SHANNON ZIMMERMAN
STATE REPRESENTATIVE • 30th ASSEMBLY DISTRICT

Assembly Bill 889
Assembly Committee on Housing and Real Estate
February 2, 2022

Thank you Chairman Summerfield and committee members for hearing testimony on Assembly Bill 889. This proposed legislation clarifies how a non-homestead property sale is handled following a finding of tax delinquency.

Current law allows the county, or in some cases the municipality, to seize a property from an owner who is delinquent on their property taxes. They are then allowed to sell the property in question to pay off back taxes. It is incumbent on the former owner to formally request any profits from the sale within 60 days of notice. If that request is not made, the county is allowed to retain the profits from the sale on top of their costs associated with the foreclosure and sale of the property.

The process detailed above only applies to properties that are the former property owner's homestead. In other words, the property must be owner occupied and cannot be a commercial, farm, or vacant property.

Our proposed bill would change this process and require that profits from the sale of a property, homestead or not, would be returned to the owner.

The proposal also eliminates from current law, a penalty equal to 2% of the sale price. Current law allows for this penalty to be applied before any proceeds are returned to the previous property owner.

We believe that the managing agent, whether that be a county or municipality, should not lose money on the management and sale of these properties. On the flip side, they should not profit from these transactions either.

During development of this proposal we have been working with stakeholders and will continue that work as we consider potential amendments.

Thank you again for the opportunity to provide testimony. I hope I can count on your support of these measures as they move forward and I'd be happy to take any questions at this time.

P.O. Box 8953 • Madison, Wisconsin 53708-8953 • (608) 266-1526 • Toll Free: (888) 529-0030
Rep.Zimmerman@legis.wi.gov

MARY FELZKOWSKI
STATE SENATOR • 12TH SENATE DISTRICT

Testimony on Assembly Bill 889

Assembly Committee on Housing and Real Estate
Senator Mary Felzkowski
12th Senate District
February 2, 2022

Good morning Chairman Summerfield and Committee Members,

I apologize that I am not able to with you today to testify in person but I thank you for taking the time to hear testimony on Assembly Bill 889.

Currently, under Wisconsin's property tax enforcement laws, if a property owner is unable to pay their property taxes, counties are authorized to seize the property and sell it to pay off the property taxes owed. Upon selling the property, the county must determine the net proceeds of the sale, which is equal to the sale price minus the unpaid taxes as well as any costs the county incurred that are associated with the tax delinquency, foreclosure, and sale of the property.

However, after paying off the property taxes that are owed, along with the costs associated with the foreclosure and the sale, the county may then keep any net proceeds unless the property is the former owner's homestead (at any time during the previous five years). For all other types of property (commercial, farm, vacant land, etc.), the county makes an oftentimes substantial profit and is allowed to keep those proceeds, regardless of how minor the tax delinquency was.

AB 889 seeks to protect the equity individuals have in their non-homestead properties upon property tax foreclosure sales. **Simply put, this bill will require counties to pay any net proceeds in a non-homestead property tax foreclosure sale to the former owner of the property, as is currently required for homestead properties.** This bill does not impact a county's ability to be made 100% whole, and simply guarantees that the remaining equity rightfully stays with the property's owner. Wisconsin is one of only nine states that still permits this practice of 'equity theft', and it is time we remedy that.

Thank you for taking the time to hear my testimony and I hope you support this bill.

Capitol Office: P.O. Box 7882 • Madison, WI 53707-7882 • (608) 266-2509 • **Toll-Free:** (800) 334-8775
Cell: (715) 966-3366 • Sen.Felzkowski@legis.wi.gov

Wisconsin REALTORS® Association

To: Members, Assembly Committee on Housing and Real Estate

From: Tom Larson, Executive Vice President
Cori Lamont, Senior Director of Legal and Public Affairs

Date: February 2, 2022

RE: AB 889/SB 829 – Proceeds from the sale of tax delinquent property to the former owner

---

The WRA supports AB 889/SB 829, requiring counties to pay any net proceeds in a property tax foreclosure sale to the former owner of the property.

Background
Under Wisconsin's property tax enforcement law, if a property owner is unable to pay their property taxes, counties are authorized to seize the property and sell it to pay off the property taxes owed. Wis. Stat. § 75.63. However, after paying off the property taxes owed (and all other penalties, interest and selling costs), the county may keep any net proceeds unless the property is the former owner's homestead. *See* Wis. Stat. § 75.36(4).

