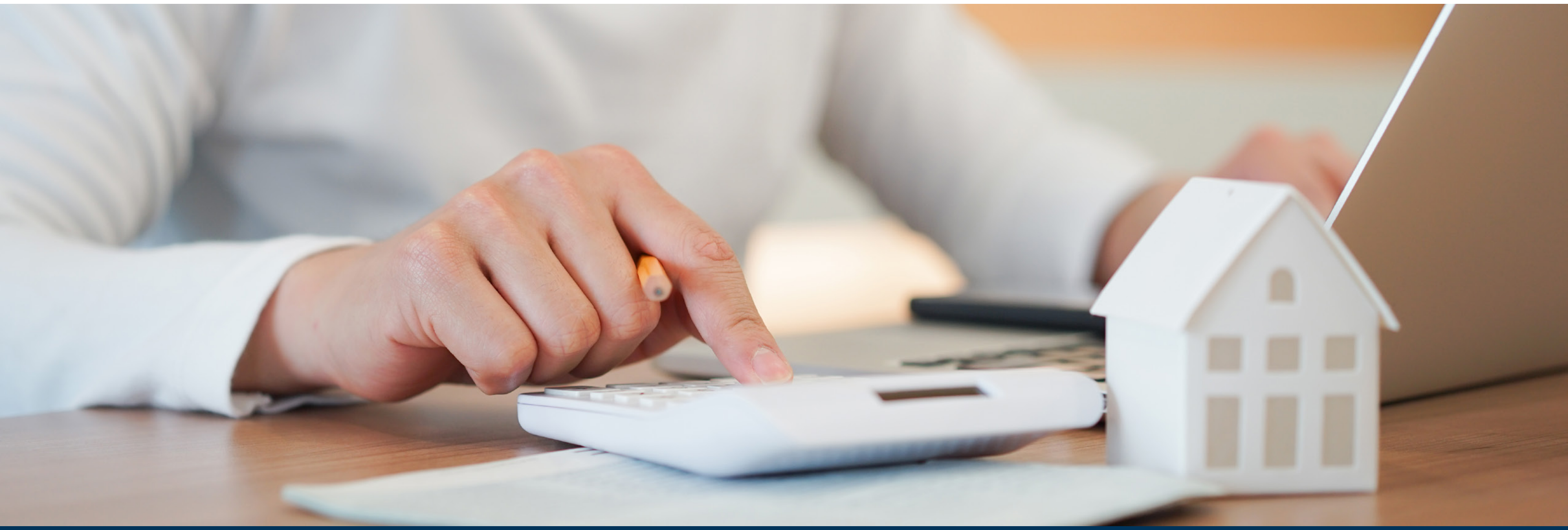
INTRODUCTION

Property Taxes

Americans seek property ownership like it's the leprechaun's pot at the end of the rainbow. Why, you ask? There are more than a few reasons property is seen as such a valuable resource. Being a property owner has incredible perks and brings incredible pride. Some people are "tired of paying someone else's mortgage," and others are interested in the financial rewards. They speculate and presume property values will rise, thus making them money when the property is sold. Property owners also get tax benefits for interest paid on their mortgage as well as some other write-offs through homeownership. Property ownership also takes the property owner one step closer to fulfilling the "American Dream"—that is, through hard work and determination, a person can enjoy a life of success, security, and happiness.

However, those that enjoy the benefits of property ownership also accept the responsibilities that come with such ownership. One of the key responsibilities of property ownership is paying property taxes. As the general population increases, so do the financial obligations of the local and federal governments. Many of the things we take for granted in our everyday life, such as public safety, education, and local entertainment, are paid for by the property taxes we pay to government entities.

Thankfully, property tax lawmakers had the wisdom to create a property tax system that ensures the timely collection of taxes so that the government can continue to operate smoothly and efficiently. This tax collection system involves tax liens and deeds. Tax liens and deeds not only help city and county government function properly, but they also serve as excellent investment opportunities for investors who take the time to educate themselves about them.



Tax Lien Investing: Getting Started

We promise to do our part to help you make money and change your life if you do yours. We have been investing in tax liens and tax deeds for over ten years. During this time, we have taught our methods to students in the United States and across the world. Our students come from all walks of life and yet have the same objectives—to improve their quality of life, advance their financial standing, and increase the amount of time spent doing the things that they love. No matter what your objectives may be, we want to help you achieve your dreams!

Through years of experience and training, we have learned why many people succeed in tax lien investing and why others do not. We have taken it upon ourselves to provide thorough training that clearly lays out a detailed map of the steps that investors should take to be successful. However, even when you have the best resources at your disposal, your success depends on more than just simply becoming a member of this club, but rather on your mindset, commitment, and your ability to take action.

Here are some investing techniques that we feel will be helpful to your success:

1. ***Study:*** *Start by reading the entire program; make sure you understand the core principles that are discussed early on, as these will serve as the foundation.*
2. ***Use your resources:*** *Look beyond the training materials. Although they are an incredible source of information, use the Internet in your research as well as the club website; there, you will find a wealth of knowledge about tax liens and tax deeds. Try to stick to reputable online resources.*
3. ***Start now:*** *Take the time to learn, and start applying what you learn as soon as possible—especially while the desire to achieve your dreams is still burning brightly.*
4. ***Think positively:*** *Experience has shown that your mindset affects your results. Successful students start their journey with the expectation that things will change for the better. All wealth truly begins in the mind, with your thoughts and desires. Learn to focus your attention and thoughts on what you truly desire, not on what you lack. Expect to be successful; expect to create wealth!*
5. ***Overcome your fears:*** *Easier said than done, right? However, it is imperative that you step out of your comfort zone to make changes happen. Start small; as you experience small victories, you will develop greater confidence. Be patient with yourself during this process.*

Your current circumstances will have little to do with your success as an investor. So, what is the distinguishing factor between those who become successful and those who do not? Some people think that it is sheer luck, while others think that it is the ebb and flow of the tax lien market. Our answer is that it is neither. The difference between success and failure has to do with your ***mindset.***

There has never been a better time to start investing in tax liens and deeds. Now is the time to take control of your financial future, and we are here to help you every step of the way.

Setting Goals

The aim of this course is not only to explain unique investment strategies but also to motivate you to take the first steps in your journey towards financial independence and wealth. Once you achieve financial freedom, you will be able to live the life that you have always dreamed of. Perhaps that includes owning your own home (or a second home), traveling, or spending more time with family at the lake. Whatever your goals may be, our plan is to show you how to realize your financial objectives through the use of one of the oldest and most proven methods to earn guaranteed interest rates—that of tax lien and tax deed investing.

Make a List. Before you start studying tax lien investing strategies, take a few minutes to consider your motivation for seeking financial independence. What drives you to work hard and to dream? You might have tangible motivations (e.g., a large house, a swimming pool, expensive cars) as well as intangible motivations (e.g., spending more time with your family, feeling less stress from your job, and having the freedom to live your life the way you have always imagined). Find a pen and paper and start making a list of the things that motivate you, both tangible and intangible.

Write Down Goals. Now that you have a list of the things you ultimately want to achieve, how do you plan on getting there? How much money will you need? How much more time do you want to spend with family? Think of what it is that you really want to accomplish and make clear, quantitative goals. Be sure to write down your goals, as this will help you to have a target to work towards. Research has also shown that those who physically write down goals are more likely to achieve them.

Create a Timetable. Once you have written down your goals, give yourself a timetable of when you want to achieve them. Having a clear date will continually motivate you. If you fall short, carefully evaluate how you can improve and set new goals. Don't beat yourself up if you do not reach your goals the first time—or even the second or third time. Simply make new goals and continue to work hard to reach them. You are aiming for improvement, not perfection.

Stay Committed. Stay actively committed to your objectives. Simply creating and writing down goals is good, but it is not enough; you need to step out of your box and *act* in order to achieve your dreams. If you hope to stop living from paycheck to paycheck but do nothing to fix it, nothing will change. You must try something different to achieve different results.

> **Note:** Try printing pictures that represent your dreams and goals and display them in a prominent area as a constant reminder of the things you would like to achieve. You can also save digital pictures and use them as backgrounds on your cellphone or laptop. These can be a daily reminder of what you are working so hard to accomplish and help you remain focused and motivated as challenges arise.

Change is amazing! It can be scary at first because it is new and different, yet it is invigorating and exciting at the same time. You may feel disheartened or frustrated as you begin this journey, but you can do hard things. Keep your chin up and push through. Difficult times cause the most growth; once you have overcome these hurdles, you will accomplish even more than you ever thought possible.

The Path to Financial Independence

We often look at people who are successful and wonder what they have that we do not. It could be sheer intelligence or maybe just luck—or perhaps it goes beyond that and includes perseverance, determination, and a strong work ethic. Take Thomas Edison, for instance, inventor of the light bulb. During his childhood, his teachers said that he was "too stupid to learn anything," and he was even let go from his first two jobs for being "non-productive." Ultimately, Thomas Edison made 1,000 attempts at inventing the light bulb without success, and when asked how it felt to fail 1,000 times, he replied, "I didn't fail 1,000 times. The light bulb was an invention with 1,000 steps." Edison worked hard and did not allow failure or setbacks to impede his progress; in fact, his setbacks were the very stepping-stones that helped him invent something that would forever affect humanity. He learned from his mistakes, was extremely motivated, set goals, and worked tirelessly until he accomplished them. You, too, can be successful in your journey to accomplishing your dreams through tax liens and tax deeds if you keep a positive mindset, create goals, maintain a strong work ethic, and let minor setbacks turn into stepping-stones that keep you moving forward on your path to financial independence.

INVESTMENT OPTIONS: A BRIEF OVERVIEW

First, we will briefly discuss how the property tax system works and explain why liens and deeds are necessary for this system to operate effectively. We will then explain what tax liens are in more detail and briefly define tax deeds and redemption deeds.

The Property Tax System: Liens and Deeds

Property taxes are assessed based on the budgetary needs of the county and the value of the land parcels. A county tax assessor is responsible for valuing every parcel (property) within the county boundaries in order to determine the amount of the tax levy. This property tax assessment has two components: (1) the value of the site (land) and (2) the value of any improvements on the land (buildings).

In some states, there is also an assessment levied against personal property. The tax assessor reports these values to the state or county tax offices, which maintain information about improvements to real estate. They also maintain tax maps, which are created by surveyors. Tax maps identify each individual property with a unique parcel identifier, which helps in two ways: (1) ensures that no properties are omitted from the tax rolls and (2) confirms that no properties are taxed more than once.

Real estate values can be assessed using one of several methods, which include income approach, market value, or replacement value. Ad valorum ("of value") property taxes are based on the fair market property values of individual improved or unimproved parcels of real estate. A city or county tax assessor then applies an established assessment rate to the fair market value (the fair market value is what the property would sell for today). The taxes due are calculated by multiplying the established tax rate by the assessed value of the property.

Most lenders reserve the right to foreclose on a home or repossess an automobile if the terms of the loan are not met (a lien). The lien becomes active when the terms of the lending contract have not been met for a certain period of time. Tax liens function in a similar manner: however, they are used to collect delinquent or past due property taxes. Local government places a tax lien against real property within its boundaries when the owner of record fails to pay annual property taxes.

Property taxes are so important because they are used to fund budgets for school systems, sewers, parks, libraries, fire stations, hospitals, road construction, and many other public services. Every year these government entities determine their budgets using money from property tax revenues. When a property owner fails to pay the assessed property taxes by the required date, the county is looking at a budget deficit. If left unpaid, this shortage can dramatically affect public operations and services, as stated above. Thus, tax liens and deeds are imposed so that budgets can be met, and the government can fulfill its responsibilities.

Tax Lien Investing

First and foremost, it is important to note that there are differences between tax lien investing and tax deed investing. In order to be successful with either investment option, you should know and understand those differences. Be sure to study both types in order to make an educated decision about which strategy to pursue first.

A tax lien is a claim against real property that affects the ability of the owner to sell or otherwise transfer ownership of the real property to another party. The lien utilizes the real property as security for the repayment of a loan or other claim against the property. Mortgages are a prime example of liens, although they are often not enforced as long as the stipulations in the deed of trust are met. If the borrower fails to meet those stipulations, then the mortgage holder (often a bank) can exercise their rights to foreclose on the property.

County governments are authorized to sell tax lien certificates to recover delinquent property taxes. The tax lien system in use today provides these local governments with an effective way to enforce the payment of property taxes while also giving the property owner a grace period within which they can pay their taxes without severe penalties. People who invest in these tax liens receive a guaranteed rate of return, while the county is able to maintain the services they provide.

How the Investor Benefits

Those who invest in tax liens essentially pay municipal or county governments the taxes that local property owners fail to pay. The investor gives the county a loan, but the county doesn't pay interest on the loan. They pass that on as a penalty to the property owner.

When property owners eventually pay their taxes, lien holders—or investors—receive a set rate of return, which can vary from 8 to 25 percent depending on the county and state. Annual returns of over 25 percent can be realized, but this is dependent on the investment strategy and the state in which the tax lien is purchased. The interest is actually paid by the delinquent property owner in the form of penalties and fees. All delinquent taxes, interest, and fees must be paid in order to remove the lien. Thus, the money that investors make consists of the ***amount of their initial investment plus interest accrued to the point of redemption, or the point in time when the property owner pays off the tax bill to the county***.

How the Property Owner Benefits

At this point, you may be wondering how tax liens impact property owners. After all, the last thing we want to do is negatively impact others on our path to financial independence. Rest assured, the system that the government has in place to collect property taxes through tax liens ensures fair treatment of taxpayers while remaining effective in collecting assessed property taxes. Property owners are given a grace period following the due date of taxes. This grace period is also referred to as the ***redemption period*** or the time in which property owners can redeem all property rights and remove the lien. The length of the grace period is set by state law and can range from three months to four years.

Advantages of Tax Lien Investing

Let's briefly discuss the advantages of investing in tax liens by outlining how tax liens work.

