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Date: February 2, 2016
To: Assembly Committee on Housing and Real Estate
From: Representative Terry Katsma
Re: Assembly Bill 720: foreclosures reform

Dear Chairman Jagler and Committee Members,

Thank you for convening a public hearing on Assembly Bill (AB) 720, a bill aimed at reducing the negative consequences endured by communities in instances of residential foreclosure.

New federal rules prevent lenders from initiating a foreclosure against a borrower until the loan is at least 120 days late. Thus a delinquent borrower generally has at least four months to negotiate with the lender to avoid foreclosure before the formal process even begins. Such negotiation is commonplace; lenders and borrowers typically have a mutual interest in avoiding foreclosure by reaching some sort of deal.

In Wisconsin, if negotiation fails, the next step is for the lender to file a foreclosure lawsuit against the borrower, thus seeking a “judgment of foreclosure.” Until judgment has been entered, a borrower still has the “right to cure” by catching up on the overdue payments.

At this point, a clock starts ticking. Depending on the nature of the lawsuit, the borrower gets six months or a year (a “redemption period”) to pay off the entire mortgage balance. (In the event that the court rules that the property has already been abandoned, the redemption period is five weeks.) In reality, it is extremely rare for a borrower to achieve this. During this period, the borrower may continue living in the house—and frequently stops making any payments—but often fails to maintain the property or simply abandons it. Only after the redemption period has expired may the lender schedule a public auction of the property, retake title to the property and/or seek eviction of the borrower.

Under AB 720:

- **Redemption periods are shortened.** The current six- or 12-month redemption period (depending on the nature of the lawsuit) is halved to a three- or six-month redemption period. This provision is key to moving properties through the process more rapidly—which is crucial to preventing damage to the properties, reducing the likelihood of abandonment, sustaining neighborhood property values and preventing vandalism and other crimes.
- **Borrowers are incentivized to negotiate with lenders and avoid abandonment.** If the court finds that the borrower is making a good-faith effort to sell the property, the court may extend the redemption period to five or eight months. This provision gives well-meaning borrowers greater flexibility to arrange a short sale, reach an agreeable