For all other types of property (commercial, farms, vacant land, etc.), the county gets a windfall and is allowed to keep the owner's remaining equity in the property…regardless of how small the tax delinquency. Such action by the county is referred to as foreclosure equity theft. While the exact number of Wisconsin foreclosure equity theft cases is unknown, the financial impacts on property owners can be significant and unjust.

For example, in *Ritter v. Ross*, 207 Wis.2d 476 (Ct. App. 1996), Mr. and Mrs. Ritter lost 38 acres of vacant land in Rock County with a fair market value of $37,920 because they owed $84.43 in back taxes. The county seized the property, sold it at auction for $17,345 and kept all the profits: a $17,260.07 windfall for the county.

Foreclosure equity theft is an unconstitutional taking.
Under the Fifth Amendment of the U.S. Constitution, the government is prohibited from taking property for a public purpose without just compensation. This protection applies to all property, whether real or personal. Keeping the remaining equity in a person's property after a foreclosure sale is exactly the type of government "taking" that the constitution was created to prevent.

Foreclosure equity theft magnifies financial hardships.
Generally, property owners fail to pay their property taxes and go into foreclosure due to some catastrophe in their lives such as a major medical issue, divorce, job loss, or death in the family. Keeping the equity in an owner's property makes such financial hardships even worse and could permanently prevent the owner from making a financial recovery.

Foreclosure equity theft creates an unjust financial windfall for counties.
Under current law, counties can deduct from the foreclosure sales proceeds all past due taxes, penalties, interest, and all costs incurred by the county related to the foreclosure and

subsequent sale. Wis. Stat. § 75.36(3)(a). Allowing counties to profit by keeping any remaining net proceeds in the property is a financial windfall for the county at the expense of the affected property owner.

Wisconsin is one of only 12 states to allow foreclosure equity theft.
The vast majority of states prohibit the government from engaging in foreclosure equity theft. According to the Pacific Legal Foundation, Wisconsin is currently one of only 12 states that allow the government to keep any net proceeds after the foreclosure sale. (Alabama, Arizona, Colorado, Illinois, Maine, Massachusetts, Minnesota, Nebraska, New Jersey, New York, and Oregon). https://pacificlegal.org/home-equity-theft/

We respectfully request your support for AB 889/SB 829.

State of Wisconsin
Homeowner Assistance Fund (HAF)
Needs Assessment and Plan

WORKING DRAFT IN PREPARATION FOR PUBLIC COMMENT, August 31, 2021

DEHCR

Division of Energy, Housing and Community Resources

Tony Evers, Governor

Joel Brennan,Secretary, Wisconsin Department of Administration

who have incomes at or below one hundred fifty percent (150%) of the AMI, and the loan performance data from February 2021, broken down by county and District to account for regional differences in the housing market. Using this methodology, there are approximately thirty-two thousand (32,000) households making less than one hundred fifty percent (150%) of the AMI and who were in forbearance, of which seventeen thousand (17,000) were Socially Disadvantaged households; and nineteen thousand (19,000) households making less than one hundred fifty percent (150%) of the AMI were delinquent, of which eleven thousand (11,000) were Socially Disadvantaged households.

Tax Delinquent Property Owners, Including Homeowners without Mortgages

Households that own their homes unencumbered by mortgage may also be at risk of displacement if they have been unable to pay their real estate taxes, insurance and/or homeowner association or maintenance costs. Local treasurers issue property tax bills in December of each year, with property owners having to make payments no later than July 31 of the following year. After a missed payment, local treasurers are required to issue a tax lien on delinquent properties. By Wisconsin state statute, delinquent property taxes are assessed a 1.0% interest and up to 0.5% penalty per month delinquent; after a year of delinquency, property owners are faced with up to an 18% interest charge on top of the missed tax payment. After two years in delinquency, local treasurers may commence with a foreclosure proceeding.

Due to the immediate and ongoing nature of the crisis, it may be difficult to get an accurate estimate of tax delinquencies resulting from a qualifying Financial Hardship.[19] Due to the timing of the Safer at Home order, many of the properties that will be delinquent on their property taxes may not be known at the time of publication of the HAF plan. Despite the disaggregated nature of the collection data, the Wisconsin County Treasurers Association (WCTA) has been engaged for this analysis to better understand to what extent delinquencies may have increased due to the pandemic.