1. ***When you purchase a tax lien certificate, you pay the county the amount of taxes due.*** *When you buy a tax lien certificate from a county, you are, in essence, giving them an interim loan for the amount owed by a property owner who is delinquent on his or her taxes. During the loan term, a fixed percentage rate of return (interest) is applied to the amount you invested. (This rate is determined by the state and varies state by state.) The actual lowest guaranteed percentage of return on a tax lien investment is 8 percent. Many investors would be thrilled with that rate of return. In Iowa, tax liens yield 24 percent interest per year. In Texas, a redemption-deed state, you make 25 percent for every six-month period with the possibility of returning up to 50 percent on your investment. Texas also makes investing in their redemption deeds very simple; their accessibility and purchasing procedures are both easy and fast.*
2. ***The property owner pays the county the amount of taxes due plus penalties.*** *The property owner (with whom you never come into contact) is responsible for paying the delinquent taxes (the amount of your investment) and the penalty, which is a fixed percentage rate (the interest you earn from your investment). The property owner pays the delinquent taxes and the interest straight to the county. The return on investment with tax lien certificates can be quite high. Depending on the state and county in which you are investing, you can earn anywhere from 16 to 50 percent return on your investment—sometimes more. With such a great rate of return, it is hard to find other investments that can beat tax lien investing, not to mention the low amount of risk associated with it. Sounds like a golden opportunity, doesn't it?*
3. ***Receive initial investment plus interest from the county.*** *Once the property owner pays his or her taxes plus any penalties to the county, your tax lien certificate will be "redeemed," and you will receive money from your investment. The county will pay you (with a check, ACH direct deposit, etc.—the method varies by county) the investment amount plus interest and penalties. It's so simple; you work with the county, the county works with the property owner, and you never have to meet, talk to, or worry about communicating with the property owner.*

Risks of Tax Lien Investing

When investing, you commonly hear, "the greater the risk, the greater the return." But how many times have you actually experienced a high return on a low-risk investment? The risk of purchasing a tax lien certificate is extremely low because the investment itself is backed by a state-issued mandate or warrant. It is also secured by the real estate for which the tax lien was placed, such as the land, house, building, etc. This means that if the promised return is not forthcoming, the investor is given the opportunity to take the property through foreclosure in order to receive an economic return on investment.

The one major risk in task lien investing is when the property value is lower than the amount invested. *You need to research properties in detail before purchasing a tax lien certificate*. As you research the properties, you will learn how to avoid the pitfall of investing in those where the property value is less than the amount you plan to invest. It will become virtually impossible to make a poor investment if you do the proper research before investing.

An example of a poor investment would be if you purchased a tax lien certificate on a piece of vacant land in the middle of the desert, which is only accessible by helicopter... and let's say that you purchased the tax lien for $10,000, but the property's assessed value was $1,000... that's a bad investment. But as was previously mentioned, it is easy to avoid those bad investments. In general, when investing, *always do your research*.

Tax Deed Investing

Similar to tax liens, tax deeds also help counties enforce the collection of property taxes. However, they differ in the rights they provide the investor and the timeline in which the certificate is sold. Tax liens do not infer any type of property ownership rights to the investor. Lien holders retain the right to start the foreclosure proceedings if the terms of their lien are not met, but they do not own the property outright until the foreclosure process is completed. A tax deed holder, on the other hand, infers outright property ownership. There are no redemption periods and no interest rates that apply to tax deeds. Tax deed states do not sell their liens annually; they wait for the state-mandated redemption period to pass on the property and then foreclose on the property. After the foreclosure process is complete, the county holds an auction where the tax deeds are sold.

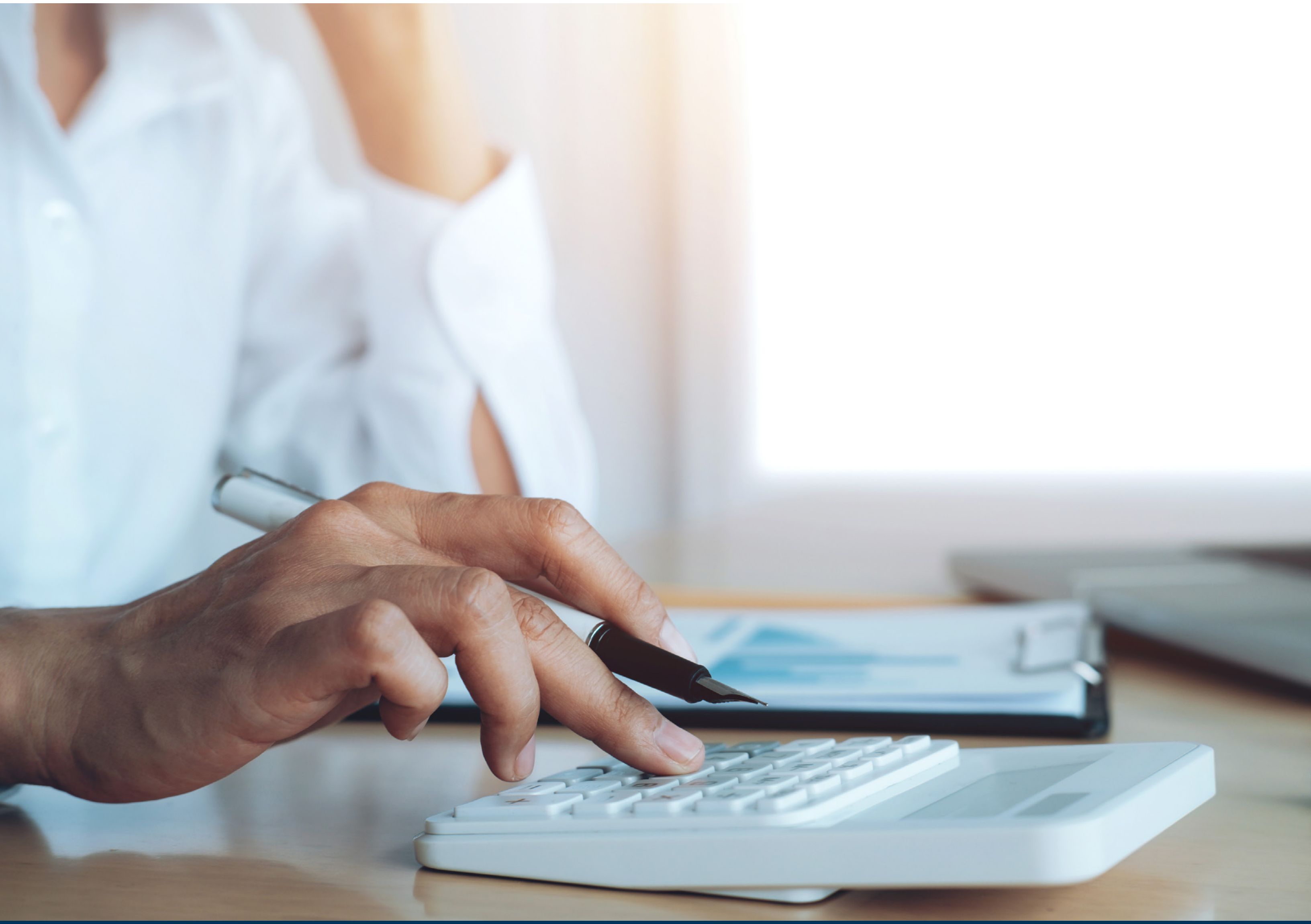
It is important to do thorough research when investing in tax deeds because you will own the property as soon as you pay the county for the tax deed. Investors who purchase tax deeds are normally required to pay all delinquent taxes owed on the properties. The minimum acceptable bid normally includes the combined total of all delinquent taxes, penalties, and fees that have accrued over the redemption period. Because property taxes are usually only a fraction of the land value, investing in tax deeds often makes it possible to acquire full property ownership rights for a relatively small cost.

Redemption Deed Investing

Redemptions deeds are similar to both tax liens and tax deeds. However, they are more a hybrid of both because they are tax deeds that have redemption periods. The redemption periods range from two months to two years, and the property owner has time to repay the delinquent taxes and redeem the property. In many cases, the county has already taken possession of the property, and they may even give the investor certain ownership rights during the redemption period (such as the right to occupy the property).

When the property owner of a redemption deed redeems the property, the investor is compensated for his or her original investment with a penalty rate (commonly known as an interest rate). There are two types of penalty rates: (1) a standard interest rate that accrues on a monthly basis (like tax liens) and (2) a flat rate that does not accrue monthly. A redemption deed with a flat penalty rate pays the same return on an investment after one month as it would after 11 months. This is not as bad as it sounds because a redemption deed with a 25 percent penalty rate that is redeemed by the property owner after one month would actually have an annual return of 300 percent (25 percent times 12 months).

If you are considering investing in redemption deeds, do your research carefully before investing. It is possible to make staggering rates of return on your investments with redemption deeds but only if you do the necessary in-depth research. A word of caution—keep in mind that when you are investing in redemption deeds, which are similar to tax deeds, you are actually bidding on property deeds, where the method for determining a winner is bidding up a premium on the starting bid, and therefore will most likely need to invest more capital than if you were simply investing in tax liens. Whether you decide to invest in liens or deeds, take the time to weigh the pros and cons and choose the option that is right for you.



UNDERSTANDING THE NUTS AND BOLTS OF TAX LIEN INVESTING

Investing in real estate has become a cornerstone to building wealth, and investing in tax liens is a great way to participate in the industry. For the last decade or so, “tax lien investing” has become more of a buzzword than a popular investment tool—simply for the lack of understanding. Tax lien investing, however, is a solid way to invest, given its guaranteed return and security.

Investing in tax liens is not like investing in stocks or other volatile financial products. When you invest in stocks, you depend on the future financial success of the company to turn a profit. You may receive excellent returns, but the chance of suffering losses will always follow you around. When investing with tax liens, your rate of return is set and, best of all, is state-mandated, meaning that it never changes. There are very few investments that can promise you a set, guaranteed return on your outlay. Read on as we break down the process even further before going into the procedure behind purchasing tax liens.

Redemption Period

When a tax lien investor buys a tax lien certificate at an auction, there is a time period during which the property owner can redeem the tax lien by paying the associated past taxes that are due without having the risk of a pending foreclosure. This period is normally referred to as the redemption period, and each state’s redemption period is a different length of time. During this time period, interest and penalties are added to the amount that the investor initially paid for the tax lien certificate. The state government is responsible for determining the interest rate applied to the amount of the tax lien certificate, which varies state by state.

Redemption periods can range anywhere from six months to four years. When the property owners redeem, they pay the county the full amount of the tax lien plus interest and penalties that have accrued to that point in time. Once they have redeemed by sending the money to the county, the county checks their records to find the owner of the tax lien certificate, see your information, cut you a check for the full amount that they just received, and send it off to you. You make your original investment back plus interest. It is that simple!

If the property owner does not redeem by the end of the redemption period (pay back taxes plus penalties), you will still have a few different options to consider. At that point, you are legally allowed to foreclose on the property to earn back your investment. But you don't have to do that right away. You can continue to stand by and allow your original investment to collect interest and wait for the property owner to pay off their taxes. Or you can begin foreclosing anytime that you'd like. Either way, you will recover your investment, either as full payment plus interest or through taking ownership of the property through foreclosure. You cannot lose with this system!

Foreclosure

If the property owner has not redeemed by the end of the redemption period, you can foreclose on the property. At this point, you will need to contact the county to find out the exact procedures for foreclosing. It is imperative that you follow these procedures to the letter, which means that you may need to hire a real estate attorney, either through the county or on your own. There will be additional costs involved in foreclosing on properties, but they should be worth it if you spent a little time in due diligence before making the investment. Be sure to do everything correctly, though, because if even one minor thing is done wrong, the foreclosure may be invalid. The returns on a foreclosure deal should be large enough that you will end up profiting even with the extra expenses of attorney fees and processing fees. Some counties can handle the foreclosure process themselves, doing an adequate job. Be sure to ask for advice from the county before looking elsewhere.

In some cases, even if you have started the foreclosure process, the property owner still has the right to redeem. If he or she redeems after you have started foreclosure proceedings, they will have to pay you your original investment amount plus taxes, penalties, and any costs that you have incurred in the foreclosure proceedings. The applicable interest rate is also applied to the foreclosure costs. This is true in almost all states other than Kentucky, where the property owner does not have to pay the deed application fee and interest. Do not be afraid of starting the foreclosure process; the end result will either be a higher return on your investment or owning a property that can also give you an excellent return on your investment.

But What About The Property Owner?

Many new investors worry about the actual displacement of the property owner if they are forced to foreclose to receive a return on their investment. While this is a valid reaction, it is rare that the property owner will actually be living on the property when it comes to foreclosure. If there is someone living on the property, send him or her an eviction notice immediately. This does not necessarily mean that you will evict them, but it will notify them that you are the new owner and that you mean business. It is important to establish your ownership immediately. Even though you may have already sent an eviction notice, it does not mean that you have to follow through with the eviction. It is your property now, and you can sell it, rent it, or pursue any other real estate strategy that you feel applies to the situation. You can even pass on the foreclosure and eviction and let someone else do that if necessary. All the decisions are yours to make.

Most likely, you have probably heard the saying that real estate deals should be "win/win." This means that both the buyer and seller should feel that they received a good deal. Tax lien investing can be a "win/win/win" situation because there are three parties involved, and if things work out well, all three parties can be happy. The (1) county will get the money that they need to pay for their responsibilities, the (2) property owner has additional time to pay his property taxes, and (3) you—the investor—make a great investment with a guaranteed return. As mentioned before, even if you end up foreclosing, you can choose to make the foreclosure process a positive experience for the property owner. There are very few other real estate or business deals that satisfy all the parties involved.

You do not even need to foreclose on the property if you do not want to. You can wait it out. In fact, there may be other investors that hold certificates on the same property. If they foreclose, then you would be paid back as well.

Multiple Investor Scenario

For example, let's say that the property owner failed to pay their property taxes in 2014. The county then issues a tax lien certificate in 2015 and sells that certificate to Investor A. Then, the property owner failed to pay their property taxes again in 2015, and the county issues a tax lien certificate in 2016, which is purchased by Investor B. Let's also say that the state in which they purchased has a redemption period of two years. Investor A can't foreclose on the property until 2017, and Investor B can't foreclose until 2018.

Investor A isn't interested in foreclosing, so 2017 comes and goes, and Investor A continues to collect interest. 2018 arrives, and Investor B is anxious to foreclose. Well, in order for Investor B to foreclose, she has to pay the county a foreclosure fee, which is usually a few hundred dollars, plus pay off all other tax liens, because tax liens must be taken care of.

So Investor B forecloses, pays all the fees and other certificates, and Investor A gets a check in the mail from the county with her initial investment amount plus interest that accrued to the time of the foreclosure.

A tax lien certificate is always in first lien position. This means that it takes precedence over all other liens on the property, including mortgages, mechanics' liens, or any other form of lien. They must always be taken care of.

> **Note:** An IRS lien is also considered a first position lien. It does not mean that you should absolutely avoid investments with IRS liens on them, but it does mean that you will have to distinguish or satisfy the IRS lien if you were to take ownership of the lien through foreclosure.

Foreclose The Right Way

Remember to seek legal advice when beginning the foreclosure process. The sequence of events in a foreclosure is usually pretty predictable; you just need to make sure that everything is done correctly, and the assistance of a lawyer can be helpful in order to ensure that everything moves along smoothly. Your first step is to send certified registered letters to all parties that have recorded legal or financial interests in the property.

Those parties who have a financial interest in the property have a certain amount of time (usually 60 days) to respond to your letter. If there is a mortgage on the property, the bank holding that mortgage will most likely pay the delinquent taxes, interest, and penalties simply because they are not going to lose their financial interest in a property for a tax lien certificate. If interested parties (including the IRS) do not respond to your certified letters within the statutory period of time, their liens are removed, and you will own the property free and clear at the end of the foreclosure process.