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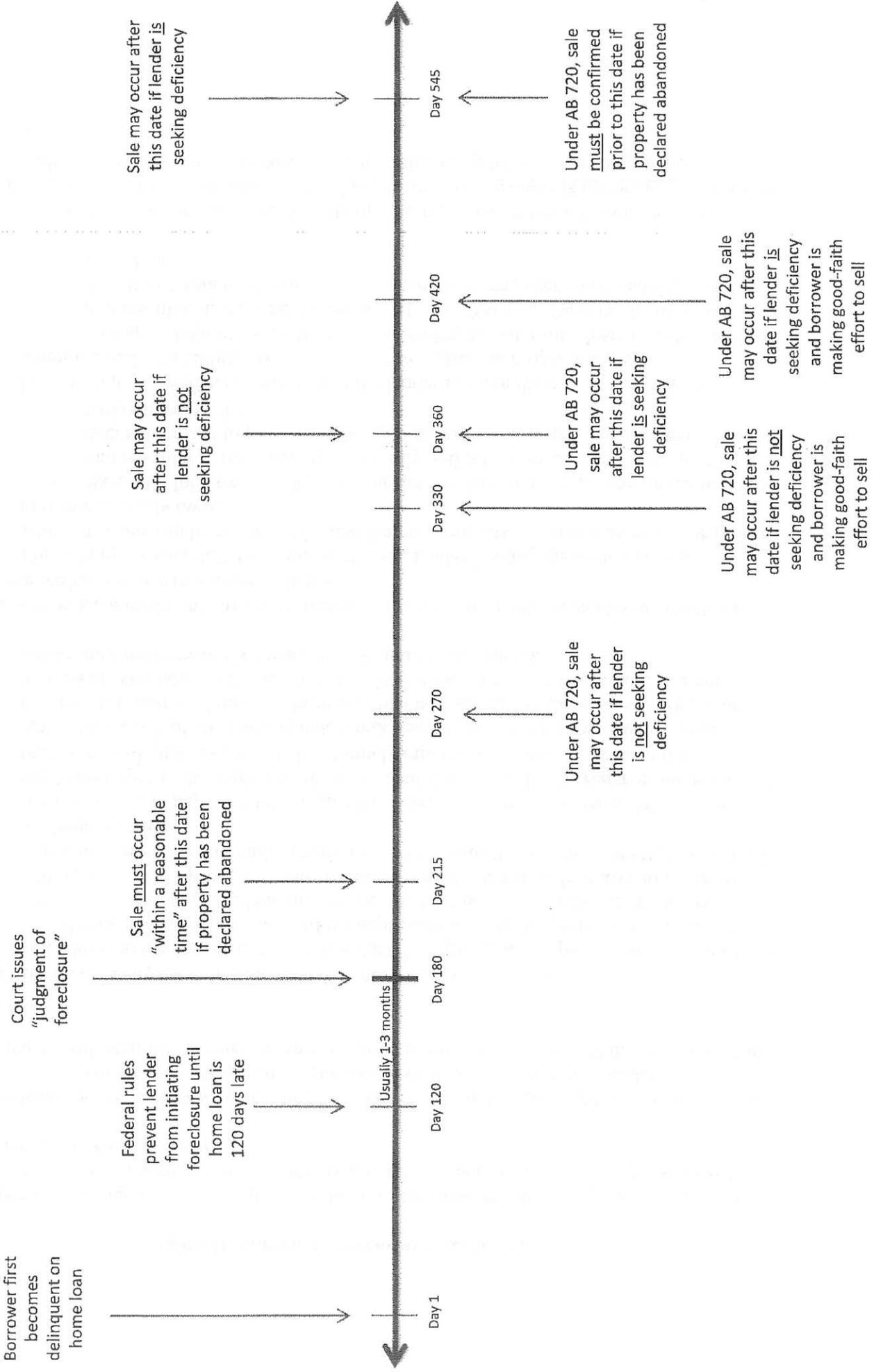
settlement with the foreclosing lender and/or remain in the home longer—and it incentivizes them to maintain the property.

- **“Zombie properties” are addressed more promptly.** For a property found by the court to be abandoned, a lender must either (1) sell the property to a new owner and have the sale confirmed in court or (2) give up its interest in the property within 12 months after the date of foreclosure judgment. At present, two forces are competing with each other. On one hand, statute prescribes no time limit for a lender to complete the foreclosure process; historically, a mortgage agreement has been understood to merely enable a lender to recover value. On the other hand, recent case law requires a lender to repossess and/or resell an abandoned property “within a reasonable time” after the elapse of the five-week redemption period, a measure that has proved useful for some communities. This provision of AB 720 is a compromise that seizes on the best of both concepts: it preserves the power of a local government (the power newly recognized by the courts) to force action and give neighborhoods an opportunity for revitalization, and it also gives lenders adequate and clearly-defined time to sell these properties at opportune dates. It also protects borrowers by guaranteeing some finality to the process.

Assembly Amendment 1 to AB 720 clarifies my original intent and incorporates some of the early feedback I received from stakeholders. First, the amendment ensures that in all instances (including cases of abandonment), borrowers continue to be protected by means of a redemption period that is at least five weeks long. Second, the amendment clarifies that all foreclosures of abandoned properties—whether residential or commercial—are subject to the proposed new 12-month time limit for confirming sale to new owners. Third, the amendment ensures that implementation of the new law will occur more smoothly by applying the bill’s effective date to all mortgage contracts “executed” rather than “recorded” after a future date.

I urge you to support this effort to alleviate the negative consequences endured by all stakeholders—homeowners, neighborhoods, lenders and governments—when properties go through foreclosure.

Timeline of a Foreclosure in Wisconsin



Helpful Definitions: Foreclosures Reform (AB 720)

A *mortgage* is an agreement that allows a lender to repossess and/or sell a piece of real property if a borrower fails to repay a loan. It does not require a lender to repossess or “get stuck with” a property that it does not desire.

