

Best Practices for Tax Foreclosures

UNC SOG Webinar 12/12/24



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What is foreclosure?

- Enforcement of lien on real property for:
 - Property taxes (real and personal*)
 - Special assessments
 - Nuisance abatement costs
 - Housing code enforcement costs (“demo liens”)
- Result: involuntary sale of property to high bidder

What is foreclosure?

- **Final** enforced collection remedy
 - Once foreclosure formally begins with filing of complaint or docketing judgment, **all other collection efforts must end**
 - **No options** to collect additional outstanding taxes if sale does not produce enough \$
 - New owner takes **free and clear** of all liens included in the foreclosure

Two Statutory Tax Foreclosure Procedures

1. “Mortgage-Style” (GS 105-374)
2. “In rem” (GS 105-375)

Both require **similar prep work:**

- title search
- notice to all parties with interest in property

End result is the **same** for both procedures

Questions to Ask Before Starting Foreclosure

- Have you exhausted all other collection options?
- Is the property likely to attract a sale price sufficient to cover taxes and costs?
- How will you work with the county/municipality?
- Which foreclosure method? Do you need to hire an attorney?
- Minimum bid by local government (risk of ownership vs. low sale price)?