Return on Investment

Interest accrues in one of two ways: simple interest and compound interest. Most counties use simple interest, but we will discuss both types of interest. It is important to know before investing which method of interest accrual the county uses with which you plan on doing business. Every state and county does things according to their own terms.

Simple Interest—You receive a fixed annual rate on your original investment amount only.

> Example: You invest in a tax lien state that has a two-year redemption period, and the state-mandated return is 16%. If you invest $10,000, you will receive $1,600 in interest at the end of the first year. You would also receive a second $1,600 in interest at the end of the second year. When your two-year investment cycle ends, your return would be $3,200 on an investment of $10,000. That is not a bad return, but compound interest would make that return even larger.

Compound Interest—You receive interest not only on the original investment but on the interest that has been added to the principle.

> **Example:** You invest in a tax lien state that has a two-year redemption period, and the state-mandated interest rate is 16%. If you invest $10,000, you will receive $1,600, which is then added to the original investment amount, totaling $11,600. At the end of the second year, you will receive $1,856 because that 16% return is now being applied to the $11,600 rather than the original $10,000 investment amount. Your return is $3,456 using compound interest and $3,200 using simple interest.

The difference between simple and compound interest is definitely noticeable, and the difference will become even larger over longer time periods. Let's say that the redemption period is four years on your original investment of $10,000 (assuming the same interest rate of 16%). Your first year return would be $1,600 in compound interest, the second year return would be $1,856, the third year return would be $2,152.96, and the fourth year's return would be $2,497.43. The additional amount you make each year adds up over and over and interest accrual becomes even more dramatic as you invest more money.

HOW TO BUY TAX LIENS

What to Consider When Looking for a Tax Lien Investment

Of course, you may develop other criteria for properties you wish to invest in, but the three mentioned below are the most important to consider when getting started. As you learn the material we are presenting, you will get a better idea of how to set the criteria for your investments in tax lien certificates. We will discuss your criteria in detail later in this book; for now, here is a general picture of what you should be looking for when investing in tax lien certificates:

- *Consider the specific dollar amount that you wish to invest.*
- *Examine the assessed and market values of the property that backs your tax lien certificate.*
- *Consider the property type and other liens on the property.*

The point of the three criteria is simple: you do not want to purchase a tax lien without a well-researched plan. It will help narrow down your search and eliminate pointless uncertainty. Below are the steps you will take when you invest in tax lien certificates:

- *Decide which state that you want to invest in.*
- *Select a county in that state that you would like to invest in.*
- *Define property criteria for your investments based on the three points above.*
- *Find the county's tax sale list for an upcoming auction or for a previous auction.*
- *Research the parcels on the list.*
- *Weed out properties that do not meet your criteria; list the ones that do.*
- *If you plan on investing at the auction, determine the county's payment procedures and processes.*
- *Set limits for yourself at the auction. You don't want to get so caught up in bidding that you bid away your potential returns.*
- *If you skip the auction and buy tax lien certificates after the auction is over, be sure to call the county for purchase information (cost, required form of payment, and verification that the properties you want to purchase are still available)*

Tax Lien Auctions

County or municipal governments sell tax liens that have been placed on properties in their county by holding tax lien auctions. Tax lien auction schedules vary depending on the county. Some counties like tax deed counties will hold auctions every month. Tax lien counties will typically hold auctions once a year.

Once the property is scheduled for the auction, the county must publish a list of the properties to be auctioned off, which is often found on the county website, a local newspaper, or a bulletin board at the county building. We prefer to invest in counties that provide that information online.

> **Note:** Be aware that each county advertises, sells, and transfers tax lien certificates differently, and oftentimes these procedures change. If you come across a county that makes the process of purchasing a tax lien certificate difficult, such as unhelpful county workers, slow response times, or difficult sales processes, simply move on. Unfortunately, this can happen, but it is their loss—not yours—and there are plenty of counties that will be more than willing to work with you.

After the list of properties has been published, the county holds an auction, which can be held live at a county courthouse, at law offices in some cases, and increasingly can be held online through live online auctions.

Tax lien auctions can be very profitable if you know what you are doing. We highly recommend that you attend a tax sale with no intention of buying anything the first time around, but rather to learn from observation.

Missed Opportunities

One thing you might notice while attending a tax sale or auction is that while there may be plenty of people in attendance, often only a few will be bidding. If you have 50 people attending, only 10 to 20 percent (5 to 10) of them will actually participate. Why are the other 40-45 not bidding? Most likely, they do not know what to do, they do not understand the background of tax auctions, and, most importantly, they do not have a clue about the opportunity that they are letting slip right through their fingers. Statistics show that 92 percent of auction attendees do not participate in the auction itself.

The Pros And Cons Of Auctions

Buying tax liens at an auction has advantages and disadvantages. If you wait to invest after the auction, you may find that the leftover certificates are less desirable properties. Also, competitive bidding at the auction can drive prices up and profits down. Another disadvantage, particularly for new investors, is that they get so caught up in the auction fever that they end up completely bidding away their return in order to win. Before attending the tax lien auction, note your maximum bid amount or your lowest acceptable interest rate and don't go beyond those thresholds during the auction. Follow those notes when buying or bidding in order to maintain your profit margin (which, after all, is where your wealth creation will come from). All of these issues will be discussed in more detail during the next chapter.

Invest Locally

Another thing that you should consider is investing in your local county, even if you do not intend to invest there in the long run. Start the research process in your own county. The procedures from county to county are pretty similar even for states where there are tax deeds rather than tax liens. The fundamentals are the same. Obtain your county's list and begin your research of the parcels on that list. Doing it this way will give you an idea of how your county's system for tax liens or tax deeds works and may show you some unexpected potential opportunities.

The benefit of choosing your own county for your first few purchases is that you know your county; you know what areas are good or bad, you know which areas are being developed and which ones are declining in value, and you may even know areas that look like bad areas but may still be great investments. Once you feel comfortable buying tax lien certificates and deeds in your own neighborhood, you can always find better opportunities in other areas, and these other areas may even be more investor-friendly. But by investing in your local county, you will have accessibility perks that are simply unavailable to you elsewhere. For instance, stopping into your county's local auction and standing by, watching the action for the first time, will be a priceless experience. Keep in mind; you are also helping out your local county government and community by investing in tax liens and deeds, which we applaud.

Investing from Home

Counties will often have thousands of tax lien certificates available for purchase at an auction. Although they hope to sell all of them, many times, not every certificate is sold at the auction. Some counties have as few as 50 certificates left after an auction, while other counties may have more than 15,000.

What do the counties do with the leftover tax lien certificates? They certainly do not want to sit on them until the next auction because they will not be able to collect the funds they need to support community activities until much later. They need the money as soon as possible to pay for their services and their infrastructure. Many counties offer these leftover tax lien certificates for sale to investors after the auction has been completed. These leftover tax lien certificates are most commonly known as (1) county-held tax liens, (2) over-the-counter (OTC) tax liens, (3) assignment purchasing, and (4) municipal-held tax liens.

Not Really A Disadvantage

The obvious advantage of purchasing at an auction is having a chance to bid on all the properties. If you wait and invest after the sale, your choice is limited to the leftover properties. At first glance, this may seem to be a disadvantage, but it could turn out better than you think. The leftover tax lien certificates present a great opportunity for you to invest. Purchasing tax lien certificates at an auction can be very exciting, but sometimes you get so excited that you bid down your return in response to other bidders. When you are first learning about tax lien investing, auctions can be especially stressful and could cause some anxiety. If you can invest from home, you can still take advantage of the investment opportunities without the stress and worry of the auction.

A secondary benefit of investing after the auction is that you have time to do more research as well as invest at your own pace. Taking your time to research the properties and investing based on that research (not on a crazy bidding war at an auction) means that your research is probably more thorough. Your results may be better, too. The greatest benefit of investing from home is that you avoid the bidding process altogether.

Investing from home is generally the clear choice for most tax lien investors. With all of the advantages of investing after the auction, it is hard to imagine doing it any other way. Although you will only have access to the leftover properties, if you choose to invest after the sale, you might be surprised at the incredible opportunities found amongst the remnants. One reason for this is that most buyers have not taken the time to learn the important things about tax lien investing that you are learning in this course.

Leftover Liens In Action

For example, we once held a tax lien investing workshop in Florida, where we went through the county list of tax lien certificates remaining after an auction. We also researched certificates from the past sale. There were “only 40” items on the list, and one of our students commented rather negatively about only having 40 tax liens to look at—“That’s it?” he said. We told him to sit tight, and we proceeded to research the 40 properties together.

We first took the students to the county offices to research the properties, and then we drove to each of the properties that met our criteria (we developed our criteria as a group). Out of 40 properties, we found ten that met our standards perfectly—the bar was set pretty high in terms of our criteria. I could not help but tease the student who had made the comment about 40 properties not being enough. He was asking to buy every single certificate on the list by the end of the day. This experience made the students realize that leftover liens are not so bad after all, even when you have what seems like a small list.

Live Online Auctions

Another way for an investor to invest in tax lien certificates from home is to invest through live online auctions. On our member website, there are links to many counties that hold online auctions. Some states where online auctions are common are Florida, Arizona, and Colorado.

The format for these events is very similar to live auctions held at the courthouse. The counties present certificates to purchase through the online auction, and bidders can bid and purchase certificates.

This, too, can be a new experience and perhaps daunting to a novice investor. Luckily many of these states have a practice auction held every morning that you can participate in and rehearse, so you're well-polished before a live auction.

To participate in a live online auction, simply click on a link from our website, which will take you to the auction website. Click on Register and fill out the forms. You can register either as an individual or through a company if you would like to purchase through a company that you own. Once you're registered, you can log in and participate in practice auctions and live auctions.

> **Note:** It is necessary to register in each county individually to participate in each county's auctions. Registrations and your assigned bidder numbers do not transfer to other counties.

Tax Lien Investing Summary

Tax lien investing appeals to large and small investors around the world. It offers large interest rates ranging from 8 percent to 50 percent annually, depending on where certificates are purchased. Unlike investment funds and stocks, those interest rates never change. The investor knows exactly what they will earn every day of the year, no matter what.

Tax liens are also extremely safe because each investment is backed by real estate. If the property owner fails to pay their delinquent taxes plus interest earned, then the tax lien investor can take ownership of the property through foreclosure.

With a bit of research and this book, your journey towards financial independence and wealth just got a lot easier. Remember, investing begins with your mindset and putting together a plan, and ends with carrying out your goals and seeing the returns flow.

Thank you for letting us help you make your first investment!

SECTION TWO

Tax Deeds versus Tax Liens

Tax Deed Investing

Overview

Tax liens are a great investment because they are state-mandated, yield high returns for investors, and are backed by real estate. Investing in tax lien certificates is also an excellent option for many investors because they are safe and do not require a large initial outlay. However, in this section, we will be having an in-depth discussion on how tax deeds differ from tax liens and how they present another fantastic opportunity to investors.

What is a Tax Deed?

Tax deeds are very similar to tax liens in that they too are designed to recover money that a county needs in order to provide essential services—money that property owners fail to pay in property taxes for a period of time. Tax deeds, however, allow the investor to acquire the actual deed to the property that is delinquent in taxes, thus providing the investor the opportunity to purchase properties for only pennies on the dollar. In fact, some properties sell for as little as three percent of fair market value. This highlights a major difference between tax deeds and tax liens; a tax lien does not infer any specific ownership rights for the investor. Lienholders do have the option of initiating foreclosure if the property owner fails to pay their delinquent taxes plus interest; however, ownership rights are not given until foreclosure has been completed. A tax deed system, on the other hand, signifies that investors will be purchasing the property outright without having to wait through a redemption period.

Tax deed states do not sell annual tax liens. Instead, these states wait until the entire redemption period has passed before foreclosing on the property. The county then holds the deed and sells it to an investor. As you can see, a "tax lien state" will try to recoup the money immediately by issuing tax lien certificates to interested investors; "tax deed states" are not as quick or aggressive in trying to obtain the funds. They are willing to wait.

Since investing in a tax deed state means that the investor is actually purchasing a property—not just a certificate promising interest—a smart investor will always complete his or her research ahead of time. When purchasing the property, investors will have to pay all of the delinquent taxes on the property in addition to all other fees. Obviously, property taxes can equal just a small percentage of the property's market value.

How Tax Deeds Differ from Tax Liens

Tax deed states deal with the issue of collecting delinquent taxes differently than tax lien states. Instead of selling a tax lien certificate right away, they will issue a tax lien on the property and charge a penalty to the property owner, and then they will hold the certificates through the redemption period. If the property owner doesn't pay off the taxes through the redemption period, then the county will begin the foreclosure process.

A tax deed state may wait two to five years to give the property owner the chance to pay his or her taxes. However, if the property owner has not paid the county the delinquent taxes as well as the added penalties and interest after the state's designated redemption period, foreclosure procedures will commence by the county.

States differ on the extent to which they will foreclose before selling the deed to investors. Some states will start the foreclosure process only and will not file the deed until the sale is complete, while others will actually complete the foreclosure process and offer the investor a deed free and clear.

If the property is in a state that merely starts the foreclosure process, then the investor will have to finish the foreclosure process to clear the title. This is typically pretty simple but may require a real estate attorney to appear before a judge to demonstrate how the deed was purchased, and the judge will issue a clear title.

Since tax deeds offer investors the opportunity to acquire a property (potentially at a discount), you may wonder why anyone would invest in tax liens versus tax deeds. Of course, there are tradeoffs between tax lien and tax deed investing: cost, risk, and time.

Cost. In general, it takes a lot more money to start investing in tax deeds than in tax lien certificates. When investing in tax liens, you have the option of purchasing only one year's worth of delinquent taxes. However, when investing in tax deeds, you have to pay all of the delinquent taxes along with any interest or penalties associated with them. Additionally, tax deeds are usually sold at an auction, which means that many potential investors can get caught up in a bidding war, thereby increasing the price. Typically, an investor can get a great deal on a property, but it is most likely going to be more than the amount of the delinquent taxes, interest, and penalties alone.

Risk. Tax deeds are riskier than tax liens. Buying a tax deed means that you own the property. What will you do with the property once you own it? Will you sell it, fix it up then flip it, or rent it? These are things that you will need to think about before buying the deed to a property. Since this type of property is intended as an investment, you must create a plan that will make you money. Be sure to do your proper research when buying a tax deed. Otherwise, you could end up owning a property that is worth less than what you paid for it.

Time. As with any worthwhile investment, it is imperative that you thoroughly research your options. In this case, you will need to research the property that you are considering purchasing, which takes time. Here are some ways you will need to invest time with tax deeds:

- *Research properties thoroughly that you would like to purchase.*
  What is the true value? Where are they located? Do environmental problems exist?
- *Plan what you are going to do with the property once you own it.*
  How will you make money with it?
- *Attend the tax deed auction. Many states require investors to attend the auction in person in order to purchase the tax deed. Some places will hold online auctions, like California, but most will require that you, or a personal representative, attend the auction in person.*

There are definitely advantages and disadvantages to investing in both tax liens and tax deeds. Be sure to think about the funds that you have available, as well as the return that you want. Of course, you can diversify and invest in both liens and deeds. However, a beginning investor may want to start with liens because there is less risk, a lower amount of investment is required, and it is a great starting place to learn how to purchase in the real estate investment industry. Tax deeds typically offer greater returns on investment, although they require more money and time due to the fact that you will own the property. With two great options, investors need to decide which one—or a combination of both—is right for them.

