

How To Choose A Property Tax Lender

By Charles E. Brown

Would you allow a stranger to have a lien against one of your most valuable assets without knowing something about them? If you need a property tax payment plan, you should have some idea who you are dealing with before you sign the papers.

The process for a property tax payment plan is that the property tax lender pays your taxes to the Tax Collector and then gives you a payment plan to pay them back. The Tax Collector transfers the tax lien to the property tax lender and that is the lender's security for getting paid under the



payment plan. If you do not pay the property tax lender as promised, the property tax lender can foreclose on the property, have it sold at a public auction and receive the proceeds from the sale for repayment of the amount owed, just as the Tax Collector could have done, had your taxes not been paid. But, not all property tax lending companies in Texas are the same. You should be concerned not only with the interest rate and cost of the plan, but also with the business practices of the company that will be holding a lien on your property. Here are some things to consider in choosing a property tax lender.

Will they help you decide if you truly need a payment plan? If the property that you owe taxes on is your homestead and

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Your tax office may offer delinquent tax installment plans that may be less costly to you. You can request information about the availability of these plans from the tax office.

you are disabled or over the age of 65, you have options other than a tax payment plan. For instance, you should talk to your Tax Assessor about a tax deferral or to your Tax Collector about a payment plan. Also, some situations simply do not make economic sense for a property owner to get a property tax payment plan. If the property tax plan will not save you money or help you avoid a foreclosure, then you do not need to get a property tax payment plan. Find a lender that will help you evaluate your actual cost of the tax payment plan and compare that to your cost if you just try to pay the Tax Collector back as fast as you can. In some cases, particularly when your tax bill is under \$3,000, you are better off without a tax payment plan.

Are they an established business? Like in any industry, new and very small companies rarely have enough business to be profitable. Be careful when dealing with very small or not well-established companies because their chances of failure are high. Look for companies that have been in business at least 3 years, have at least 10 employees, and are dedicated or specialize in property tax lending.

Do they service all of their plans? Not all property tax lenders service their own payment plans. “Servicing” a plan means collecting the payments and providing the accounting information to the customer as needed. Some property tax lenders service 100% of their plans. Some property tax lenders sign you up, and then they transfer your plan’s servicing to some other company, possibly in another state, to collect the payments for them. When you call them, you may get a different person who knows nothing about you or your plan. If you get a payment plan with a company that services its own plans, you can call the same number you always call and you can talk to the same person you always have talked to about your plan. They will know who you are and will be able to help you with what you need.

Do they offer true interest rate discount points? Discount points are a way to “buy down” the interest rate. A person can pay X dollars and basically “buy” a lower interest rate. Because some lenders were charging very high amounts for discount points, the State of Texas recently changed the law so that lenders must disclose the interest rate with and without the discount points. If you don’t see a disclosure showing the true cost of the plan (with and without the discount points), you should find another lender.

What is their Late Payment Policy? Let’s say something happens and you can’t make your monthly payment. What will your property tax lender do? Do they offer a grace period where you can be late without incurring any late fees? If so, how long is it? After any grace period, how much is the late fee? If you miss more than one payment what will happen? Does your lender have a history of changing the interest rate, turning late paying accounts over to a collection firm, or even foreclosing on customers that have missed a few payments? Not all property tax lenders handle late payments the same way. Be sure to ask about their late payment policy.

**Some property tax lenders
have other companies service
your payment plan.**

Will they help you in the future? Most property owners who get a tax payment plan are able to successfully pay back the lender once they get out of the situation that caused them to need help with their taxes in the first place. They pay off the tax payment plan and move on. Other borrowers may take longer to get back on their feet financially. They may need help the next year or maybe another time in the future. Find out if the company will help pay your taxes in the future, in case you need the help. Some

lenders have made second, third or even fourth payment plans to their customers to help them save money and keep ownership of their property.

Can they help you clear title to your property if needed? Many people who inherit property find that they owe taxes, but they do not have clear title to the property because there is some paper work that was never completed. Without clear title, you cannot get a property tax payment plan. Property tax lenders are not law firms and should not give legal advice. However, some have experience with customers who need help clearing their title and have a strong referral network of attorneys who can economically assist you in clearing the title to your property.

