

Madeline Walker Tax Lien Program Special Achievement

The Need:

Now more than ever, Rhode Islanders need our help. Faced with the rising cost of living expenses, depreciating property values, and a stagnant economy, more and more Rhode Islanders are experiencing financial difficulties in their day-to-day lives. Many are finding themselves owing money to local taxing authorities, and facing a very real threat of losing their homes over sometimes very small amounts of debt.

This problem came into sharp focus when an 81-year old resident of Rhode Island's state capital was evicted from her home just prior to Christmas 2005. Madeline Walker had unknowingly failed to pay a sewer bill of \$496 for the home she had lived in for over 50 years. Having raised a family in this home, and in relatively frail health, several local groups, politicians and the media joined in to share Mrs. Walker's story with others in the hopes of coming to her aid. Mrs. Walker's experience illustrated a need for protections, a program and funding for people in similar situations who are threatened with the loss of their home. Her plight served as a rallying cry for Rhode Island Housing, advocates and others to not only come to her aid, but to work to develop an effective strategy to help others in similar situations.

The Response:

Rhode Island Housing stepped forward and created an entire program to help property owners in similar circumstances: people on the brink of losing their homes due to delinquent tax debt. What resulted was the creation and passage of the Madeline Walker Act, a multifaceted bill designed to protect Rhode Islanders who face similar circumstances as Mrs. Walker. The law stipulates that cities, towns and other taxing authorities are required to notify Rhode Island Housing of delinquent liens well in advance of tax sales. Rhode Island Housing investigates the factors that have led to the failure to pay the liens and takes steps to help the individuals stay in their homes. The legislation also authorizes cities and towns to sell all of their delinquent liens to Rhode Island Housing.

Out of this new law, the **Madeline Walker Tax Lien Program** was born. The Program works with families to help them retain their home, offering access to our loan products to fix their home or help with refinancing without excessive legal fees and other kinds of exploitation.

As part of the Program, Rhode Island Housing staff proactively work with municipalities and taxing authorities in order to remain adequately informed of any tax lien issues. As a result of the bill's passage, we receive copies of notices from taxing authorities (municipalities, fire districts, sewer and water authorities) prior to any liens going to sale so that we may contact property owners and offer our assistance. We pay particular attention to anyone experiencing difficulties who is a senior citizen. In many cases, we counsel property owners and put them in touch with appropriate

assistance within their communities. Rhode Island Housing works closely with our partners, including CAP agencies, the Department of Elderly Affairs, Don't Borrow Trouble Rhode Island and legal services, in helping homeowners find the help they need.

How It Works:

When liens are purchased by private investors, the homeowner has one year to pay the delinquent tax money plus interest in order to redeem his/her home. If the tax is not paid within one year, the investor may foreclose on the lien and take possession of the property. Additionally, the homeowner must come up with a lump sum payment, which is usually difficult or impossible for the homeowner. When Rhode Island Housing purchases a tax lien, we work with the homeowner, analyzing the homeowner's financial information in order to set up the homeowner with a repayment plan to redeem the property. Rather than only allowing one year to repay the tax amount, we can provide the homeowner with up to five years, with smaller monthly payments which meet their financial situation. Additionally, we may consider waiving the statutory interest if the homeowner is experiencing financial hardship.

Local taxing authorities notify Rhode Island Housing by sending us copies of 90-day tax sale letters. Rhode Island Housing staff review each property to ensure that it is an owner occupied, one- to three-family residential property. Following a review of available information, agency staff contact property owners offering our assistance and explaining to each the outcome(s) of a tax sale and any options available to them. We track each property beginning with when we are first notified of a delinquency through to the final resolution. The Program allows the agency to contact homeowners and offer assistance well before homeowners become in danger of losing their property. The earlier we can assist someone the more options that person will have available to them and better the chances are for a positive outcome. The Program allows financially troubled homeowners more time to repay their debts without the threat of losing their homes.

The Result:

When Providence resident Madeline Walker lost her home due to an unpaid sewer bill, the state could no longer ignore the impact tax lien sales were having on individuals, families and the entire community. Cities and towns, the Narragansett Bay Commission and other entities that sell tax liens do so for a very good reason – to collect the revenue they need to provide essential services. But those entities are ill equipped to deal with the true cause of most delinquencies. More often than not, the delinquency is a symptom of illness, domestic violence or financial illiteracy, not a simple refusal to pay. An effective and just lien sale program must ensure the taxes or fees get to the entity that needs them while addressing the social issues behind the delinquency.

Through the creation of the Madeline Walker Tax Lien Program, Rhode Island Housing was able to continue its work of providing all Rhode Islanders with access to safe, healthy homes that meet their needs and ensuring that once in their homes they are able to remain there. This segment of the population represents those struggling to meet high utility and tax costs within a state that is suffering from a stagnant economy, rising unemployment rates and a huge state deficit. Rhode Island Housing's Madeline Walker Program provides assistance to those who are most vulnerable, ensuring that they are armed with the information they need to avoid losing their homes. By providing Rhode Island Housing, rather than private speculators, the first option to purchase these liens, homeowners are helped rather than thrown out onto the street.

Rhode Island Housing has first option to purchase residential tax delinquencies at the time that they go for sale, achieving several goals:

- The taxing entities receive the funds they are due;
- The private sector still performs the required legal and title work;
- We provide homeowners advice, financial assistance and education to keep them in their homes;
- And, if moving turns out to be the only viable option, we work to ensure the homeowner receives the maximum possible return from the sale of the home and the best relocation alternative.

Outcomes:

Since the inception of the Madeline Walker Program, effective with the change to state tax sale law on January 1, 2007, we have:

- Provided outreach to 7,504 Rhode Island homeowners in 66 taxing authorities through our “Can we help?” letters.
- Purchased 596 tax liens totaling \$2,138,004.
- Successfully worked with 213 of these homeowners to assist them in redeeming their property for a total redemption amount of \$788,433.
- We continue to work with the remaining homeowners through their current financial hardships.

With a relatively small amount of money, Rhode Island Housing has helped these individuals and families remain in their homes. The tax liens we have purchased have been as small as \$224 and as large as \$18,994, with an average delinquent tax amount of \$3,600. A number of these liens were for less than several hundred dollars – the difference between someone staying in a safe, healthy home or being turned out onto the street. The success of the program is a result of an educational and outreach effort regarding the circumstances many people are facing, a proactive approach to finding a solution beneficial for all parties and a partnership with municipalities and taxing authorities. Their understanding of how Rhode Island Housing can help, ensuring the taxes are paid while at the same time keeping people in their homes has helped the Program succeed. The Program is responsive in that we proactively communicate with municipalities and taxing authorities, approach property owners and offer our assistance and then ensure they get the help they need, whether it be financial assistance, education, or consumer counseling to keep their home.

Attachments:

Madeline Walker PR clipping

Madeline Walker Tax Lien map