A *foreclosure* is the legal process initiated by a lender to gain the legal right to repossess and/or sell a piece of real property. New federal rules published in 2014 prohibit a lender from initiating a residential foreclosure proceeding until a borrower is at least 120 days late on a home loan.

In Wisconsin, a *redemption period* protects the borrower prior to eviction.

- A lender who has obtained (via court order) the legal right to repossess and/or sell a piece of real property may not do so until the applicable redemption period has expired. In other words, during the redemption period, the borrower may remain in his/her house without fear of being evicted. The borrower typically has little incentive to make any payments during the redemption period—which means that he/she may effectively live in the house rent-free.
- If a borrower can pay off his/her entire home loan (including interest and the lender’s legal fees) prior to the expiration of the redemption period, he/she *redeems* the house and the foreclosure process ends. It is extremely rare for a borrower to achieve this.
- About two-thirds of all states include a redemption period in the foreclosure process—but usually only *after* the home has been sold to a new owner. In this respect, Wisconsin’s process is extremely “borrower-friendly” in that the home may not be sold to a new owner until the borrower’s chance at redemption has expired.

At the time when a lender initiates the foreclosure process, the lender must choose whether to foreclose *with deficiency* or *without deficiency*.

- Foreclosing *without deficiency* means that the lender is suing the borrower only for whatever value can be recovered by reselling the property—which may be less than the borrower actually owes.
 - Example: John owes \$100,000 to his lender, but after foreclosing on the property and reselling it, the lender receives only \$90,000 from the sale. If the lender decided upfront to foreclose *without deficiency*, it may not seek the remaining \$10,000 from John.
- Foreclosing *with deficiency* means that the lender is suing the borrower for the full amount owed—including any amount still owed after the property is resold.
 - Example: John owes \$100,000 to his lender, but after foreclosing on the property and reselling it, the lender receives only \$90,000 from the sale. If the lender decided upfront to foreclose *with deficiency*, it may seek the remaining \$10,000 from John.

Until and unless a lender actually exercises its right to repossess or sell a foreclosed property—after the expiration of the applicable redemption period—the borrower is the owner of record and is responsible for paying property taxes and maintaining the property according to local ordinances.



January 17, 2013

CFPB RULES ESTABLISH STRONG PROTECTIONS FOR HOMEOWNERS FACING FORECLOSURE

The Consumer Financial Protection Bureau (CFPB) is issuing new mortgage servicing rules to establish strong protections for struggling homeowners facing foreclosure. The rules will also protect all homeowners from being hit by costly surprises or getting the runaround from their servicers.

BACKGROUND

- **Mortgage servicers are responsible for collecting payments from the mortgage borrower on behalf of the owner of the loan.** They also typically handle customer service, escrow accounts, collections, loan modifications, and foreclosures.
- **Generally, consumers do not choose their mortgage servicer.** Because the lender employs the servicer, not the consumer, most servicers have had little incentive to meet consumer needs. This lack of customer care can be disastrous for the homeowner.
- **Problems in mortgage servicing were exacerbated by the crisis.** As millions of borrowers fell behind on their loans, many servicers were unable to provide the level of service necessary to meet people's needs. Many simply had not made the investments in resources and infrastructure to service large numbers of delinquent loans. This made it harder to sort out borrower problems. Many borrowers have complained about getting the runaround and being hit with costly surprises. Many have also complained that they have had problems seeking loan modifications or other alternatives to avoid foreclosure.
- **The Dodd-Frank Wall Street Reform and Consumer Protection Act recognized the need to mandate that mortgage servicers do a better job.** Under the law, Congress gave the responsibility of implementing the Dodd-Frank Act provisions to the CFPB. The law also gave the CFPB authority to adopt additional rules as needed to protect borrowers. After conducting extensive research and analysis, in August 2012 the CFPB sought public comment on its proposed mortgage servicing rules. Through meetings with stakeholders on all sides, feedback from the public, and extensive market research, the CFPB has carefully crafted today's rules.
- **The CFPB's rules will bring greater consumer protections to the mortgage servicing market.** The rules are aimed at providing consumers with better tools and information when dealing with mortgage servicers. The rules will better inform consumers of, and assist consumers with, options that may be available if they are having difficulty with their mortgage loan obligations. For homeowners facing foreclosure, the rules provide strong protections in the foreclosure process. The rules will take effect in January 2014.