Tax Deed Investing Steps

Like most investments, investing in tax deeds is a process that requires knowledge, time, money, and preparation. The following list summarizes the steps for tax deed investing.

- *Choose the state and county in which you want to invest. About half of the states sell tax deeds, and the other half sells tax liens. A list of all states and a brief description of each state is available on our members' website.*
- *Specify your criteria. How much would you like to invest? Based on your investment amount, how much should the property be worth? What type of properties are you interested in? Go into as much detail as possible.*
- *Obtain the tax sale list for the county that you have chosen. This can be found through the county or through our members' website.*
- *Research the properties on the list and compare them to your criteria to quickly narrow the list to potential investments.*
  - *Verify whether other liens exist for which you will be responsible if you purchase the property.*
  - *Make sure the property is worth more than what you will pay for it.*
  - *Confirm that the property is desirable. Find out if the property has issues, such as environmental problems, what the surrounding area is like, and how it has been used in the past.*
- *Identify the properties that fit your criteria and add them to a shortlist. Include detailed notes, such as price, property type, location, and other details, as well as photos of the property.*
- *If bidding at an auction, decide beforehand the most that you are willing to pay for a property and do not exceed this predetermined amount during the auction. You do not want to suffer the consequences of auction fever.*
- *Be prepared to make payment according to county requirements, which are usually within 24 hours with certified funds.*

There are many tax deeds on the market now, with more tax deeds available for purchase than there are investors standing ready to purchase them. So, what are you waiting for?

County Procedures

How Property Taxes Are Assessed

Tax assessors in each county or municipality list all of the properties within the bounds of their jurisdiction and set out to evaluate each property's value. Check out the equation below used by Cook County, Illinois, back in 2012 to assess a property and determine the taxes owed. Seems complex, right?

Estimated Market Value		$100,000
Assessment Level (10%)	X	.10
Proposed Assessed Valuation		$10,000
2012 State Equalizer	X	2.8056
Equalized Assessed Value		$28,056
Homeowner Exemption	-	$7,000
Adjusted Equalized Value		$21,056
Sample Tax Rate	X	.10
Estimated Tax Bill		**$2,105.60**

After the assessment, assessors notify property owners of the value of their land, then they send a tax bill to the property owners. This bill states the annual property tax that the property owner will need to pay, which is determined by applying the county's tax rate to the actual value of the property. Tax rates vary from county to county. This tax rate is determined by considering a county's monetary needs and the combined total value of all the real estate in the county. We have found that property tax rates tend to be between one percent and two percent.

Tax Auctions

Auction Eligibility

Taxes that are not paid by the due date printed on property tax bills are considered delinquent and could be subject to penalties. Once a state deems property taxes delinquent, these properties are eligible for the annual tax sale. Before the sale, however, counties do make a number of attempts to get the property owner to pay the taxes owed, including sending certified letters and posting public notices. After the county has exhausted all of its resources and the redemption date has passed, the county will be able to put the property up for public auction.

County Publication

Counties are often required by law to publish the list of properties scheduled for auction one to six weeks prior to the sale. These notices are usually published in a local newspaper (in the legal section), on the Internet, or sometimes in stacks of paper at the county building. These lists include information about the property owners, as well as lien/deed purchase amounts, legal descriptions, and parcel numbers. Some lists are more detailed and include the physical address of the property.

It's not uncommon for property owners to wait until the week before the sale to pay off the delinquent taxes and other charges; therefore, investors mustn't be surprised if they participate in the auction and some of the properties that were originally listed for sale are no longer available for purchase. Just remember that there will always be more sales and other investment opportunities down the line.

Bidder Registration

Many counties require investors (also known as "bidders") to pre-register up to two weeks before the tax sale, while others allow registration the day of the auction. Some counties also require bidders to pay a registration fee. In most cases, the fee is applied to winning bids. Once registered, investors will be assigned a bidder number and will often receive a bidder packet from the county with important information about county procedures, acceptable payment methods, payment timeframes, the bidding process, and other frequently asked questions.

When registering for a live online auction, you will be assigned a bidder number directly through the web portal where you have registered and where the auction will take place. Take note of this bidder number. This is how the county will identify you and will assign your purchases to your bidder number.

The Day of the Sale

Auctions are held in various locations, depending on each county. Counties typically disclose auction locations, dates, and times on their website. Investors should research all of the properties before the day of the sale and bring a list of properties, as well as the maximum amount they are willing to pay for each property to the auction. Most counties provide packets; if you have not received a packet, ask a county official if they are available to you.

Generally, public tax sales start in the morning and continue until all of the tax deeds have been offered for sale. Thus, the length of the tax sale depends on how many tax deeds are available and can actually last for several days or weeks. Since it is not uncommon for the sales to last several days, many registered bidders choose to go home early.

Bidding at the Auction

Tax deeds are always offered at an auction first, which means that investors get first pick while at the auction. More aggressive investors tend to find that they have more options at the auction. Still, others prefer to wait until after the auction because usually they can buy properties at a cheaper price by not having to bid on them. Of course, they must choose from leftover properties since many sell at the auction.

However, tax deeds differ from tax liens in that tax deeds are far less frequently sold to investors over the counter after the sale. Some counties refuse to sell over the counter but will instead save unsold tax deeds for the following sale.

BIDDING TYPES

Counties use a number of different bidding methods at the auctions. It is important to find out which bidding method counties use because this can have a huge impact on the strategy you should use at the event. Each bidder method has its advantages and disadvantages. Being familiar with these is important to your success at the auction.

Bidding Down the Interest Rate. This method is typically used in tax lien counties, but we will explain it here anyway. If more than one investor bids on the same tax lien, the lien will be given to the bidder that will accept the lowest annual interest rate. Generally, the starting bid is the state's maximum rate of return, which ranges from 8 to 24 percent. When an interest rate is bid down, it decreases in increments of .5 or .25 of a percentage point. This method can be simple and very profitable, but investors should decide beforehand their minimum acceptable interest rate.

In order to prepare for this type of auction, investors should list the properties that interest them and decide on the lowest percentage point they are willing to bid. This percentage will depend on what investors think will provide them with acceptable returns and is a personal decision. If this percentage point is not established before going to the auction, investors may end up bidding much lower than they originally wanted.

At some auctions, you may come across people who bid properties down to nearly 0 percent, which can be confusing because profits are so low. This is generally done for two reasons. Sometimes large investors that invest millions of dollars in tax liens will bid down certificates to .25%, knowing that a certain percentage will go to foreclosure, and they will make good money on those properties. They also understand that in most cases, the property owner will pay off their property taxes and interest, and the investor will at least break even on the investments that don't go to foreclosure. So, they get their money back plus a small amount of interest in most cases, they foreclose on some and potentially make large lump sums of money, and then they lose on some. It's all a numbers game for them, and large investors have it down to a science.

Another incentive for buying so low is that some states charge penalties to the property owner at certain dates, which go to the certificate holder. For instance, in Florida, the minimum interest rate that an investor will receive is five percent.

If the investor buys a certificate on Thursday and the property owner pays off the taxes on Monday, then the property owner is required to pay a five percent penalty even though it's been three days. That penalty is passed through the county on to the certificate holder.

Premium Bidding. Also known as bonus bidding, premium bidding is one of the most commonly used bidding methods. The county determines what the starting minimum bid is for each tax deed by adding the combined total of the delinquent taxes, fees, and penalties to the point of the sale and then opens up the bidding to all the registered bidders beyond that starting point.

The bidders then take turns bidding above that price. These tax deeds are then bid up until competitive bidders are no longer willing to bid any higher, and the highest bidder takes the deed.

The difference between the starting and winning bid is known as the "overbid" or "surplus."

The winning bidder is then required to pay the county the amount of his or her highest bid, typically within 24 hours in certified funds. Many online auctions will allow investors to purchase using a credit card, but in our experience, all live auctions require certified funds. If payment is not made within 24 hours, then the deed is forfeited back to the county, and the bidder is typically banned from future auctions. As a novice tax deed investor, you do not want to make the mistake of missing the county's payment deadline.

Every investor should do proper research before attending the auction, which includes setting a ceiling for a premium bid amount. Do not go over this ceiling even if you are tempted by the excitement of an auction. Bidding over your self-imposed limit is a surefire way to getting less returns.

The research you do ahead of time should also include making a list of properties to bid on, their assessed and estimated market value, the property type, the condition of the property, the starting bid, the investor's maximum bid, and so forth.

Bidding Down the Percentage of Ownership. This method of bidding is fairly common, but both investors and county officials tend to think that this is not a very desirable bidding method. Many states that list this method in the law still allow counties to use other systems. This is because other bidding methods tend to be simpler and take less time.

With this form of bidding, the percentage of ownership is bid down instead of the interest rate or instead of bidding a premium up. This means that bidders compete by bidding down the percentage of property ownership that they are willing to accept upon purchase.

The opening bids start at full ownership for the property (100%), and from there, it is bid down at one percent per bid. The investor that is willing to accept the lowest percentage of property ownership will win the tax lien or deed certificate. Obviously, this method of bidding favors the owner of the house, not the investor.

This bidding method is also typically seen in redemption deed states or hybrid states. At a redemption deed auction, the investor buys a deed, but the county gives the property owner one last chance to redeem, but penalties are typically much steeper. Texas is a redemption deed state, and penalties are twenty-five percent every six months.

Therefore, when a redemption deed is purchased at the auction, and the percentage of ownership has been bid down, it won't even matter if the property owner pays the delinquent taxes plus interest. You will receive a check from the county with your original investment plus interest earned to that point. Your right to the deed is then washed away. But you made good money, so it is still a great investment.

If the property owner fails to redeem his or herself during that final redemption period, then the property is deeded to the investor. However, if the property gets to that point, then the investor may end up with a percentage of the property.

If the bidding goes down to 60%, the property owner will retain 40% ownership of the property. If the investor wants to own the entire property, it is necessary to purchase the other part from the original owner. Often, it is possible to avoid this bother by purchasing straight from the county after the auction, but this isn't possible in all states.

> **Note:** The typical tax lien state uses the "bid down the interest rate" method at the auction, while tax deed states typically use the premium method at auctions. But in some tax lien states, bidding down the percentage of ownership is used. This takes a different kind of preparation, so make sure to check with our team before diving in.

To be clear, an investor needs to understand that when purchasing through an auction that uses the "bid down the percentage of ownership" method, the investment is only affected if the property owner does not manage to pay off delinquent taxes and interest during the redemption period. If the property owner fails to pay during the redemption period and the final deed is filed, then the investor and property owner basically become partners in owning the property.

Random Selection. In counties where this method is used, bidding numbers are selected at random, and then the bidder who is chosen is given the opportunity to purchase the tax lien or tax deed. Tax liens and deeds are purchased for the total of the delinquent taxes, penalties, and any other fees. One advantage of using this method is that there is no competition that can drive up prices and consequently reduce the profit the investor receives. If the bidder whose number was chosen decides he or she does not want to purchase the property, then the process is repeated with other randomly selected investors. When multiple investors who have been chosen decline the offer to purchase the lien or deed, the authorities then offer it to anyone who would like to purchase it in the auction.

The system used for selecting bidder numbers varies by county. Sometimes it is as simple as drawing numbers from a hat. Some counties opt for more complex systems that use a computer program to randomly select bidder numbers.

One obvious disadvantage to this model is that most bidders will not have the opportunity to buy certificates that they are interested in. So, an investor might prepare for the auction and have a list that meets the exact criteria they are looking for, but they are never given the opportunity to purchase them.

Rotational Bidding. This form of bidding is meant to establish fair bidding at auctions. Rotational bidding happens in a couple of different ways. In some counties, the investors sit in chairs, and when a tax lien certificate is auctioned, the officials will move around the investors according to the order in which they are sitting. They start at one chair and then move along to each investor. As they stop at each investor, they offer the investor the chance to make a bid on a lien certificate. The investor can then choose to either bid or pass on making the bid.

Some counties will use a rotational bidding method similar to Random Selection. The auctioneer will draw random numbers from the hat, and the appropriate bidder can place a bid or pass. They continue drawing and allow bidders to place bids or pass.

With Rotational Bidding, the number of opportunities that an investor is given depends on the number of liens or deeds and registered bidders that are at the auction. Like Random Selection, one disadvantage for the bidders at this kind of auction is that doing research before the auction can be a waste of time if you are not given the opportunity to purchase.

In general, the bidding for a tax deed starts at the amount of the delinquent tax, plus interest and penalties. At times, a certain percentage of the assessed property value is added to the amount of delinquent taxes instead of penalties, but this isn't the norm.

What Happens After Winning a Tax Deed Bid

Before we dive back into the details, let us just say congratulations! You are now the proud winner of a tax deed. What's next, you ask? Winning bidders may face one of two scenarios depending on the state and county of the tax deed auction.

1. ***In the first and most common scenario, winning bidders purchase the property that is being auctioned.*** *After the winning bidder has shown that he or she has the funds needed to purchase the property, the county issues a deed. In most cases, a deposit is required to even participate in the auction. Counties often require payment in certified funds, such as cashier's check or money order. Before attending any auction, investors should consult county officials to verify the financial requirements for purchasing a property.*
2. ***The second scenario is often known as the Right of Redemption.*** *In this case, winning bidders get the right of redemption, but property owners still have a final grace period in which they can redeem themselves. Often, the penalty or interest rate would then be given to the investor. Take Texas, for example. Even though Texas is a deed state, they still offer the owners a certain period of time to redeem the property. Their rules state that for every six months of the redemption period, a 25 percent penalty is charged. That 25 percent would then be the profit the investor makes on their investment. If the property owner does not pay both the property taxes and penalties before the redemption period expires, the deed is transferred to the investor.*

Consider the following situation:

An individual has purchased a tax deed in Texas and issued an eviction notice. As it turns out, a family had been living on the property. After years of paying rent, they started to receive returned rent checks. They tried to track down the owner without any success. In the meantime, they continued to live on the property and started to fix up the house. They were actually happy when they got the eviction notice because they finally knew who owned the property. The new owner made a deal with the occupants, which allowed them to buy the property at a discount. This worked out for everyone: the investor made money, the occupants purchased the home for a discount, and the county received the taxes they needed. A true win-win-win! And this is not just a hypothetical scenario; it is actually a true story.

Method of Payment

If you do choose to bid and you win the opportunity to purchase a tax deed, then you need to be prepared for the county's chosen method of payment for the deed. Generally, the funds for tax deeds need to be prepared before the auction. In order to figure out what payment form you will need to use; you have to know the types of payment that the county accepts. Both the payment methods allowed and when the payment is due varies from county to county.