The WCTA surveyed 20 counties representing every region of the state. The survey encompassed rural, suburban, and urban areas, along with the City of Milwaukee. The survey determined there is a tremendous need for property tax assistance to help homeowners avoid immense interest, penalties and eventual foreclosure. As captured below, the estimated property tax foreclosures for the state are 27,867 properties at the cost of $115,653,703 (See Table 4.). Partnerships with local treasurers enable the WCTA to identify and target for assistance homeowners with the greatest need; for example, helping homeowners whose property value is below $200,000 or those with delinquent water bills.

Table 4: WCTA Survey Results – Tax Delinquent Properties

	Estimated Property Tax Foreclosures (# of Delinquent Parcels with Lottery Credit*)	Total Cost (# of Delinquent Parcels with Lottery Credit*)
20 Counties & City of Milwaukee (provided full data set)	9,224	$30,913,773
Full State Projection	27,867	$115,653,703

Source: Wisconsin State Treasurer's Office, Take Root WI

[19] The US Treasury HAF Guidance defines a "Financial Hardship" as a material reduction in income or material increase in living expenses associated with the coronavirus pandemic that has created or increased a risk of mortgage delinquency, mortgage default, foreclosure, loss of utilities or home energy services, or displacement for a homeowner.

Homeownership Task Force Report

Wisconsin Office of State Treasurer

Published May 2021

CHALLENGES FACING HOMEOWNERS

Inadequate Affordable Housing Supply

Wisconsin is facing an affordable housing crisis. During the decade following the Great Recession where homeownership rates fell, housing prices in Wisconsin rose and tightened the already-low supply of affordable housing.[13] This creates a major barrier for families and individuals entering or re-entering the housing market, especially for low-income families.

Wisconsin has the second-highest rate of extreme cost burden for low-income homeowners in the Midwest — **63.5% of low-income homeowners pay more than 50% of their incomes to housing.[13]** The following table details cost-burden rates by income category. With the exception of Illinois, a higher percentage of Wisconsinites are "extremely cost-burdened" at every income category when compared to other Midwestern states, as noted in Figure 2.

Figure 2: Percent of Homeowners "Extremely Cost-Burdened," by Income Category

STATE	0-30% Area Income	30-50% Area Income	50-80% Area Income	80-100% Area Income	Above median area Income
ILLINOIS	64.1%	32.6%	13.7%	5.3%	1.0%
INDIANA	56.1%	22.3%	6.3%	1.9%	0.3%
IOWA	51.9%	17.0%	4.5%	1.4%	0.3%
MICHIGAN	62.2%	27.4%	9.6%	3.1%	0.6%
MINNESOTA	56.0%	24.3%	8.1%	2.5%	0.5%
WISCONSIN	**63.5%**	**28.8%**	**10.4%**	**3.2%**	**0.6%**

Source: U.S. Dept. Housing and Urban Development, Comprehensive Housing Affordability Strategy Data, 2011-2015

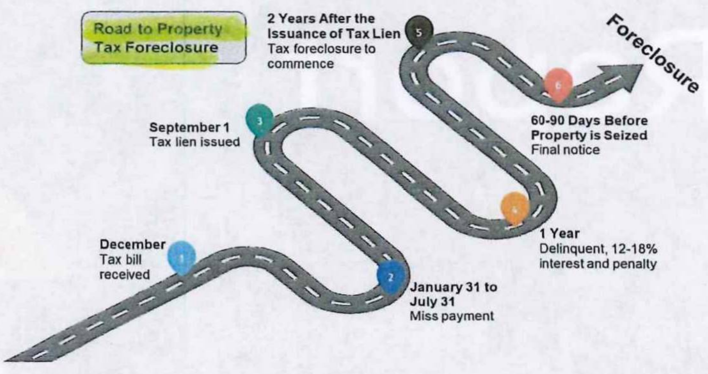
Limited Resources to Prevent Foreclosure

Home foreclosure is one of the most devastating events that can happen to a person or family and has negative impacts on the larger community. On top of losing one's most precious asset and the wealth invested, the household can experience credit damage, loss of community connections, education disruption, unemployment, negative health impacts, and long-term homelessness.[15]

It is easy to understand how a family may fall into a foreclosure situation when you consider the financial reality many Wisconsinites struggle with. When an unexpected expense comes up, such as a necessary home repair or an emergency, people quickly fall behind. Paying property taxes becomes a lower priority as more pressing expenses like food, medical bills, and childcare demand immediate attention. **Property tax foreclosure is costly. Once a homeowner falls behind on their property tax payments, it is difficult to catch-up as interest and penalties can total between 12-18% per year.[16]** Unlike a mortgage foreclosure, state statutes make it impossible to negotiate late payment charges, establish flexible payment plans, or ask for forbearance.