STRONG PROTECTIONS FOR STRUGGLING BORROWERS

CFPB's mortgage servicing rules ensure borrowers in trouble get a fair process to avoid foreclosure. Borrowers shouldn't have to worry about mortgage servicers cutting corners or losing applications for relief. They should be told about their options and given time to apply and be considered for loan modifications and other alternatives. Most of all, they shouldn't be surprised by the start of a foreclosure proceeding until they have had time to explore all available options. If they act diligently to seek alternatives, they should not face a foreclosure sale before their applications have been evaluated. The new protections for struggling borrowers include:

Restricted Dual-Tracking: Dual-tracking – when the servicer moves forward with foreclosure while simultaneously working with the borrower to avoid foreclosure – is restricted. The practice has hurt many consumers who thought they were working out a resolution with their banks and were shocked to learn of a scheduled foreclosure sale. Under the new rules:

- Servicers must not make the first notice or filing required for the foreclosure process until a mortgage loan account is more than 120 days delinquent. This will give borrowers reasonable time to submit modification applications.
- Servicers must not start a foreclosure proceeding if an application is pending for a loan modification or other alternative to foreclosure.

Early Notice When in Trouble: Servicers must include information about delinquency in a borrower's monthly statement after the borrower misses two consecutive payments. This information must include the date the borrower became delinquent, the amount required to bring the loan current, and the risks of failing to do so.

Notification of Foreclosure Alternatives: Servicers must reach out to borrowers who have missed two consecutive payments. Specifically:

- Servicers must send a written notice to a borrower within 15 days of the borrower's second missed payment.
- Servicers must provide in the written notice examples of "loss mitigation" options, which may be available to avoid foreclosure. These options could include changing the interest rate, extending the terms of the loan, deferring or forgiving principal, or coming up with some other alternative payment plan.
- Servicers must include information about housing counseling in the written notice.

Direct and Ongoing Access to Servicer Personnel: Servicers must maintain policies and procedures to provide borrowers who are two months delinquent with direct, easy, ongoing access to employees responsible for helping them avoid foreclosure. This is often called "continuity of contact." These personnel are responsible for making sure documents get to the right servicing personnel for processing. And, they must have timely access to the borrower's records and be responsible for providing the borrower with accurate information about:

- The foreclosure process and loss mitigation options;
- Actions the borrower must take to be evaluated for loss mitigation options; and
- The status of any loss mitigation application the borrower has submitted.

One Application: Servicers will not be allowed to require multiple applications for multiple modifications. They must offer a single application for all available options and a borrower who submits a complete and timely application must be considered for all options at once.

Confirm Application and Prompt Review: Servicers must inform the borrower, within five days of receipt, whether a loss mitigation application is complete (as long as the application is received 45 days or more before a foreclosure sale). Servicers must review and respond within 30 days to complete loss mitigation applications that are received more than 37 days before a foreclosure sale.

Fair Review Process: Servicers must provide a fair process to a borrower seeking alternatives to foreclosure. Specifically:

- Because investors – like Fannie Mae, Freddie Mac, the Federal Housing Authority, or the private owner of the mortgage – decide loan modification options, servicers must have policies and procedures to ensure that they know which options the investor, or investors, will allow;
- Servicers must evaluate a borrower for all loss mitigation options permitted by the investor for which the borrower may be eligible (so long as complete applications are received by specified deadlines); and
- Servicers cannot steer borrowers to apply for particular options that are most favorable to the servicers or investors.