Many counties require the full amount of payment right after the sale, although quite a few others will give bidders the whole day to make the payment. Frequently, counties only accept two or more of the different payment methods, including certified funds (bank checks), money orders, cash, and cashier's checks. Some counties do offer financing on deeds at interest rates that are set by state law.

Tax Sale Proceedings

For the most part, every county in the states that allow the sale of tax deeds hold auctions. Additionally, these states hold more than one auction every year since there is no way that they would be able to get through all of the properties in the state that are behind on their taxes at one auction. This is why many individual counties hold their own auctions multiple times each year. We find that tax deed states will oftentimes hold auctions every month. Texas, Florida, and Georgia are key examples.

In-Person and Online Auctions

You do not have to be a resident of a state to be allowed to participate in a tax auction in that state. This means that you can participate in tax auctions across the U.S.

Generally, states require that you are present at the county tax sale in order to bid, although this is slowly changing due to the rise in popularity of Internet auctions. Some states also allow bidders to send a representative to bid on their behalf. If you want to bid in a state where you need to be present for the auction, make sure that the state is close to you or somewhere you really want to visit. Be aware that some county auctions can last several days, so plan accordingly.

Typically, the county tax sale takes place in a county building, such as the County Courthouse or the County Treasurer's Office. Remember that you need to check with every county to find out where it will be holding its tax sales beforehand.

When and How to Register

Registration procedures also vary according to the state, so make sure you have researched the specific state where you will be purchasing tax deeds. In some counties, the registration starts an hour or two before the auction. Other counties not only allow but also encourage registration up to two weeks before the event.

Whether or not you can pre-register, you should always arrive early in order to get settled and prepared for the auction. When you register, you will have to fill out a registration form in addition to other forms like an IRS W-9.

Pay in Full or Make a Deposit

You should also know that some states demand that you make a deposit or make full payment on the day of the sale using either a certified check or cash.

In Colorado, for example, you need to make a deposit in the amount that you want to invest. If you do not spend the entire amount during the auction, you will receive a check from the county with a refund for any funds you did not spend the following week.

The requirements do differ by state. Some counties require a fixed deposit, as is the case in Miami, Florida. In Miami, an investor has to put down a thousand-dollar deposit, which will be returned after a month if no certificates were purchased. In some other counties, you are allowed to estimate how much you want to invest and make a deposit of 10% of that estimate.

Redemption & Purchasing of Tax Lien Certificates

Redemption of Tax Lien Certificates

After purchasing a tax lien certificate, the investor will have to wait for the property owner to redeem in order to receive their investment and return. This means the delinquent property owner has a time frame in which to pay off their delinquent taxes plus interest and fees. The act of redeeming a tax lien certificate basically means having the property owner buy back the property by paying the tax lien along with any penalties and fees. This also applies to redemption deeds.

These penalties and fees include:

- *The amount of delinquent taxes in addition to the penalties and interest that the property owner owes the county.*
- *Additional fees that might have been charged by the county, including filing and administrative fees.*
- *The outstanding interest that is added on at the time of the sale.*

In the majority of states, when the tax lien certificate ends up being redeemed, you will get paid back all of what you invested into the lien certificate as well as outstanding interest that had accumulated from the point when you purchased the certificate at the auction until the redemption of the tax lien. The amount of time that it takes to redeem a tax lien certificate varies and usually takes between 1 to 30 months and sometimes even longer. The length of the redemption period varies by state.

Redemption Time

One example is Colorado, which gives the property owner three years in which to redeem his or her property. Florida, on the other hand, only gives property owners a period of two years in which to redeem the property. This is why it is important that the investor knows the laws of the state in which he or she is investing. If the investor is fine with gaining interest, then investing in a state like Colorado is great. The longer the tax lien is out there earning, the better.

However, if the investor is looking to acquire a property quickly or make a quick rate of return, then he or she needs to look for states that have redemption periods of just a few months.

If the redemption period has ended and the property owner has not paid back the necessary money, the holder of the tax lien certificate can then apply for the deed. This allows the investor who bought the lien certificate to take over the property when the owner does not pay. An investor should do research to find out what the laws are concerning taking the lien to deed in each state.

No Hassle

You do not actually have to worry about getting paid for the tax lien certificate. You actually do not really have to do anything to get the property. For instance, you do not need to pursue the delinquent property owner and act as a debt collector. The county government does all the processing work for you. Nor do you have to pay for the treasurer to do this. It is part of his or her duties.

How Tax Lien Redemptions Work

Fortunately, you do not have to be very involved in the process after purchasing a tax lien. If a property owner decides that he or she will pay off the lien, they will not contact you. Instead, the property owner will go to the treasurer's office and pay the delinquent taxes in addition to the penalties and interest that have accrued. After the owner has redeemed the lien on the property, the treasurer will just send out a check to you or a letter asking you to give the certificate to the treasurer, which can be sent through the mail.

After the treasurer has gotten the certificate, he or she will then mail you a check. The check should include the amount of the tax that you purchased plus the interest that accumulated from the day of the sale. The total amount of the check will depend on a number of factors, including the length of time that you have had the lien certificate and the total amount of penalties and interest that the delinquent owner was charged.

An 18 Month Example

If the investor's tax lien certificate was purchased for one thousand dollars with an interest rate of 15% per year, and the property owner pays back the lien in 18 months, then the investor receives a check for $1,225. The 15% interest would be divided by 12 months, which means that the monthly interest earned would be 1.25%. 1.25% is multiplied by 18 months, which is how long it took the owner to pay back the delinquent taxes.

This means that the investor would earn 22.5% interest on the investment. Since the original investment was one thousand dollars, the investor would earn $225. For a comparison, think about how much would be made off of a Certificate of Deposit (1.15% APR) of the same amount. That would only reap about six percent interest or $17.28. Once you do the calculations, the difference is astonishing.

A 30 Month Example

Imagine, this time, a one-thousand-dollar tax certificate that earns 15% interest every year, and it takes 30 months to pay it back. According to the calculation, the property owner will have to pay 1.25% every month over those 30 months. This adds up to 37.5% interest. If you pay a thousand dollars for this certificate, you could earn $375.

Larger Investments And Higher Interest Rates

If an investor buys a tax lien certificate that is worth more, such as two thousand dollars, and has a higher interest rate, he or she can make even more money. Consider this calculation. A tax lien certificate of two thousand dollars is held for 30 months with an 18% interest rate.

When the 18% interest is divided by 12 months, you get 1.5%, which is the monthly amount of interest that you will earn. Then 1.5% is multiplied by 30 months, meaning that the investor will earn 45% in interest. That means you would earn a 45% return on your investment, which would be $900 with a two-thousand-dollar investment.

It may seem that two and a half years is a very long time to wait to get a return on your investment, but it would take a lot longer to earn that much money if it was invested in a money market account or a Certificate of Deposit. If an investor compares tax deed/ lien investing with these other options, if done right, tax deed/lien investing almost always comes out ahead.

Worth the Wait

Of course, a potential investor needs to realize that it is not uncommon for property owners who have delinquent taxes to wait for two years or more before they redeem the tax lien. Actually, this can be beneficial for the investor. Even though the investor does not end up with the property, he or she does get the high rate of interest and other fees. The longer that the property owner waits to redeem the property, the more that needs to be paid in interest, so it really works out for the investor either way.

Endorsing Taxes and Sub-Taxing

Some states allow tax lien holders to endorse taxes for subsequent years. To understand how this affects investors, you should first understand what sub-taxing is.

Every year after the original certificate has been purchased, if the property owner has not paid that current year's taxes on time, the investor has the option of adding those delinquent taxes to the original sales certificate. This process is known as endorsement. As an investor, you can endorse taxes on a specific parcel for which you own the previous year's tax lien certificate. You wouldn't even have to attend the auction to purchase it. The next year's tax payment will be set at the same rate of interest as the original one and will accumulate interest from the date that this new endorsement was purchased.

This is a common strategy used by investors in New Jersey. Investors will often bid the interest rates down to near zero for a particular year, then they will receive notice the following year of a new tax lien certificate. The investor can purchase that certificate without attending the auction and is awarded the full interest rate.

Realize that county treasurers process the endorsements at different times of the year. It may not be at the same time as the other tax lien and deed auctions. If you are eligible to get endorsements on the tax lien certificates that you already own, you should receive a letter in the mail before the typical auction date. Of course, you can contact the county office if you need more details on endorsements and the rules governing endorsements in this specific county.

Change of Address

If you move, it is very important to let the treasurer's office know your new address. If you have investments in more than one county, contact the treasurers of each county. Keeping a list of all the tax lien certificates you own in one place will help with this process. This list should contain tax lien certificate numbers and parcel numbers, as well as the names, phone numbers, and addresses of the county treasurers. Simply write down and/or call the country treasurers when you move, so they know where to contact you. This way, the treasurers will not send redemption checks to your old address.

Redemption Deeds

Redemption deeds are a hybrid of tax liens and tax deeds. Redemption deeds are tax deeds that offer a redemption period to the property owner, which can last anywhere from two months to two years. As with a tax lien, the redemption period is meant to give the property owner a chance to pay off the delinquent taxes and retain the property. In many cases, the county has already taken over the property once a redemption deed is offered or sold. The county may even give certain property rights to the new investor, including occupying the property.

When the property owner redeems the redemption deed, the investor is compensated for the original investment using an interest rate, often called a penalty rate. This interest rate comes in two forms: (1) one form is a standard interest rate that accumulates every month, as with tax liens, and (2) another form is a flat return rate that does not accumulate monthly. With the latter interest rate, an investor will receive the same flat rate if the redemption deed redeems one month after the tax sale or 11 months after the tax sale.

Redemption deeds are an excellent choice for investors because they provide high returns in addition to offering the possibility that the investor will acquire the property. Since these require the investor to bid on the deed, they often require more capital than tax liens do.

Conclusion

Tax deeds are a phenomenal investment strategy and a great way to get your hands-on real estate properties at a discount. Many investors focus on finding bargains through REOs (real estate owned properties) and foreclosures, which is fantastic, but add tax deed investing to your quiver, and you will be able to find some great deals that other investors tend to overlook. Just remember the golden rule of investing: do your research. Thorough research, a positive yet levelheaded mindset, our instruction, and this book are all you need to make your dreams of financial independence a reality.

SECTION THREE

Researching Investments

Locating Tax Sale Lists

When a county conducts a tax sale, they are required to post of list of the various tax lien certificates or tax deeds, which will be at the auction. Over the years, the local newspaper has been the primary method for listing these types of publications, but with the advancement of technology, things are changing.

In recent years, the majority of the counties use the Internet and their websites to post the lists of certificates and tax deeds that are available. You will save a lot of time by using the Internet to locate the auction lists. And, of course, these lists are compiled by our staff and posted to the members' website where our members can download these lists from one location instead of having to chase down each individual county auction list.

You can find three different lists on a county website, including a standard tax lien list, a tax deed list, and an over-the-counter tax lien list.

1. ***Standard Tax Lien Lists:*** *This standard list is what the county offers to investors prior to the auction. It lists information about the tax liens, including the purchase price, the property owner, and the parcel number.*
2. ***Tax Deed Lists:*** *The tax deed list is posted prior to the auction just as a tax lien state would post it. One thing that investors need to understand is that the property owners can still redeem the property up to the point of the sale. The county will oftentimes update the list prior to the sale, removing tax deeds that have been redeemed. It may be wise to double-check with the county before the sale.*
3. ***Over-the-Counter Tax Lien Lists:*** *An over-the-counter list is the updated list of certificates available for purchase after the auction is complete. Counties continually update this list with new certificates and remove certificates that have been redeemed or purchased.*

The easiest way to get a list is through our website but learning how to independently retrieve these lists is an important skill for every investor.

County Officials

There are more than 3,000 counties in the United States. Each county is a little bit different, but generally, counties will delegate the responsibility of handling the tax sales to one of these officials: the county treasurer or tax collector, the assessor/appraiser, the county clerk, or the county sheriff. There are a variety of individuals who could preside over the tax sale, but they all have similar duties.

When first contacting a county, the investor has to simply pick a department to start in and then work through the others until you find the appropriate department. We always start with the tax collector's office.

County Treasurer

The treasurer or tax collector is an elected official who typically serves a four-year term and has two main responsibilities. They have to collect all taxes on both secured and unsecured properties along with transient occupancy taxes. They are also responsible for cash management, maintaining effective cash flow, safeguarding county funds, providing financial accountability, and investing funds. Because this position is elected, any voter in the county can be the treasurer.

The most important source of revenue for the county is the annual property taxes.

County Assessor

The assessor has a number of administrative and statutory duties. Their primary duty and responsibility are to assess the property in the county with a few exceptions provided by law.

The county assessor is the individual who has to find, list, and value the properties that will be listed on the assessment rolls. The responsibilities of this office include handling the county maps along with the legal description of assessed values of all real estate properties.

Sheriff's Office

It is rare when the sheriff handles property taxes and tax sales; however, it does happen on occasion.

Even though the sheriff's primary responsibility is to protect and serve, they are also officers of the court. In some counties, the sheriff may also handle tax auctions, and they may help with the foreclosure process.

Finding County Websites

Which counties should I invest in?

This is a question that many new investors ask. Like we mentioned above, there are more than 3,000 counties in the United States. Instead of fruitlessly guessing which counties to start with or searching not-so-trustworthy online forums, begin your investing journey from home. The county where you currently live is oftentimes a great starting place.

We also recommend trying places that experienced investors have grown to love. Our favorite places are Colorado, Arizona, and Florida.

The best test for us is to quickly browse the county's website and start searching for tax lien sale information. If it is easily found and the website seems well developed, then we will spend a little bit more time on the county website trying to find a list for an upcoming sale or to find an over-the-counter list.

Maricopa County in Arizona is an example of a county that works well with investors. They provide all the necessary information that an investor needs for the auction and for specific tax lien investments in an easy and accessible way.

County websites can be a great tool for investors to use to determine whether or not an investment is a good one. One tool that we love is the parcel search tool, usually found on the appraiser's department website. The parcel search tool shows an investor the sales history of a property, the physical address, the tax history, the assessed value, and typically includes pictures of the property.

Locating County Websites

Where would we be without Google? Simply type into the Google.com search bar "Maricopa county tax collector," and the very first result is the Maricopa Treasurer's office. Click on that first search result, and you're there. Right towards the middle of the page is a link titled "Liens and Research." Click on that, and you're on your way. There is plenty of information there, from frequently asked questions to glossary terms to investor forms, to help you on your investment journey.

Another example: google "Hernando county tax collector," and the first result is their office website. In the middle of their website homepage is a series of blue buttons. Click on the button labeled "Property Tax," which will take you to a page with another group of blue buttons. Click on the "Tax Certificate Sale" button or "Tax Deed Applications" button to link to over-the-counter listings and also to link to the county's online auctions. These links are available through our members' website to keep things simple, but once again, it's important for us that you understand everything there is to know about this process.

