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Consumer and Industry Advocates Outline Reforms to Property Tax Foreclosure Laws to Promote Sustainable Homeownership

Property tax systems can provide needed revenue while being fair and reasonable to property owners

WASHINGTON, D.C., May 22, 2024 – Across the nation, homeowners are [losing their homes](#) and the equity they've built in them due to unpaid property tax debts, and older adults, those on a low or fixed incomes, and Black and Latino/Hispanic households are most at risk. In 2023, the U.S. Supreme Court ruled in [Tyler v. Hennepin County](#) that it is unconstitutional for a local government to take a property in a tax foreclosure and keep the excess surplus after the tax debt and costs are paid. However, many states have yet to revise these out-of-date laws.

The National Consumer Law Center (NCLC), AARP, and the American Land Title Association (ALTA) have produced a new [issue brief](#) with recommendations for states to revise their laws to protect property owners from unnecessary tax foreclosures.

“States must enact laws that protect those most at risk of losing their homes to tax foreclosure, particularly lower-income homeowners and those aged 65 or older,” said Andrea Bopp Stark, senior attorney at the National Consumer Law Center. “States should actively promote available tax relief programs that include prepayment and repayment plans, affordable interest rates and limited penalties on past due taxes and reasonable time periods and terms to redeem the property.”

“Homeownership sustainability is a key part of wealth creation and preservation,” said Elizabeth Blosser, vice president of government affairs at the American Land Title Association. “Good public policy should promote preventative measures to avoid the loss of property to tax foreclosure sales. This is a critical component of housing opportunity and long-term affordability.”

One of the most important steps a state can take to prevent tax foreclosure is requiring clear, comprehensive, plain language notices at every stage of the tax foreclosure process. States should ensure that notices delivered to the homeowners are translated into the consumer's language of choice and include information about remedies and assistance programs available, and that they note the consequences of each stage of the tax foreclosure process.

“States must ensure that the tax foreclosure process leaves the consumer who lost their home in the best position to recover financially,” said Jenn Jones, vice president of financial security and livable communities at AARP. “Property tax debts are often well below the value of a home, and many foreclosed homes sell for more than 10 times the amount owed in unpaid taxes. And in some states,

homeowners do not receive any of the proceeds from the sale. AARP is working in statehouses across the country to ensure this money is rightfully returned to homeowners.”

Additionally, heirs’ property — property passed down among family members without going through probate — is too often lost in a tax sale when heirs fail to receive notification of the tax sale foreclosure and lack access to tax relief programs.

To ensure that homeowners receive the maximum amount of their home equity possible, NCLC, AARP, and ALTA are calling for states to require that municipalities attempt to sell properties using a real estate agent before conducting a public auction and return any excess sale proceeds to the former owner, including heirs if the former owner is deceased, and create a simple process for claiming the excess proceeds.

Read the issue brief, [Reforming Property Tax Foreclosure Laws to Promote Sustainable Homeownership](#).

Related Resources

- [Homeowners at Risk: Nationwide Survey Reveals Critical Gaps the CFPB Must Address to Prevent Foreclosures](#), Feb. 21, 2024
- [Keeping it in the Family: Legal Strategies to Address the Challenge of Heirs Property and Prevent Home Loss](#), Jan. 29, 2024
- [What States Can Do to Reduce Property Tax Foreclosures](#), Oct. 10, 2023
- Webinar: [Property Tax Foreclosures & Older Adults: Tyler v. Hennepin](#), Aug. 1, 2023

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Since 1969, the nonprofit [National Consumer Law Center](#) has worked for consumer justice and economic security for low-income and other disadvantaged people in the United States through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training.

The [American Land Title Association](#), founded in 1907, is a national trade association representing more than 6,000 title insurance companies, title and settlement agents, independent abstracters, title searchers and real estate attorneys.

[AARP](#) is the nation's largest nonprofit, nonpartisan organization dedicated to empowering Americans 50 and older to choose how they live as they age. With a nationwide presence, AARP strengthens communities and advocates for what matters most to the more than 100 million Americans 50-plus and their families: health security, financial stability and personal fulfillment. AARP also works for individuals in the marketplace by sparking new solutions and allowing carefully chosen, high-quality products and services to carry the AARP name. As a trusted source for news and information, AARP produces the nation's largest circulation publications, AARP The Magazine and AARP Bulletin. To learn more, visit www.aarp.org/about-aarp/, www.aarp.org/español or follow @AARP, @AARPenEspañol and @AARPadvocates on social media.