No Foreclosure Sale Until All Other Alternatives Considered: Servicers must not move for foreclosure judgment, order of sale, or conduct a foreclosure sale, if a borrower submits a complete application for a loss mitigation option more than 37 days before a foreclosure sale. The servicer must first evaluate the borrower's application and one of the following must occur before the servicer can move forward with foreclosure:

- The servicer has informed the borrower that the borrower is not eligible for any loss mitigation option (and any appeal is not applicable or has been exhausted);
- The borrower has rejected all loss mitigation options offered by the servicer; or
- The borrower has failed to comply with the terms of an agreement on a loss mitigation option.

No Foreclosure Sale With A Loss Mitigation Agreement: Servicers must not start foreclosure if they have come to a loss mitigation agreement with the borrower, unless the borrower fails to perform under that agreement.

Borrower Recourse: Servicers must explain why they have rejected a borrower's application for a loan modification if the application is received more than 37 days before a foreclosure sale. Specifically:

- The servicer cannot merely cite "investor requirements" as the justification – the servicer must provide specifics; and
- When an appeal is an option, the servicer must inform the borrower that they can appeal the decision to servicer personnel not involved in the original decision.

NO SURPRISES

Mortgage borrowers should not be surprised about where their money is going, when interest rates adjust, or when they get charged sudden fees. The CFPB's rules will help every borrower, whether they struggle or not, by bringing greater transparency to the market with clear and timely information about mortgages. These rules include:



Testimony of the Wisconsin Bankers Association
Jon Turke, Director of Government Relations, WBA

Assembly Committee on Housing & Real Estate
Assembly Bill 720

February 2, 2016

Chairman Jagler and members of the committee:

Thank you for the opportunity to testify in support of Assembly Bill 720 relating to the redemption period and notice of sale applicable to a foreclosure action involving noncommercial property and procedures regarding abandoned property in a foreclosure action.

My name is Jon Turke and I am director of government relations for the Wisconsin Bankers Association (WBA). WBA represents approximately 275 commercial banks and savings institutions, their nearly 2,300 branch offices and more than 30,000 employees. With me today I have Heather MacKinnon, WBA's legal director.

The goal of this legislation is to look at what worked and did not work during the foreclosure crisis following the "Great Recession" of 2008. Information shows that states that had the ability to turn homes around faster in the market saw lower property value decreases across neighborhoods and returned to pre-recession levels of foreclosures and property values quicker.

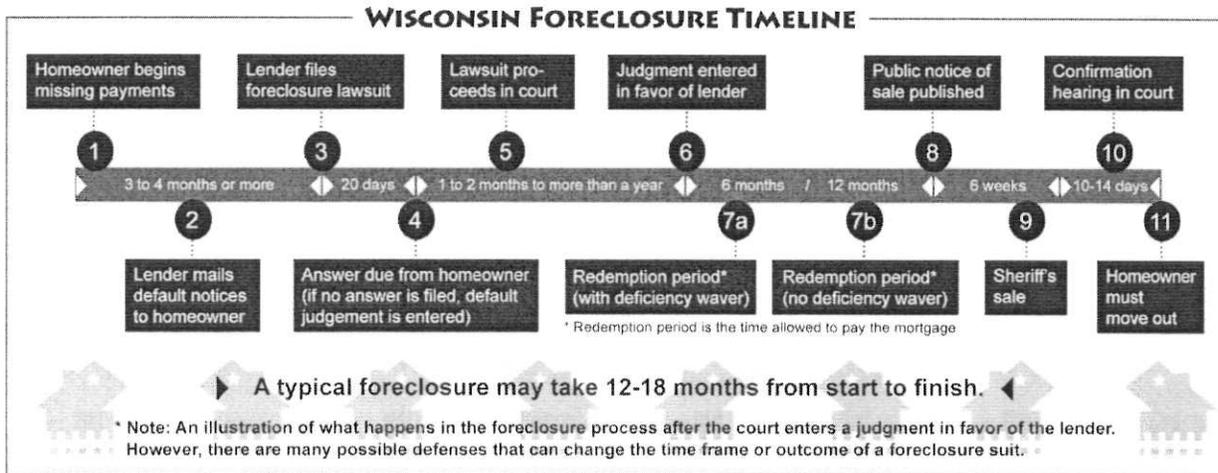
Here in Wisconsin, foreclosures around the state and specifically in southeast Wisconsin are at pre-recession levels. This is an ideal time, with cooler heads, to address the next foreclosure crisis before it starts. AB 720 accomplishes this by shortening the redemption period in residential properties to match commercial properties, and providing a practical solution to the abandoned property or "zombie property" issue.