Another great resource for finding county websites and county information is the National Association of Counties (naco.org). To access this information, investors need to click on the website menu, expand the What We Do section, and click on About Counties. There, you can find demographic and county information about every county in the United States.

Online County Records

Using the county public records is one of the easiest ways to begin researching properties. Counties are required to keep the records and make them accessible to the public. Most of the time, these records are available online, and it is a part of the process that title companies complete to guarantee the title to a property.

The assessor/appraiser is responsible for assessing the property's value and what the specific tax bill amount will be each year. These public records will include all information that the appraiser needs to assess the value of the property. This is also the same information that investors would like to know before making a purchase or buying a tax lien certificate backed by the real estate.

The county assessment might include the following information:

- *Site Address*
- *Lot Size*
- *Legal description*
- *Assessed Value*
- *Estimated Market Value*
- *Improvement Information*
    - *Improvement Value*
- *Property Type*
- *Property Owner Name*
- *Property Owner Address*
- *Property Photographs*
- *Previous Sale Information*

Different Ways to Locate Tax Sale Lists

As we mentioned previously, there are a variety of resources that you can use to find and evaluate tax sale lists. In this section, we will flesh out each option, so you are prepared to do what works for you.

The Members' Website

The members' website, that you should have access to as a member of this club, compiles lists and information from counties each month of the year. At the beginning of each month, our team goes out on the web and finds all tax sales that will be occurring during that month. We then post those events into a calendar for our students to see exactly when and where auctions are happening during that month.

Having access to that calendar will allow members to quickly decide if any auctions are interesting to them that month. Members can also go to previous months and years to see when past auctions occurred, knowing that counties typically hold auctions during the same month every year. That information is also shown under State Information on the website. Simply navigate to that section on the website and read about every state and county that you're interested in.

For every calendar event on the website, there is a corresponding auction list released by the county. We also retrieve that list and post it to the website where students can simply log in and download the auction list.

Our students can then browse to the county appraiser's website to perform quick searches about parcels that they are interested in to learn more about each property.

The Internet

If you prefer to work on your own or if you would like to check with the county for updated lists, the best way to do that is by searching for the county website online, as we showed you earlier in this book.

> **Note:** Although more counties are posting lists and have auction information online, there are quite a few counties that haven't updated their websites since 1994. Some counties don't even post a digital list; they print lists and post them on a pin board at the courthouse or only in the local newspaper.

The most valuable online tool that a county can provide is a Parcel Search, but some counties don't make that option available. We have worked in counties where assessment information is contained in dusty, printed books, and map information is found on maps stored in rolls.

Mail

When we first started investing in tax lien certificates, the primary method for retrieving auction lists was by sending a request letter to the county by mail. The county would receive your letter and then mail the list back to you, and they would often charge a fee to do so.

I can't remember the last time we had to do this because we adamantly avoid counties that require this method. If you encounter a county so prehistoric that they require you to mail a letter to request an auction list, either avoid that county or let us know and we can provide a sample letter that you can send to them.

One thing to note: there is an upside for you as an investor if the county you are interested in uses the mail method. If it is that difficult to invest in that county, you may be the only one willing to go through the trouble and would therefore have access to more certificates that fit your criteria at the auction.

Email

Email isn't ideal, but it is much more practical than snail mail. If you cannot find a list for a county, simply email the county official and make the request, or ask them how to retrieve the list. Our experience is that most county officials are very helpful in either providing the list or describing how to find it online or elsewhere.

Telephone

Similar to sending an email, an investor can quickly get answers to their questions by calling the county and asking how to retrieve the auction list. Some workers are more helpful than others, so make sure to be prepared with your questions and don't take too much of their time on the phone.

We've had county workers set a limit for each phone call. "I can only answer two questions on this call…"

Always be polite with the officials. You may need them on your side later.

Perform Due Diligence

Performing due diligence to find qualified investments is arguably the most important step in the investing process. This step allows you to weed out the bad investments and keep the investments that meet your investing criteria.

Due diligence refers to the research that is required and necessary to make an educated investment decision. This should be used whether the investor is looking at tax liens or tax deeds.

The goal of this is to get an estimate of the property value. It is more important for people who invest in tax deeds than those who are investing in liens simply because a tax deed investor will get the property every time, while the tax lien investor will only occasionally get the property.

Tax Liens: Researching Parcels on the List

After you have a list of the available liens, it is your responsibility to perform due diligence or perform research. It is imperative to research the properties because if a tax lien certificate is not redeemed, you can become the property's new owner, and you don't want to own an undesirable property.

The property could be different than you might think based on superficial research, so dig in and make sure everything looks okay.

It would be a shame if you were to invest $1,000 in a tax lien certificate, and then when the property owner fails to pay, you end up with a landlocked piece of desert in the middle of a desert. Land and lots are great investments. We buy them all the time. But it's important that the property has real value, meaning that there will be some kind of return in the end.

We recognize that researching and understanding auction lists can be daunting the first time around. There are a bunch of numbers, some bizarre property descriptions, and some information that we don't care about. So, it's important to ignore the useless data and focus on the important information. Do not fret; over time, you will familiarize yourself with this process.

Parcel Listing Example

Parcel No.: 460-17-95691

Titleholder: Mark & Karen Wilson

Location: Section 14, Township 25S, Range 29E R 14 25 29 1368 1815

Amount Due: $1,015.67

The first line is the parcel number, the second line is the names of those on the title, the third line is the property's location, and the fourth line is the amount that is due, or the amount that the investor would have to pay for the tax lien certificate. This information will be on almost all lists regardless of what county it is:

- ***Legal Property Owner:*** *This is the person who is delinquent on their property taxes.*
- ***Amount Due:*** *This is the amount that the investor will have to pay to purchase the tax lien certificate or the amount where the bidding will start for the tax deed investor.*
- ***Parcel Number:*** *A parcel number identifies a property on the county records similar to how a social security number identifies a person.*
- ***Legal Description:*** *This is county code that describes the exact location of the property based on block and other descriptors.*

If the county is generous, the list may also include the following:

- ***Assessed Value:*** *The value assigned by the county assessor/appraiser.*
- ***Site Address:*** *This is the actual street address of the parcel.*

Having the site address for potential investments is so important. One of the fastest ways that we use to get an idea of what a property is worth, or its real value, is to put the address into Google Maps, Zillow, and Trulia. Using Google Maps, the investor can get a fairly up-to-date look at the property and can even use Street View to look at the property as if the investor were driving by the front door.

Zillow will provide a Zestimate and show what other properties nearby are worth or what they have recently sold for. This is a quick way to get an idea of the fair market value of the property.

If the auction list doesn't provide the property address in the actual list, then the investor can quickly get that information by using the parcel search on the appraiser's website. We will talk about performing a parcel search later in this chapter.

Set Your Spend Limit

The very first thing that you should do when researching is to think about the amount that you would like to spend on your certificates. Would you like to spend $5,000 total or $1,000? Or maybe five investments of around $1,000 each?

One thing to consider when thinking of your purchase price is that because taxes are based on the assessed value of a property, the general rule is the higher the cost of the tax lien certificate, the more valuable the property is.

This is the fastest way to narrow investments. Simply go through the list and highlight investments that are in your price range. This is especially simple to do if the list is an Excel spreadsheet. If using Excel, then you only need to apply a filter to see the certificates in your price range.

Look for Real Value

The next thing that you should look at is the assessed value of the property. Make sure that there is real value backing your investment. In most cases, you will receive your money back plus interest, but in the rare instance when you take ownership of the property through foreclosure, you want to make sure that it is a good property.

> **Note:** The assessed value is generally much lower than the fair market value. As you will see in chapter two of this book, county assessors generally show the value of the property at least 20% - 30% lower than fair market value.

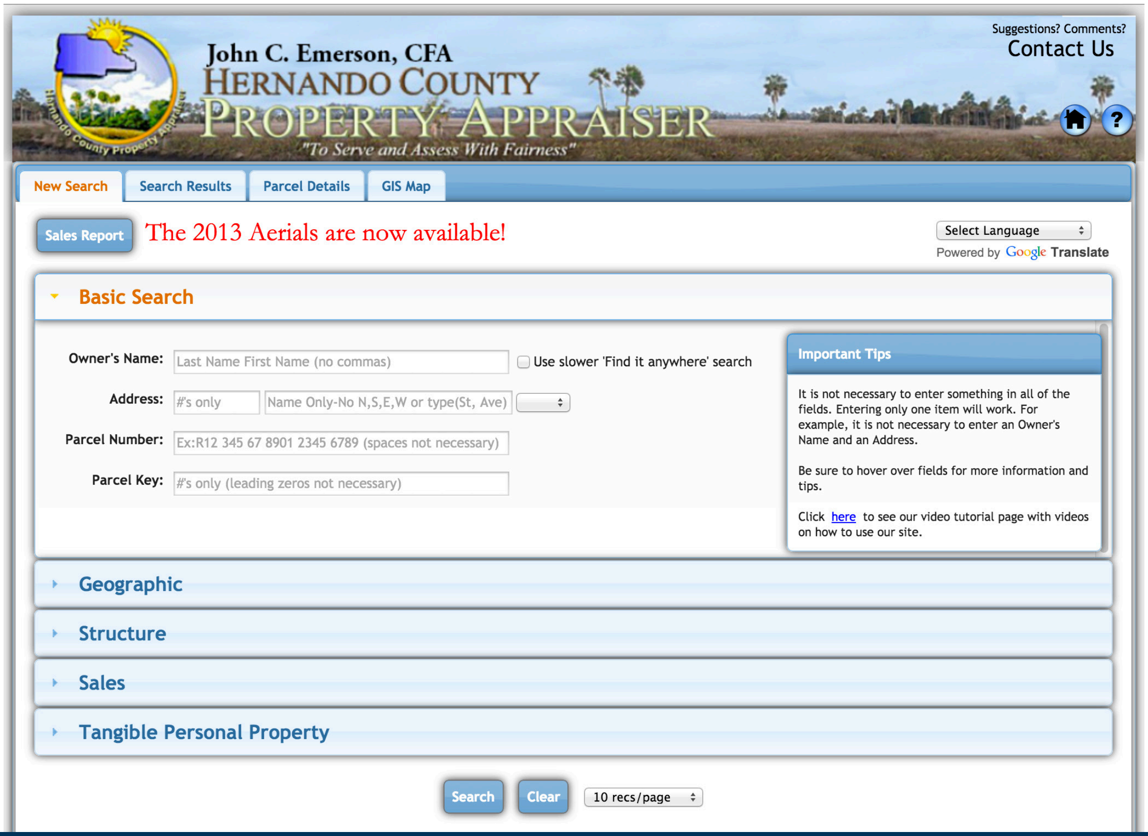
After you have narrowed your list by weeding out certificates outside your price range and then removing properties with low assessed values, then it is time to perform some research on the parcels by using the appraisers parcel search.

Appraisers Parcel Search

The parcel search is usually located on the county assessor's website and will allow you to look up information about properties inside that county's boundaries. Some counties provide a lot of information on the parcel searches, and some only have a little information. It just depends on the county.

In most cases, it will be through the parcel search that you find the property's address, which is the next thing that we will want to do. Now it's time to look at the property.

Most parcel searches will allow you to search using the property owner, the address, or the account number/parcel ID. Here is an example from Hernando County's property search.



Using the information on the auction list that we have obtained, we will, in most cases, use the parcel ID to perform our search. Copy and paste the parcel ID, or simply type it into the parcel ID field, and click search. The search will return that parcel's assessment information.

On that page, you will see something like this image:

You can clearly see the value of the land, the building, the market value, the assessed value, the property address, the neighborhood information, the past years' taxes, past sales, and much more.

What a fantastic tool!

And once you have the address as listed on this assessment page, you can plug it into the websites we mentioned previously, like Google Maps, Zillow, and Trulia.

One of the best things about tax lien certificates is that all of the properties already have a free professional appraisal of the value of the land done by a government agency. Study these appraisals carefully. Keep in mind that county assessors evaluate using "land value" and "improvements" as categories. The two numbers are then added together to find the total assessed value of the property.

For instance, if the land is worth $8,000 and the improvements are equal to $36,972, the total of the numbers will be $44,972. This is what the amount the property taxes are based on. If you have any questions about a property's appraised value, feel free to call the county assessor's office.

Time to Compare

Next, you should compare the property's appraised value with other properties in the area to establish comps. Your goal is to determine whether the property's appraised value is comparable to other properties in the area. If the property value is much lower than the value of others in the area, then the assessment could be off, or maybe there is something wrong with the property.

Zoning

You may also want to check the zoning of the property. The six major types of property include commercial, agricultural, industrial, residential, vacant residential, and special purpose.

It is a safe bet to stick with residential, vacant residential, and some commercial properties.

Environmental Problems

You may also want to check for any environmental problems. It's possible that your parcel is an old gas station and could be listed as having contaminants. It still may be a good investment for you if you have experience with that.

When there are potentially undesirable things on the property like contaminants, then there is a greater chance that you could get the property, which may be a great opportunity. There would be costs to clean the property and clear the title, but it may be worth it.

Quick Glance Method

As you become more experienced, you can save a lot of time by using the quick glance method. The first time around, you will undoubtedly spend a lot of time mulling through data and considering each number and description. But over time, you will quickly glance through the list and identify investments that are perfect for you.

This is how it works. Based on the investment criteria that you have outlined for yourself; you will quickly identify the investment amounts that are right for you, the right property values, and the property types.

Start with the investment amount and check everything within your price range. After you have selected properties in your price range, move on to the property value column on the list and quickly scan down the list, and select properties with a high or sufficient property value. And then repeat with the property type.

The "quick glance" method will help you narrow the list to a manageable number of potential investments.

Due Diligence and Over-The-Counter Tax Liens, And Property Acquisition Strategies

Over-the-counter tax lien certificates are exciting. It gives investors the opportunity to buy certificates from the comfort of their home while avoiding all the competition of the live auction. This also means that the investor can avoid bidding down the interest rate or bidding up a premium, as is commonly done at live auctions to determine a certificate winner.

How to Purchase Over-the-Counter Tax Liens

Purchasing over-the-counter tax liens (leftover tax liens from previous auctions) can be a very simple process. Often you do not have to buy them in person. Instead, you can purchase them by mail, over the phone, or online.