Will they customize the payment plan for your situation? Not every property owner needing a property tax plan has the same set of circumstances. The company should listen to you and try to structure a plan that will give you the most benefit in your situation.

Do they require a credit check and will this plan show up on your credit report? Property tax lenders may require you to pay for a credit check and then deny the payment plan if you don't have a sufficient credit rating. Other property tax lenders do not perform a credit check and will not report any missed payments to the credit agencies. For the latter, the fact that

you are a property owner and that you have the ability to make the payment plan payments is all that matters. The plan is going to be secured by the tax lien on the property so you should be able to get a payment plan even if you have a low credit score. Ask the property tax lender if they require a credit check and if they will report your tax payment plan to a credit reporting agency. If they do, this may affect your ability to get other loans in the future.

Do they charge an application fee before they will give you an estimate? Property tax lenders may charge an application fee just to consider if they will make you a payment plan. Others will review and approve your plan without an application fee. Most property tax lenders can give you an estimate of your payment plan terms immediately over the phone. Many lenders will also mail you a written "Good Faith Estimate" that contains all of the financial details of your property tax payment plan. Be sure to find out up front if they will charge you an application fee, and how much that is.

Do they require a personal guarantee if the plan is for an LLC or Corporation? Some property tax lenders try to get as much security as possible for property owned by a partnership, LLC, LLP or corporation, and will require the principal(s) to personally guarantee the payment plan. Other property tax lenders will not require a personal guarantee; they rely solely on the business entity to be responsible for repayment of the funds. No personal guarantee means that you won't be personally sued if the payment plan goes into default, and also that you don't need to show the tax payment plan as a personal liability on your financial statements. Be sure to ask if the property tax lender requires a personal guarantee.

Are they licensed by the Office of Consumer Credit Commissioner of the State of Texas (OCCC)? The State of Texas regulates property tax lending through



the OCCC office. This office requires minimum standards of capitalization, professionalism, and official licensing for property tax lenders. Contact the OCCC to ask them about the company you are considering at 1-800-538-1579, or visit their website at www.occc.state.tx.us to verify that the company is licensed. Be sure to ask if any consumers have filed complaints against the company and how that complaint was resolved. It is important to note that a good company can have a complaint filed against them. What is important is how the complaint was resolved. If the complaint was dismissed or resolved to the customer's satisfaction, you should not be overly concerned. You should not do business with a company not licensed by the OCCC, as they are likely operating illegally.

Do the company representatives have an NMLS license? Anyone who quotes payment plan terms on homestead property must have a license with the National Mortgage Licensing System (NMLS). To get licensed, the company's representative must pass a very challenging national test. The NMLS license is an indication that you are dealing with a highly qualified professional with experience and knowledge on how to structure a plan that will meet your needs. You should ask the

representative for their NMLS number. If they do not provide a six or seven digit number, they are not licensed and you should avoid that company.

Is the company a member of the Better Business Bureau and what is their rating? Look up the company's rating on the BBB website, found at www.bbb.org. Look for a company with an A+ rating. These are companies that have no or very few complaints. Check the complaint history and see how any complaints were resolved. It is smart to avoid a company that has had a lot of complaints!

Is the company a member of the Texas Property Tax Lienholders Association? The Texas Property Tax Lienholders Association (TPTLA) is a group composed of the leading property tax lending companies. The Association's goal is to raise awareness of property tax lien transfers and promote high standards of behavior among its members. The companies in this association are among the best in the industry. Their web site is www.tptla.org.

What do their customers have to say? You don't have to take the property tax lender's word for it. Ask the company for customer references. Then, call their references and ask them how they've been treated and whether they plan to continue doing business with the company.

Still have questions? Contact the author, Charles E. Brown at cb@HunterKelsey.com.

**Look for a company with a
Better Business Bureau
A+ rating.**

About the Author: Charles E. Brown is founder and CEO of Hunter-Kelsey of Texas, LLC. Mr. Brown is a Director of the Texas Property Tax Lienholders Association and holds a NMLS license. He has 25 years of experience as a Texas real estate attorney and is Board Certified by the Texas Board of Legal Specialization in Commercial and Residential Real Estate law. Feel free to direct comments or questions to Mr. Brown at cb@hunterkelsey.com.