Redemption Period in Traditional Foreclosure

Reducing the redemption period in foreclosures is good for all sides.

- This will protect neighborhoods, communities, and municipalities from dilapidated properties which are eyesores and drive down home values in the area.
- Municipalities will get delinquent tax revenue quicker.
- Properties will be in better repair, have a less delinquent tax burden, and less municipal assessments which will ultimately help the consumer.
- Consumers will have added protections from this bill by providing 2 additional months to the redemption period if the home is marketed for sale.
- In a typical selling environment (if property is listed at a fair/reasonable price) most homes would be sold within the 6-8 months provided by the redemption laws.
- In reality, the consumer would have closer to 10-12 months to sell property. Financial institutions are required to send default notices, right to cures, need time for attorneys to

prepare foreclosure complaint and file with the court, 20 day answer period for the debtor, and then finally getting the foreclosure hearing on the docket all before the redemption period would begin. Add in potential court ordered mediation and the total time could increase even more.



Wisconsin Bankers Association. 9-11

Abandoned Property Law

Prior to 2008, Wisconsin statutes did not distinguish between a foreclosure and a property that had been abandoned. Multiple interest groups came together from all sides of the political spectrum to craft the current law. Current law states that at the expiration of a 5-week redemption period after a property has been declared abandoned, the security holder shall have a sheriff sale of the property. The State Supreme Court upheld this reading of the law in *Carson v. Bank of New York Mellon* in early 2015. To the letter of the law, WBA agrees with this decision. Further, we agree that the Bank of New York Mellon acted improperly with this case by holding the property for 5 years without action.

However, as you know, there are differences between what is written in the statute books and what works in practice throughout Wisconsin. For a property that has been abandoned for some time, significant repairs are often necessary. Under current law, those considerations cannot be taken into account and a judge would be required to force a sheriff sale upon the expiration of the 5-week redemption period.

This bill:

- This bill preserves a municipality's ability to go to court and receive a judgement for abandonment.
- Provides a definitive timeframe for Sheriff's Sale to be scheduled for both consumers and municipalities.
- A financial institution should be granted some latitude to protect itself/its shareholders (which are many of the consumers in their market). Let's also not forget that a debtor has a legal means of dealing with this – Bankruptcy.
- Provides legal remedy for municipalities to deal with abandoned properties as they deem prudent and necessary if the bank's walk away from their mortgages. Municipalities may want

to assess the financial burden of these properties onto some else, but banks cannot be held to a burden for simply possessing a security interest in a piece of property.

- If property is sold at sheriff's sale, the new owner will immediately be responsible for bringing the property up to municipal codes/standards.

I want to again thank Chairman Jagler and members for taking the time to hear this bill today. We would be happy to answer any questions you may have.

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January 28, 2016 (Sent via email only)

Rep. Terry Katsma
Sen. Frank Lasee
State Capitol
Madison, WI 53708

Re: AB 720

Dear Rep. Katsma:
Dear Sen. Lasee:

I have been in touch with your respective staff concerning AB 720. I am a lobbyist and counsel to the Apartment Association of Southeastern Wisconsin, Inc., a rental property trade group representing approximately 600 landlords.

I have some particular comments on AB 720 but first I want to state some general positions:

¶ We support the effort to address the “zombie” homes problem.

¶ The effect of the 2015 *Bank of New York Mellon v. Carson* decision of the Wisconsin Supreme Court needs to be modified because mortgages will be harder to obtain if lenders have an unreasonably short time to resell the collateral. This case created uncertainty about the rights of mortgagors, mortgagees and municipalities which must be resolved by legislation.

¶ We support a reduction in the redemption period for foreclosures of owner-occupied residences from 12 months to 6 months, and from 6 months to 3 months when no deficiency judgment is sought. Further extending these time periods by two months when an owner is actively trying to sell his or her home, as the bill proposes, is a good idea.