If you do decide to purchase leftover liens, keep some of the following tips in mind:

- *Before you begin this process, check with the county to make sure that they even have or sell leftover liens. Although almost all counties will have tax liens leftover from previous sales, some elect not to sell them over the counter. In those rare cases, the county will hold them and resell them at the next auction. Iowa, for example, won't let an investor purchase over the counter. They will auction them off another time.*
- *Consider the county size and demographic information when purchasing in a county, especially when considering over-the-counter investments. A general rule is the larger the county population, the more competition one will find at the auction. The more competition found at the auction, the more certificates that are sold, and the fewer tax lien certificates left over after the event. This isn't always the case, but in our experience, this is generally true.*
- *We like to look for well-populated counties, but we stay away from the largest, most "exciting" counties, like Miami-Dade or Cook County, IL.*
- *Remember that over-the-counter lists are certificates that were not purchased during the auction. There may be fantastic opportunities on the over-the-counter list, and there may not be. We've always had good luck, but make sure to understand the nature of the opportunity and set expectations accordingly.*
- *Try to acquire an over-the-counter list as soon as it's available after the auction has concluded. It will typically take the county a couple of weeks after the auction is over to update the list and post an over-the-counter list. There will be other investors interested in getting this list and purchasing from it, so get it as soon as possible in order to have first pick.*
- *Another thing to consider is that if you wait longer, then interest will accrue on the certificate, and you will have to pay the accrued interest on top of the original amount, known as the Face Amount.*

> **Note:** The face amount is the price tag at the auction. The redemption amount is the current market value of the certificate, including all interest accrued to a certain point in time. If you contact the county six months after the auction, then you would pay the face amount plus interest, which equals the redemption amount.

Over-the-counter tax lien lists are available in the same department as the normal tax sale information. Make sure to perform due diligence on potential investments using the parcel search just as you would when preparing for the live auction.

Property Acquisition Strategies

Many investors' overall goal is to acquire property through tax lien certificates. This is always the case in tax deed investing, commonly the case in redemption deed investing, but rarely the case in tax lien investing.

However, there are ways to increase the likelihood of getting a property through tax liens. The primary thing to look at is the property type and value. The more desirable the property, the more likely the property owner will find a way to pay back their delinquent property taxes in order to keep the property.

So, if you are looking to take ownership, you can try to buy beautiful, single-family residential homes, but most likely, those homes will be redeemed by the property owner. If the property owner fails to pay, then that is fantastic! It happens, but don't count on it.

So, you may want to consider less desirable houses, improved lots, commercial properties, or raw land. Getting into some of these property types means having some real estate experience, though, so be prepared.

One other factor to consider is the property owner. Does the property owner live in the property? Is the property owner alive? What are the circumstances in the property owner's life that may make it likely or less likely for them to redeem and pay off all delinquent property taxes?

Why would someone actually let his or her property go?

There are a number of reasons why someone would let their property be foreclosed on. The most common reason that we have seen comes from the property owner having to make a difficult financial decision. In some cases, the property owner simply cannot afford to keep the property anymore and have decided to let it go. If this is the case, we often find that there is a mortgage on the property, and if there is a mortgage on the property and you begin the foreclosure process, you should expect a redemption check from the mortgage company. If the mortgage company also decides to let it go, then the property is all yours.

Is foreclosing your best option?

Foreclosure is often called a "hallelujah" moment in tax lien investing. When buying tax liens, it isn't the norm to get the property through foreclosure, but when you do, you want to shout, "hallelujah!"

But is foreclosure right for everyone? It depends on the investor.

The investor has a couple of general options for each tax lien investment that goes past the redemption period. Let's imagine that you spent a fair amount of time performing due diligence, and the property and tax lien certificate are a good investment. You purchase the certificate and sit back and watch your investment grow by collecting interest. Two years pass, and the property owner still hasn't paid the delinquent taxes plus penalties. You now have a decision: to foreclose or not to foreclose.

If you have any experience in real estate, then it's probably a no brainer: foreclose. When foreclosing, the investor has the opportunity to make a lump sum of money instead of collecting interest over an extended period of time. But in order to get the lump sum, the investor has to foreclose, which takes a bit of work and money. Then the investor must have an exit plan to make money after the foreclosure. Will you sell the property, improve it, rent it, etc.?

There are many more steps involved in foreclosing on a property, but it is usually worth it a thousand times over if the investor is willing.

The second option is to continue to sit back and collect interest. Why foreclose and work harder and spend more money when you can continue to stand by and watch your investment grow? Lots of reasons, but some people may just not be interested in doing that. If you are the type that isn't aggressive and would prefer to wait, feel free to continue to do that. You are allowed to do anything that you want to do.

It's possible that the property owner will pay off the taxes later, and you'll get your money plus interest. Or maybe another investor will be aggressive, foreclose, and in the process, you'll get paid back plus interest. Either way, you got your money, so it's all good.

Post-Due Diligence Tips

Once you have gone through the due diligence process, you can start making investments. Keep these tips in mind:

- *Start with residential properties instead of commercial or industrial ones that could be more of a hassle for you. Residential properties are redeemed more often and require less due diligence.*
- *If you would like to switch up your tax lien portfolio, you can try some land or commercial properties.*
- *Remember, the more money that you invest, the more money you can make. There is a direct correlation between taxes owed and property value. The higher-priced certificates are generally backed by more valuable properties. The higher the dollar amount, the greater the dollar amount earned in interest. The rate doesn't change, but 18% on $100,000 earns a higher dollar amount than $1,000 at 18%. But you knew that.*
- *This isn't a get rich quick scheme. This is a get rich steady approach. Be patient.*
- *Consider trying some over-the-counter tax liens in Florida (except in Miami-Dade County). It's the easiest place to do this. Simply click a link on our members' website, register, and click to purchase. It couldn't be easier.*
- *Generally, there are a lot more liens for sale than there are investors who can buy them. This leaves the county with a surplus that they have to figure out how to get rid of. The liens can be bought by anyone. The only negative to purchasing them over the counter is that the investor will have less to choose from than if he or she had attended the auction.*

Avoiding Risks

Tax liens and deeds are a unique type of investment. They promise incredible returns and potential, but there are some things to be aware of before investing your money.

The next section will describe some of the potential risks and how to avoid them.

Liquidity

Many types of real estate investing need large amounts of capital for unknown lengths of time. Liquidity refers to how easily the capital can be accessed. Cash in savings accounts, checking accounts, or a safe is very liquid. The investor can have their cash in minutes.

Money in stocks is also fairly liquid if the stocks can be sold. Money in retirement accounts can be accessed fairly quickly as well, but some penalties may be applied.

Liquidity is a risk if the investor is in need of cash but isn't able to access it. This can be considered a risk in tax lien investing because the investor doesn't know how long she or he will be without funds. The investor doesn't know when the property owner will pay off the taxes or even if she or he will pay off the taxes. Then the investor must foreclose in order to get a return on investment and become liquid again.

A tax lien or deed investor must only invest money that will not be needed immediately.

Time Frames

The time frame for a tax lien investment is undetermined and can be seen as another downside to investors. However, that doesn't quite make sense. Tax lien investing is an interest game, so the more that the investor has invested and the longer that the money is invested, the more money the investor makes.

But some investors are worried about that. If a lengthy time frame does not fit your investment strategy, you should avoid states with longer redemption periods. Since there are more than 3,000 counties in the country, if one county's laws do not match your objectives, you can just move onto the next one.

Emotional Bidding

A common risk of investing in tax liens or deed is when an investor gets caught up in the emotion of an auction.

Try not to get pulled into the excitement of the auction and bid away your return. If the auction model is bidding up a premium, prepare in advance and set a max premium bid that you are willing to place, and then do not cross the threshold. If bidding down the interest rate on a tax lien certificate, then make sure to set a bidding floor that you will not cross.

While at the auction, make sure to stick to your notes and stay within your predetermined bounds.

SUMMARY

The most crucial step for any investment is to perform detailed due diligence. Tax deeds usually require more in-depth due diligence than a tax lien certificate. A tax deed investor gets the property every time, while the tax lien investor needs only to make sure that the certificate is backed by a property with real value and that if he or she were to end up with the property through foreclosure, there is a way to make money in the end. As you embark on your tax lien and deed journey, keep in mind that research and due diligence, much like learning, is never truly over. With practice, it just becomes much easier.

If you have any questions along the way, please make sure to utilize the resources on the members' website and our hotline support team. Happy investing!

SECTION FOUR

Investor Profiles & Getting Started

Introduction

Occasionally we have new students that are experienced investors, and they hit the ground running. In most cases, however, our students are brand new to tax lien and tax deed investing, and they are not sure where to begin.

If you fall into the latter, don't worry; you're in good company and the norm.

Our purpose with this book is to pose some questions, allow you to consider your goals and restrictions, and then find a good place to begin.

In this section, we introduce investor profiles, which are different investing categories or types of investors. Depending on the answers to the questions posed, you will fit into one or more of these investing profiles.

Understand, though, that if you fall into one category and you're interested in pursuing another strategy, don't feel restricted. We can help you achieve your goals in the format that you desire.

On a separate sheet of paper, write answers to the following questions:

(Answer the questions based on your current situation and not on your future situation.)

How much money have you set aside to invest?

This is liquid money that you could invest tomorrow. This could be cash in a checking or savings account. It could even be money in a retirement account, which may be available in a week or two for investing.

This question is the first qualifier because, generally speaking, tax deeds and redemption deeds require more money to get started than tax liens do. This is not always the case when investing, but when considering the entry point for most investors, you will have to spend more to get into a tax deed than you would to get into a tax lien.

Is it possible that you will need this money back in the next 24 months?

If you will need the money that you have set aside within the next 24 months, then it's better not to include those funds in money that you will use to invest.

The life of a tax lien or tax deed can be much longer than 24 months, and depending on the exit strategy, your money may be tied up for a while.

If you have concerns about whether or not you will need that money to buy bread or make a house payment, then let's reconsider the amount that you would like to get started with.

A general rule that we live by when investing is that we invest only our play money or funds we are comfortable parting with. For some, that is $500, and for others, it may be $100,000. Either amount of money is okay, but the investor with $100,000 will have more options for investments than the investor with $500.

For instance, the investor with $100,000 could attend a tax deed auction in California and purchase a house for $80,000, but the investor with $500 won't be able to do that until he or she grows that money. The $500 investor will most likely need to start by buying tax lien certificates.

Where is the money located? In your savings account? Checking? Retirement account?

The location of the money will typically determine its liquidity and its availability. For instance, money held in savings and checking accounts are considered liquid because the investor can simply go to the bank and withdraw the money or write a check.

Money tied up in a 401k, however, may be difficult to get to. In order to use that money, the investor would need to roll those funds or a portion of the funds to a self-directed IRA or pull cash out of the 401k, which will likely trigger penalties. Transferring from a self-directed IRA is possible. We do it all the time. But purchasing this way takes a bit longer.

Do you have a retirement account that you would like to use?

It is possible to use your retirement accounts to invest in tax liens and tax deeds. In order to use a retirement account to invest, the account must be self-directed and allow for real estate investments.

Not all self-directed accounts allow real estate investments. Many accounts are limited only to the stock market.

If your account does not allow for real estate investments or is not self-directed, then consider rolling those funds over to a retirement account that will allow you to invest in tax liens and tax deeds. Some of our favorites are Equity Trust and Horizon Trust, but there are many more options listed on the members' website under Helpful Resources.

How much time can you dedicate to this strategy each week?

Tax deeds and redemption deeds typically require more time than tax lien investing. This is due simply to the nature of the investment. Because you will become the owner of the property when purchasing tax deeds and likely the owner when purchasing redemption deeds, you need to make sure the property is exactly what you hope it is and that there won't be any surprises once you become the owner.

In order to be sure of the property's value, the investor must perform a deeper level of due diligence than is required with tax liens. With tax lien investing, it is only necessary to make sure there is sufficient value in the property before making the investment since, in most cases, the property owner will redeem.

With tax deed investing, the investor should know everything about the property: property type, real values, comp values, environmental issues, rehab costs, improvement condition, past sale amounts, etc. Research takes time, so answer this question as honestly as you can.

Are you willing and able to travel to make an investment?

It is almost never required for an investor to travel; however, it may not be a bad idea if the investor is buying a tax deed or redemption deed and would like to evaluate the property in person.

If buying a tax deed through an auction outside of his or her home county, then the investor would need to travel to that auction in order to participate in it. Tax lien investing hardly requires travel unless the investor chooses to attend an auction or feels it's necessary to evaluate the property in person. (That's never a bad thing, but not always necessary).

Do you have experience with real estate?

Tax lien investing is very simple and typically does not require any real estate know-how because our experience is that most property owners will pay off tax lien certificates.

The tax lien investor generally will not end up with the property, so real estate experience isn't necessarily required. Tax deed and redemption deed investors should have some experience, or at least someone close by that can mentor them through the property ownership and exit execution.

Question Summary

If you are limited by any of the previous questions, especially by money, time, and travel constraints, then you may be limited to tax lien investing in the beginning, which is perfectly okay!

Tax liens are incredible investments; they are safe, very lucrative, and very simple to do. Most new investors start with tax liens, and then once their account swells, they may decide to expand into tax deed and redemption deed investing.

Investor Profiles

When you define your objectives and limitations, it will be easier to determine how to get started. In this section, different investor types are outlined. The profiles also examine different methods and processes that investors use to achieve individual objectives. A profile will describe the type of investor and what is involved in the investment strategy.

You should read through each profile to figure out what suits your investment needs.

Profile 1: Over-the-Counter, High-Yield Investor

This kind of investor purchases tax lien certificates and redemption deeds outside of the auction. The investor will contact different counties looking for properties that were not sold at the auctions. Purchasing directly from the county is often referred to as assignment purchasing and commonly called "over-the-counter" investing by investors.

Over-the-counter investing requires the investor to use resources found online or by telephone to do most of the required research. One challenge that many investors face is finding quality leftover properties. Not all states allow investors to purchase liens directly from the county over the counter, so the investors will be limited to certain states and counties.

Left Over Properties

We say that it may be difficult to find quality leftover properties because over-the-counter investments are simply that: investments left over after the auction. Our experience is that there are always great investments over the counter, but they aren't found as prominently over the counter as they are at the auction.

Tax liens purchased over the counter are purchased for the delinquent tax amount, plus penalties, and plus any interest that has accrued to the point of purchase.

For example, if the tax lien would have been sold at auction for $1,000 at 18%, but you purchase that tax lien over the counter six months later, then the new price for that tax lien is $1,090 because it has accrued 9% interest to that point.

A great thing about purchasing over the counter is the investor doesn't bid up a premium or bid down the interest rate.

This strategy is a great option for investors who are interested in growing their wealth safely for retirement and have a long-term financial plan, which we all should have.

Variety of Properties

The high-yield, over-the-counter investor will search for different high-value properties and evaluate them. These kinds of liens and deeds could be on single-family homes, multi-residence properties, commercial properties, and valuable building lots. There is a high probability that these liens will be redeemed and have a secure rate of return.

Investing from Home

This kind of investor prefers to work from home and does not need to attend the auctions. There are several reasons that an investor would choose this kind of method over others. For one thing, they may not live in an area where a desired property resides, which makes it unfeasible to attend a sale in-person. Others may just have limited time due to a full-time career, family, and other obligations, which makes it very difficult to travel and leave the state to go to these auctions. Just remember that there are terrific properties that can be obtained by investing over the counter; attending the auction is not always necessary.

An investor should research states and counties until they uncover the county that offers the benefits and options that they want and that works best for him or her.