The social safety net system is not well suited to serve homeowners who require mortgage or property tax assistance. Federal COVID relief is a good example. Since March 2020, much of the $46.6 billion in federal aid plus millions more in Community Development Block Grant (CDBG) and Coronavirus Aid, Relief, and Economic Security (CARES) Act funding, allocated through state and municipal governments, has been distributed for renting households who have experienced economic injury due to the pandemic. Yet at the time of this report, homeowners only with federally backed mortgages had received forbearance protection. The American Rescue Plan, passed in 2021, allocates funding for homeowners at risk of defaults and foreclosures but at the time of this report, funding had not been distributed.

Opportunities for assistance dwindles further for homeowners who fall behind on property taxes. Many financial assistance programs exclude people who are not current on property taxes. Financial assistance programs that help individuals that are at risk of tax lien are predominately nonexistent in Wisconsin. Some treasurers can offer payment plans but that assumes a household can make payments on past bills while maintaining current payments, an expectation that is many times too large for an already struggling household. Even if payment plans are established, treasurers have no authority to negotiate the interest and penalties, and those rates in Wisconsin can range between 12-18%. Financial counseling and social service agencies are primarily grant-funded and many foreclosure programs that existed after the banking crisis of 2008 and subsequent recession are no longer funded. Therefore, county and municipal treasurers, financial counselors, and social service agencies struggle to help people who need it without the availability of low-barrier, accessible financial assistance products.



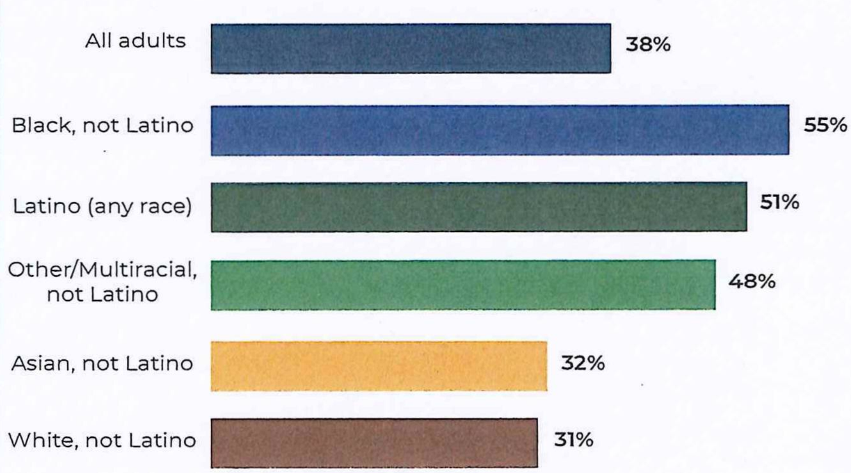
CHALLENGES FACING HOMEOWNERS

Impact of COVID-19

Property tax foreclosures are particularly dire during periods of economic distress. **During the Great Recession, the City of Milwaukee went from 70 property tax foreclosures to over 400.**[17] The 2020 property tax collection period began in December 2020, so the impact of COVID-19 on property taxes is yet to be seen. What we do know is the need to establish ongoing tools now to address foreclosures resulting from economic swings, before we see the next large foreclosure crisis, to help people stay in their homes.

With the economic uncertainty brought on by the pandemic, families across the state are making tough financial decisions while dealing with unemployment or underemployment. Access to sustainable housing during this pandemic is essential for personal and public health. However, a recent survey found that 1.2 million Wisconsinites (29%) — nearly 1 in 3 — have difficulty covering usual household expenses.[18] Figure 3 shows BIPOC adults, the same demographics experiencing declining homeownership rates in Wisconsin are bearing the brunt of this suffering.

Figure 3: More Than 1 in 3 Adults Had Trouble Paying for Household Expenses in Last 7 Days



Source: Center on Budget and Policy Priorities (CBPP) analysis of Census Bureau Household Pulse Survey tables for December 9-21, 2020.