There are a number of ways this legislation can be improved.

¶ First, the 12 month period allowed in Section 7 of the bill for a lender to either hold a sheriff's sale or vacate the judgment if the premises are abandoned is too long. This should be changed to 8 months at the most. An illustration of how a typical foreclosure might proceed with the proposed 12 month time-to-sell provision is stated below.

¶ Secondly, foreclosures of non-owner-occupied *residential* properties should be included, not excluded, from the "hold a sale or vacate the judgment" provisions of the bill. Foreclosures of commercial properties should not be changed by the bill.

¶ Thirdly, not addressed in the bill is what happens if no one bids at the sale because of the property's long-abandoned condition. That question was also not answered by the *Carson* decision. In such a case the zombie status of the property would not end until the municipality foreclosed for unpaid real estate taxes, which would take a number of months more. The answer to this dilemma would be a provision allowing the lender to quitclaim the property to the municipality as soon as the sheriff's sale has produced no bids. The municipality would not be *required* to take title from the lender but if it did that would be a clean ending to the foreclosure process.

In Milwaukee and other urban areas the problem of blighted, abandoned homes is not just a result of uncompleted foreclosures (the zombies) but also a result of homes being unsaleable because of thousands of dollars in unpaid real estate taxes and "special charges." Special charges are typically unpaid water and sewer bills, unpaid cleanup fees charged by the local public works department and unpaid building inspection fees. They get included in the next tax roll per sec. 66.0627(4) and are collected as a tax per sec. 74.01(4).

Delinquent real estate taxes, which now include delinquent special charges, cannot be negotiated between a local government unit and a prospective purchaser because of the Uniformity Clause of the Wisconsin Constitution. The local government unit must first complete the *in rem* tax foreclosure process before the property can be sold and by then the building will have degenerated from sorry shape to very sorry shape indeed.

We propose a statutory change to take special charges out of the definition of taxes so that they can be negotiated – reduced or eliminated – by the local government unit. We emphasize that this would be *voluntary* for the municipality: it would only be done where a responsible buyer is present and when a reduction in special charges will put the property back on the tax rolls sooner or save the property from the bulldozer. Proposed statutory language and an example of its application are at the foot of this correspondence.

I am sending copies of this email correspondence to other parties interested in resolving the vexing problem of abandoned housing. I plan to attend the hearing on AB 720 on

February 2. Thank you for your review and consideration of these proposals made on behalf of the AASEW.

Very truly yours,

Heiner Giese

A handwritten signature in black ink, appearing to read 'Heiner Giese', written over the printed name.

cc's listed in email header

EXAMPLE OF FORECLOSURE PROCESS UNDER AB 720

January 1: Owner still resides at the premises but is several months behind in payments. Lender files foreclosure action opting for 3-month non-deficiency judgment.

January 20: Owner is served with summons and complaint.

March 1: Owner has failed to respond to lawsuit within the required 20 days and lender obtains default judgment from court.

March 10: Owner knew he was deeply underwater on the mortgage, owner had multiple building code violations, is facing utility shutoffs and decides to walk away from the property. Lender's agent checks on the property and finds it is abandoned. However, lender does not seek to modify the judgment to reduce the redemption period to 5 weeks so the earliest date for a sheriff's sale is June 2.

At this point one might ask why the lender does not ask the court to modify the judgment so as to reduce the redemption period to 5 weeks, but keep in mind that it will take the lender at least two weeks -likely more - to get a court date so if the judgment is modified on April 1 the 5 week redemption will not allow a sale until after the first week in May which is only 3 weeks sooner than allowed under the original judgment. Plus the lender would have incurred additional attorney fees by bringing the motion.

Another reason for the lender not to ask for a modified judgment of abandonment is that this would trigger the lender's obligations under the new subsections (3) and (4) of sec. 846.102 setting a deadline for a sale or release of the mortgage. Lenders are unlikely to voluntarily put themselves under those obligations.