One last note, very few tax deed and redemption deed states allow for over-the-counter purchasing.

Profile 2: Auction Attendee, High-Yield Investor

The high-yield auction attendee likes to invest with the purpose of getting the highest annual return. When this investor has their tax lien certificates redeemed by the property owner, this investor will reinvest that money as quickly as possible to keep the money working for them.

This investor will also maximize interest and funds available by investing through self-directed retirement accounts.

This investor performs due diligence to acquire tax liens backed by high-value properties, including commercial, multi-residence, single-family homes, and valuable building lots. They know that properties with high desirability will most likely be redeemed quickly, and they are okay with that because they have more tax lien investments waiting for their money.

Property acquisition is pursued only as a side note for this investor. They don’t actively seek foreclosure but will when the need arises.

This investor has a schedule that they follow each year, listing states and counties and the dates for those counties’ auctions. They go to the same county auctions every year.

This investor focuses on investing at the auction; either live auctions or through live online auctions but may make purchases over the counter as well.

Redemption Deeds for Interest

The high-yield, redemption deed investor attends auctions to purchase redemption deeds in hopes of making interest rather than obtaining properties.

Redemption deeds have unique characteristics that make them very appealing. Some states offering redemption deeds use penalties instead of interest rates. For instance, Texas offers a penalty rate of 25% every six months during the redemption period duration. Because it is a penalty every six months, as soon as the deed crosses into the seventh month, another 25% penalty is added to the face amount. As soon as it crosses into the thirteenth month, another 25% penalty is assessed. Interest adds up pretty quickly at such high penalty rates.

This type of investment requires that investors research redemption deeds and go to the public auctions in person or have a personal representative go in their place.

Desirable Properties Are Key

Just like a tax lien investor who focuses on collecting interest, a redemption deed investor who would like only to receive interest on investment should focus on purchasing redemption deeds on very desirable properties. The reason for this is that the more desirable the property is, the more willing a property owner may be to find money to pay off the delinquent taxes plus interest.

The inverse would be to find properties that are good but may not be the cream of the crop, which means the property owner may be willing to let the property go.

If the investor is only purchasing the most desirable properties, banking on the property owner paying the taxes plus penalties, but the property owner fails to pay the taxes plus penalties, then the investor is in fantastic shape anyway. Now the investor needs to take ownership and exit through sale or some other exit strategy to realize profits.

Redemption deed investing for interest is fantastic because the foreclosure process is already underway to some extent, and interest rates tend to be higher than typical tax lien states.

Just to reiterate, it is almost always required that the investor attend a live, in-person auction when redemption deed investing. It is rare to find online auctions and over-the-counter opportunities with redemption deeds.

Profile 3: Auction Attendee for Property Acquisition

Tax Deeds

This investor is one who purchases tax deeds from the county to become the new property owner.

This kind of investor will select states and counties that sell tax deeds, which is about half of the United States. Since the investor is making an actual real estate purchase, they will need access to a fair amount of money.

Bidding for tax deeds usually starts at the total delinquent tax amount, plus county fees and any expenses incurred by the county to foreclose and take the tax deed to auction.

Bidding Below Market Value

The bidding starts pretty low compared to the fair market value, but depending on the competition at the auction, it could dramatically increase. Before the real estate bubble popped, we saw tax deeds in California start at 10 percent of fair market value, and then the tax deeds would be bid beyond fair market value; the investors knew that property values were rising so quickly that they could wait six months and make a great return.

Property inflation isn’t as dramatic now as it was a few years ago, but we still see tax deeds bid up to near fair market value. Therefore, tax deed investors need money.

There are financing options in some cases, or an investor can take hard money, but hard money is exactly that… hard. Hard money loans are given by sharks and have hefty interest rates and fees attached. Some investors use these when they have a sure exit strategy and just need a bridge to get from auction to exit.

Putting Together An Exit Plan

When purchasing tax deeds, make sure to have an exit plan. How will you make money, and how much money do you anticipate making? Cut that amount in half… is it still worth it?

Accurately assessing costs to resell a property is critical. We would rather do well and make more than anticipated than dream big and end up disappointed because we didn’t do as well as planned.

A tax deed investor must perform detailed due diligence, as we have mentioned multiple times before. You want to know everything about that property, so there aren’t any surprises when you take ownership.

Tax Liens and Redemption Deed for Property Acquisition

This kind of investor purchases tax lien certificates and redemption deeds with hopes of acquiring the property. This investor realizes that when purchasing a tax lien certificate, property acquisition is a possibility, but not a probability. However, it's a numbers game. That means that the more tax lien certificates purchased, the more likely the investor will have an opportunity to foreclose on a tax lien.

When selecting potential tax lien certificates, there are several factors to consider. As we have already described in this book, the more desirable the property, the more likely the property owner will find a way to keep the property. That doesn't mean that the investor won't get the desirable properties on occasion, but we wouldn't count on it.

On the other hand, a redemption deed investor purchasing for property acquisition is common. After all, that is the purpose of that investment, with interest accrual being the backup plan.

Another factor to consider is the owner of the property. What is the owner's financial and personal situation? Is the property owned by a company? Is the property owner alive?

If the property owner isn't alive, then they are less likely to pay the taxes.

Travel Resources

An investor should realize that some approaches could require the investor to travel. Other investors may utilize strategies that can be done from the comfort of their home; however, traveling to another state may be necessary to attend certain auctions.

These auctions can last for several days, depending on the number of tax lien certificates or tax deeds that are presented for auction and the number of participants at the event. Another reason for traveling to a live auction would be to have the opportunity to view some properties in person. This is a great idea for tax lien investors and recommended for tax deed investors.

And feel free to take some time to relax and vacation while you're there. Traveling for business and sneaking in some vacation time is more than okay with us.

Travel Quiz

Answer these three questions to determine your ability to travel outside your home county to invest elsewhere.

- ***Question 1.*** *Are you willing or able to travel away from your home state? If you can, how often would you be able to do that?*
- ***Question 2.*** *Do you have work restrictions that limit your time away from the office or workplace?*
- ***Question 3.*** *Do you have friends or family that live in an area where you'd like to invest? Could they help you do some research there? Could you visit them when you go there to attend a sale or make a purchase over the counter?*

Travel Goals

After answering the above questions honestly, you are ready to set your goals.

1. I will do research on potential areas where I can both vacation and invest.
2. I will plan a trip by________________(Date).
3. I will go to an out of state auction or an over-the-counter sale by____ (Date).

Conclusion

It is essential that the investing strategy an investor pursues fits the individual's goals and current limitations. It's possible that your goals require more time or investment capital than you currently have; luckily, there are alternatives where you can begin investing now and grow funds to make your goals a reality.

If money is your restriction, you may find that a friend or family member is willing to help. You could even sell some belongings or cut back on spending and accumulating debt.

If time is your restriction, and you can afford it, find a helper to perform the time-consuming tasks for you.

Getting Started

When you begin investing in tax lien certificates and tax deeds, you will experience a learning curve, just like any other new venture. Our goal is to help you minimize that learning period and to make sure that you avoid certain mistakes.

To be successful in any of the strategies that have been discussed so far, you will need a detailed plan and detailed steps to accomplish your goals. This section is meant to give you an overview of the different stages that are necessary to make you more successful with tax lien certificates and deeds. These steps have been tested many times by our team and students, so follow them carefully. As you learn and even improve on these phases, you will become closer to realizing your vision and goals.

"In life, lots of people know what to do, but few people do what they know. Knowing is not enough! You must take action."

Step 1: Set Aside Funds

Decide how much money you are able to set aside to start investing. You may have $1,000,000 in a retirement account, but maybe you would like to start with $50,000. That doesn't necessarily mean one certificate for $50,000, but probably multiple certs totaling $50,000.

Or maybe you have $1,000 in your checking account, and you would like to start with $100.

Everyone will have a different starting point. But remember that the amount that you have set aside will limit your options. Luckily tax liens can be purchased for just about any price. Some people start with as little as one hundred dollars, while others may start with several thousand; it doesn't matter, just decide on what best fits your situation. Either strategy is fine, and you can make a profit with whatever starting amount you possess.

The key is to just start wherever you can!

Step 2: Decide on an Investing Type

Use the information from Chapter 1 about each investing strategy to make an educated decision on how you will go about investing your money. We believe it is better to start out with tax lien investing as a new investor because the risk is low, and the amount required to get started is small.

After you have become comfortable with researching, county processes, and investing, you can move on to tax deed investing or redemption deed investing.

Those who want a long term, secure, safe investment with a high rate of return should choose tax lien investing; however, if you are looking for lump sums of money and more aggressive investing, you should consider tax deed investing.

Step 3: Choose a State

Of all 50 states in the country, about half of them are tax lien states, and the other half are tax deed states, and some are somewhere in between. An investor can simply narrow these states down into tax deed states and tax lien states.

The members' website has descriptions for each US state, which should help you decide which state is the best fit for you. Think about the state's interest rates, bidding methods, type of deeds issued to winners in tax deed states, and redemption periods for tax liens and redemption deeds.

It is important to consider how easy it is to invest in a specific area. If counties make it very difficult to invest there, then you may end up choosing a different location that is easier to access.

Step 4: Pick a County

After the investor has picked a state, he or she can start perusing through the different counties to find lists of properties that are up to be auctioned or properties from previous auction sales. Consider the ease of accessibility of the county website and tax lien information. Check out the county websites and make sure they have tools to make researching easier, like the parcel search and GIS mapping on the appraiser's website.

In addition to using our members' website, an investor can use NACO.org to find information about counties. This is a government site that has the contact information of every county in each state and is a very useful tool. It also lists population and the county seat for each county. We use NACO to find county websites when the correct website can't be found with a quick Google search, which is almost never.

We also use it to find counties to invest in based on population. If the population of a county is 1,000 people, then we stay away because there probably aren't enough certs, and we can assume that their processes are prehistoric. If the population of the county is 10,000,000, then we'd probably avoid it as well because the large population may draw too many investors.

We like counties somewhere in between.

Step 5: Determine Your Criteria for Good Investments

This step means that you will have to assess your goals and choose a type of investment that will make those goals attainable. Your criteria for a good investment should include things such as:

- *The amount that you want to invest on each certificate or deed.*
- *The type of property you want to invest in. Starting with residential properties is wise because it is a reliable source for redemptions. If you are investing in deeds, then it can be easier to sell or rent residential homes rather than ones on vacant or improved land.*
- *Based on the amount that you are investing on each certificate or deed, how much should each property be worth? Remember that the assessed value is typically much lower than the fair market value.*
- *Keep an eye out for red flags like environmental issues, former gas stations, and other undesirable properties.*

Step 6: Acquire the List of Tax Liens/Deeds/Redemption Deeds

This is most easily done through our members' website, but we have covered how to acquire these lists on your own as well, as it is a valuable skill for you to have.

If you are attending an auction in the near future, then you need to find the list for the upcoming tax sale. If you have any intentions of buying certificates after the auction, you can search for a list of certificates for the county's most recent sale.

The county will need a week or two to update their records and remove certificates and deeds that were sold at the auction from their lists. Your ambition should be to acquire the list as soon as it's made available by the county. We can help you do that for counties where you would like to invest over the counter.

Step 7: Research Investments on the List

First, narrow down the list by the amount of money that you want to spend on each investment. Then go through the list and look at the assessed and market value of each property. This will greatly narrow the list down.

Then examine the property type, the condition of the property, potential return on investment, and exit strategies.

Once you've narrowed the list, you can take a look at images and parcel information through the county appraiser's parcel search. That's about as far as we go for tax lien certificates, but some investors dive deeper.

When researching tax deeds, however, you will need to perform more intense research. It is recommended that you see the property as it currently stands or doesn't stand.

That may mean visiting the property in person or having a trusted person visit for you and report back with descriptions and images.

We also use websites like Zillow, Trulia, and Google Maps to get estimates on property values and comparable properties.

When you are doing your research, be sure to set up an exit strategy. What will you do with the property if you foreclose through a tax lien certificate? Will you flip it, rent it, or something else? If it makes sense, then go with it. Otherwise, you should start looking for another property. An exit strategy is important because you want to have an idea of what will happen next if you obtain the property.

Remember that you may want to start in your home county, if possible, because live research is so much easier.

Step 8: Prepare for the Auction

After you have a list of properties that meet your investing criteria, you can finally make an investment.

Call the county and make sure you know when the auction will start, where the auction will be held, and how and when to register for the auction. Sometimes registration is done online, and sometimes counties will require you to bring forms to the county building at the time of the event.

Take the list of investments and set your bidding limits. If the bidding method is bidding down the interest rates, then decide beforehand the minimum interest rate that you are willing to take. If the bidding method is bidding up a premium, decide on each property the maximum premium that you are willing to bid.

When bidding a premium, a different maximum bid needs to be set for each property because each property will have a different starting bid and will have different assessed and market values.

Step 9: Track Your Investments

It is important to keep track of your investments from the very start. Make records with relevant information, whether it is about the county, state, or people you will be working with. You can track each parcel number you research, bid on, and purchase. Record how much you want to bid, how much it was bought for, and when it will be redeemed. Microsoft Excel is a great tool to manage investments.

We have created a simple tracking spreadsheet that is available for download on the members' website. Go ahead and download and use it, or build a spreadsheet that makes more sense for your strategy and way of thinking.

Step 10: Do it Again

Keep investing the money that you have set aside to invest. Once a property owner redeems, and you receive your money, it should be invested back into another tax lien as soon as possible in order to maximize your return on investment.

It is important to keep investing so you can continually increase your investment accounts. This means that you should keep doing research while your money is invested in lien certificates, so you will be ready to invest again when the money is freed up.

After you have found a county or state that is worth investing in, you can revisit that place on an annual basis. Successful investors have certain places that they go every year. You can keep a schedule showing when you need to do research for an auction and keep track of when different lists come out before a certain auction.

This all may seem tricky or overwhelming but think about the first time you drove a car. You were excited and also a bit nervous. There was a lot of power under your foot, and you had control with the steering wheel, but it took a few minutes before you got the hang of it and became comfortable.

The same thing is true when investing in tax deeds and tax liens. It may be difficult to know how to take the first steps towards investing, but you will find that if you just try, you will be able to make investments and grow in confidence. You may run into various challenges along the way; however, those that keep at it through those distractions will become successful.

Many new investors stop when they run into their first obstacle, and falsely believe that making money with tax liens is impossible. Our advice? Don’t quit. Follow the program and seek help from our team when you run into challenges; that’s why we’re here.

You will not achieve anything if you think that you cannot succeed. So, keep your chin up and make some money!

WELCOME TO THE CLUB

Now that you know your investor type and have a plan, take a moment to breathe. Tax lien and deed investing is simple and fun, especially when you start to see checks in your mailbox.

That is why we created this educational program: to teach you everything that you need to know to buy tax liens and tax deeds and make money.

We are excited to help you achieve your financial goals, one investment at a time. **Welcome to the club!**