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**Testimony of Mary Belan Doggett, Esq.**
**Vice President and General Counsel, Propel Financial Services**
**in Opposition to Senate Bill No. 472**

**March 22, 2016**

Dear Co-Chairs Coleman, Tong and Members of the Committee,

On behalf of Propel Financial Services, I am writing to oppose Senate Bill No. 472, an Act Concerning the Assignment of Liens Filed by a Municipal Tax Collector. While the purpose of the bill is well-intended – to protect property owners from losing their homes to foreclosure for municipal liens of less than $2,500 – the practical effect of the legislation would be devastating to many property owners, taxpayers, city governments and the tax lien investing community. When a property tax lien is assigned to a third party, the property owner is able to negotiate a flexible payment plan at a longer term than the local government is typically able to offer. This helps property owners in a difficult situation keep their homes and avoid foreclosure. It also helps provide immediate revenues to city governments to fund public services.

By way of background, Propel is active in tax lien assignments in over 20 states, has acquired over 2,000 tax liens in Connecticut, and its employees have been operating in Connecticut since 2005. During this time, we have been able to provide resolution to property owners through long term, flexible payment plans. As is typical in the tax lien investing community, Propel's business model is geared towards *avoiding* foreclosure for the properties on which it holds a lien. As a result, the foreclosure rate on tax liens assigned to third parties like Propel is less than one-half of 1%.

Propel Financial Services values our partnership with local taxing authorities throughout Connecticut, and are opposed to legislation that erodes access to establish payment plans for taxpayers. Through our experiences we have found that working together with the taxpayer and the local taxing authority to establish affordable and timely payment plans, without arbitrary restrictions that do not protect taxpayers, is the most appropriate and successful manner to address the collection of delinquent property taxes. Unfortunately, placing an arbitrary $2,500 threshold on offering tax lien sales will only hurt the taxpayers that need the most help. Propel's experience has shown the most appropriate threshold is one adopted by the local taxing authority who have the most knowledge of the specific needs within their community.

A large percentage of tax liens currently sold by the cities are less than $2,500. This legislation would truly hamper the assignment of property tax liens in a way that would harm many stakeholders. Below is an overview of how tax lien assignments benefit property owners, taxpayers and cities.

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- **The Assignment of Property Tax Liens Benefits Property Owners.** When a tax lien is assigned to a third party, typically the first step for the property own and tax lien assignee is to negotiate a payment plan to pay off the lien. This means that the property owners are able to work out flexible, long-term payment options so they can stay in their homes and avoid foreclosure. Propel often arranges for 5 year repayment plans, significantly more time than most cities offer for property owners to pay off their tax lien obligations. Importantly, the property owner maintains protections provided by law, including an unchanged redemption time period, statutory protections that continue after the lien assignment, and collection and notification procedures that are controlled by state statute.
- **Tax Lien Assignments Benefit Taxpayers.** Allowing tax lien assignments protects property values by leading to improvement of blighted properties. This is especially true for lower-value properties with tax lien amounts under $2,500. Providing cities the cash flow upfront through tax lien sales also decreases the risk of future tax increases and provides reliable funding for government programs.
- **City Governments Also Benefit.** Through tax lien assignments, city governments receive an immediate source of revenue for delinquent taxes. When selling portfolios of liens, the cities also typically charge a premium on top of the lien amounts – resulting in significant revenue for city governments. In addition, the certainty of cash flow improves future budgeting, and promotes increased revenues without having to raise taxes or increase public debt. The revenue from tax lien assignments goes to fund public services, such as the public school system, fire department and law enforcement.
- **Finally, Tax Lien Investors Benefit.** Investors who acquire tax liens earn interest and penalties provided by law for unpaid taxes. While the investment is secured by a lien on the real property, investors rarely foreclose on properties. Propel makes multiple attempts to work out a payment plan with property owners prior to proceeding to foreclosure, which is truly a last resort. Indeed, Propel's foreclosure rate is under one-half of 1%.

Thank you for your attention on this important matter. We would welcome the opportunity to work with the Committee to design an appropriate approach to address property owner protections. Through our experience with the assignment of tax liens in Connecticut and throughout the nation, we may be able to provide significant expertise and assistance to the Committee if you choose to move forward with this or similar property tax lien legislation. Please feel free to contact me directly at (210) 582-2882, ext. 44084 for any further information.

Sincerely,

Mary Doggett /SH

Mary Belan Doggett
Vice President and General Counsel