Let us next assume that the local municipality brings a motion to declare the premises abandoned so as to impose the "hold a sale or vacate the judgment" provisions on the lender. This will work if the motion is brought at least 5 weeks before the original redemption period expires (June 2 in our example) but if it is brought later the lender might object if this would impose a new redemption period of 5 weeks. If the intent is to let municipalities ask for a modified judgment of abandonment *any time* after the original judgment is entered this should be clarified in the bill.

If we recap the above foreclosure scenario using the 12 month window to sell currently in the bill it obviously takes *one whole year* before the property might be sold and no longer exist as an abandoned eyesore. But what if the lender does nothing during that 12 month period and simply sits on its foreclosure judgment? That would trigger s. 846.102(3)(b) which allows the foreclosed owner or the municipality to petition for an order compelling a sale. However, that process, including the time needed to post notices of the sale, will take a minimum of two more months. There is no sanction on the lender for simply sitting on the property.

PROPOSED NEW SUBSECTION 846.102 (3) (c)

(insert on page 7, line 22)

(c) If, 12 months after the date when judgment is entered, there has been no bid at any sale held under this chapter, the mortgagee may offer to convey title to the mortgaged premises via quitclaim deed to the city, town, village or county where the mortgaged premises are located. If the city, town, village or county agrees to accept conveyance of title, the court shall enter an order declaring the mortgage satisfied, prior ownership interests extinguished and vacate the judgment of foreclosure with prejudice.

[Note: this assumes the 12 month period in sub (3)(a) is not amended. Further, the above language should also be inserted as a new subsection of 846.102(4) because the ability of a lender and the municipality to settle ownership of an abandoned property which no one wants to bid on applies equally to non-owner occupied residential properties]

PROPOSED AMENDMENTS TO SECTIONS 66.0627(4) AND 74.01(4) (in italics)

66.0627(4) A special charge is not payable in installments. If a special charge is not paid within the time determined by the governing body, the special charge is delinquent. A delinquent special charge becomes a lien on the property against which it is imposed as of the date of delinquency. The delinquent special charge shall be included in the current or next tax roll for collection and settlement under ch. 74. *A delinquent special charge included on the tax roll shall not be considered or defined as a tax. The inclusion of a delinquent special charge on the tax roll shall be separately itemized and is permitted for the purpose of enabling the efficient collection of the special charge by the local jurisdiction which imposed the special charge. The lien priority of a special charge is equivalent to the lien priority of a tax. Interest and penalties for an unpaid special charge shall accrue at the same rate as on an unpaid tax.*

74.01(4) "Special charge" means an amount entered in the tax roll as a charge against real property to compensate for all or part of the costs to a public body of providing services to the property. "Special charge" includes any interest and penalties assessed for nonpayment of the special charge before it is placed in the tax roll. "Special charge" also includes penalties under s. 70.995 (12). *As provided in s. 67.0627(4) a "special charge" is not deemed a tax but is entered in the tax roll as a separately designated item to be collected in the same manner as if it were a tax.*

**EXAMPLE OF HOW WAIVER OF SPECIAL CHARGES BY MUNICIPALITY
COULD APPLY (based on a real case from summer 2015)**

City of Milwaukee single family assessed at \$24,300.

Owner had abandoned the property and was in a nursing home. No mortgage.

When *in rem* process started by City in June the total back taxes and special charges were \$15,000.

For 2014 the real estate tax was only about \$640. The special charges were **\$3900**.

Out of the total of \$15,000 only about \$2,600 represents real estate taxes.

Most of the total interest and penalties of \$2900 accruing over 4 years are attributable to the special charges.

An experienced real estate investor looked at the property. Because of its abandoned condition it was worth only \$10,000 as a rehab project.

No sale. The special charges alone exceeded the value of the property.

If the City had been able to negotiate with the investor – reducing the redemption price to \$10,000 by forgiving (or maybe deferring) part of the huge “specials” the property would have promptly come back on the active tax rolls, it would not further deteriorate and the City would not have been responsible for its maintenance until the *in rem* process was completed.