

## **Bid4Assets County Tax Sale Glossary of Terms**

**1915 Improvement Bond** - A result of the Improvement Bond Act of 1915, a 1915 Improvement Bond is a form of public financing usually associated with off-site land improvements, such as streets, curbs, gutters and underground sewer and water infrastructure. A 1915 Bond is similar to a construction loan with a principal balance and an amortization period over which principle and interest is paid for by the property owner.

When a 1915 Improvement Bond special assessment district is activated, an assessment lien is placed against each affected property and a special assessment appears on the property tax bill until the debt is fully paid (this can be up to 40 years!). An important feature of these "bonded" assessment districts is that the lien has priority status. If the special assessment is not paid on time, the home can be foreclosed and sold through an accelerated foreclosure process that the issuer has a special right to do. This could occur as soon as 150 days after the bill becomes delinquent.

If there is a 1915 bond assessment associated with a property, the cash equivalent of the remaining unpaid bond debt may also be added to the sales price for tax assessment purposes.

1915 Bond assessments are disclosed in the Preliminary Title Report as "liens" against a property. Assessors and state tax agencies recommend that Buyers carefully review the title documents for this information.

**1915 Improvement Bond Act** - An act of California legislation (Streets & Highways Section 8500) passed in 1915 to provide for the issuing of bonds by governmental agencies as a means of providing funds for the improvement of public facilities.

**Ad Valorem** - A tax based on the value of real estate or personal property. Ad valorem taxes can be property taxes or even duty on imported items. Property ad valorem taxes are a major source of revenues for state and municipal governments.

**APN** - Assessors Parcel Number - A number which is assigned by the County Assessors Office to identify specific parcels of land under its jurisdiction.

**"As Is"** - When a property is sold "As Is", a seller is claiming no guarantee, expressed or implied, relative to the title, location or condition of the property for sale.

**Bid Deposit** - A "Bid Deposit" is an upfront refundable deposit, placed before the beginning of a given auction that helps the County ensure that only qualified and authorized bidders are participating in its auction. Most counties require bidders to place a deposit prior to placing their first bid.

**Deed** - A written document used to convey title to real property after property is sold at public auction by a local governmental authority for nonpayment of taxes.

**Deed Sale** - A public auction, mandated by state statute, of tax-defaulted real property. Tax deeds are sold to the highest bidder. Typically, bidding begins at the amount of delinquent taxes, interest charges and related fees due to a County. View list of states that conduct tax deed sales.

**Encumbrances** - An **encumbrance** (sometimes referred to as an **incumbrance**) is a legal term for anything that affects or limits the title of a property, such as mortgages, leases, easements, liens, or restrictions. Also, those considered as potentially making the title defeasible are also encumbrances.

**Enhanced Data List** - An Enhanced Data List expands on a Standard Data List to include the following Assessor information on each parcel: situs address (if assigned), assessed value for land and improvements, property type, and owners' mailing address. Often, it also includes last sale price, last sale date, square footage of land and improvements, and type of construction. These lists should be ordered at least three business days before needed and are delivered to your desktop as an e-mail attachment.

**Easement** - An **easement** is the right to do something or the right to prevent something over the real property of another. The right is often described as the right to use the land of another for a special purpose. Unlike a lease, an easement does not give the holder a right of "possession" of the property, only a right of use. It is distinguished from a license that only gives one a personal privilege to do something on the land of another. An example of a license is the right to park a car in a parking lot with the consent of the parking lot owner. Licenses in general can be terminated by the property owner much more easily than easements. Easement concepts differ substantially in the U.S. from state to state.

**Fixtures** - Personal property that becomes real property when attached in a permanent manner to real estate. Legal considerations when defining fixtures include:

1. Actual annexation, according to the nature and use of the article;
2. Its adaptation to the use for which it was annexed, and
3. The intention that it should be a permanent accession to the realty.

Some examples include ceiling lights, awnings, window shades and doorknobs. Fixtures are automatically included in a sale, unless specifically mentioned in the contract as going to the seller.

**Foreclosure** - The legal process by which a borrower in default under a mortgage is deprived of his or her interest in the mortgaged property. This usually involves a forced sale of the property at public auction with the proceeds of the sale being applied to the mortgage debt.

**Forfeiture** - The loss of money, property, rights or privileges due to a breach of legal obligation.

**Legal Description** - Consists of the written words used to delineate a specific piece of real property. Legal descriptions in the U.S. are generally categorized as one of the following types:

- Metes and Bounds
- "Bounded By" Description
- An aliquot part of the US Public Land and Survey System
- Lot and Block Survey System or lot shown on a subdivision map
- Strip Description

It is important to note that in the written transfer of real property, it is a universal requirement that the instrument of conveyance, commonly a deed, include a written description of the property.

**Liens** - A claim registered against a property by a local governmental authority for non-payment of assessed taxes.

**Lien Certificate Sale** - A public auction, mandated by state statute, of tax liens. Tax liens are sold for the amount of delinquent taxes, interest charges and related fees due to a County. A tax lien does not convey ownership to a property. Rather, it entitles a

purchaser to full payment by a delinquent taxpayer of the full lien amount paid at the time of auction plus interest. The percentage interest varies from state to state. If taxes remain delinquent (period of time varies by state), a purchaser has a right to foreclose on their lien with the hopes of attaining ownership of a property.

NOTE: Unlike a traditional auction, lien certificates are awarded to the lowest bidder, not the highest. This is necessary in a lien certificate sale because the winning bidder is bidding on the minimum amount of interest collect on the balance of the lien, not the value of the property attached.

**Quick claim Deed** - A deed that transfers without warranty whatever interest or title a grantor may have at the time the conveyance is made.

**Redeemable Deed** - A deed that allows the delinquent property owner the right of redemption during a specified time period after the sale, rather than before the sale, as is standard with a Tax Deed Sale.

**Reserve** - The reserve is the minimum amount, regardless of the starting bid, that the seller is willing to accept for an asset. The reserve amount acts as a hidden bidder for the seller to ensure that the asset does not sell below their designated amount. In a reserve price auction, the seller has set a minimum price to protect his or her financial interests. Held in confidence, it is the price at which the seller is obligated to sell. Although the reserve amount is not disclosed, bidders are notified ("reserve not met" changes to "reserve met" on the auction listing) once the reserve price has been met. The current status of the reserve is always stated on the auction page three lines below the high or final bid amount.

**Standard Data List** - A list of tax-defaulted parcels available for purchase at a tax sale. It is published by a taxing jurisdiction and may include the following information: parcel number, owner's name, delinquent taxes owed, and legal description. The amount of information provided on each parcel is included at the discretion of a jurisdiction conducting an auction. Long legal descriptions are generally included only if parcel numbers or other parcel identifiers are not available. Lists are usually delivered within 12 business hours of receipt of order. They are e-mailed to your desktop in either Microsoft Excel or ASCII format.

**Tax Sale** - A public auction of tax deeds and/or tax liens used to collect delinquent real property taxes.

**Title** - A legal document evidencing a person's right to or ownership of a property.

**Title Insurance** - Insurance that protects the lender (lender's policy) or the buyer (owner's policy) against loss arising from disputes over ownership of a property.

**Title Search** - A check of the title records to ensure that the seller is the legal owner of the property and that there are no liens or other outstanding claims.