With the COVID recession, Wisconsin may be on the brink of another foreclosure crisis. Already 10.3 million American adults live in a household that is behind on mortgage payments.[19] While prior to the pandemic the foreclosure rate in Wisconsin was on-par with the national average, the low rates were not felt evenly. Of the five counties with the highest rates of foreclosure, four of them have an ALICE (Asset Limited, Income Constrained, Employed) rate higher than the state average.[20] This is evidence that the foreclosure rate has risen in poorer areas and fallen in wealthier areas.

The Coronavirus pandemic and recession have worsened the inequalities we have seen in homeownership and foreclosure. While the housing market has boomed for families looking to buy more spacious homes, millions of other Americans have been struggling to make payments that continue to become a larger share of their household income.

Federal mortgage forbearance programs and moratoriums have helped to keep foreclosure rates low during Coronavirus. But many of those programs and moratoriums have since expired or may expire soon.[21] While foreclosures have not dominated the economic situation as they did during the Great Recession, a foreclosure crisis could be on the horizon if no additional action is taken. This will ultimately lead to even lower homeownership rates in Wisconsin, especially among BIPOC and young people.

City of Milwaukee Testimony on AB 889/SB 829

Assembly Committee on Housing and Real Estate

February 2, 2022

Thank you to the Chair and the committee for the opportunity to testify on AB 889/SB 829. While it is the intent of the legislation to require counties to distribute net proceeds of the sale of tax delinquent properties, the City of Milwaukee would also be affected by this legislation as Wis. Stat 75.06 applies this process specifically to the City of Milwaukee as well as a first class city.

We would likely be the most impacted by the legislation as we acquire hundreds of properties through the in-rem tax foreclosure process on an annual basis. Under current law, we only have to track and account for all of our expenses on a handful of homestead properties. Under the bill, we will have to track and account for our costs on all properties. For example, since 2010 we have acquired nearly 7000 properties and only 190 were homestead properties with potential proceeds that followed the current process.

The bill seems to assume that once property is acquired the sale occurs in a fairly reasonable time frame. However, the reality is that we may not be able to sell a property for many years. Over the years of ownership the City incurs on average $4 million annually in total management costs to secure and service these properties. Given the number of properties in our portfolio, tracking the costs spent on each property for a possible future sale would be difficult and require a significant increase in staff time. The overwhelming majority of properties sell at a loss but the bill still requires this needless accounting.

Unfortunately, the bill may have the unintended consequence of benefitting some unscrupulous landlords in Milwaukee. The vast majority of our tax foreclosures are properties owned by non-owner occupants. These landlords are repeatedly foreclosed upon for different properties they own year after year. Their business practice is to acquire properties cheaply, never pay taxes or make property improvements while collecting rent and then discard the property to the City through the foreclosure process. These properties blight the neighborhood, cause surrounding property values to fall, and create attractive nuisances for criminal activity.

The bill will engage city staff to sell property on behalf of irresponsible property owners and the benefit will flow directly and automatically to these bad actors. The expense of the sale and management of it should be to the landlord and not to the City and its taxpayers. The landlords should sell the property on the private market in a private transaction and pay off the taxes owed. Allowing entities to profit from the sale of foreclosures they created with poor business practices is questionable.

Currently, the City of Milwaukee already has a *vacation of in rem judgment* process which essentially returns a property and thus any equity to the former owner after a foreclosure judgment and once back taxes are paid. Please consider amending the bill to allow a first class city that has such a vacation process to continue to distribute net proceeds to homestead properties only to avoid the over burdensome staff oversight the bill places on the City.

Thank you for your consideration.

For more information, please contact:
Brenda Wood, Intergovernmental Policy Manager
City of Milwaukee
bwood@milwaukee.gov
414-286-2371(W) 414-339-9054 (cell)

Wisconsin Assembly Committee on Education
February 1, 2022 Hearing

I appreciate the opportunity to provide testimony in support of Wisconsin Assembly Bill 899 which would guarantee that all Wisconsin students will cross the stage at their graduation with the financial skills they need to thrive in the future.

My name is Tim Ranzetta, co-founder of NGPF Mission 2030 Fund, which is affiliated with Next Gen Personal Finance (NGPF), the leading financial education non-profit. Our curriculum is used by more than 50,000 educators reaching 3 million+ students in all 50 states. In Wisconsin, 1,610 teachers currently have accounts on the NGPF platform and 450 teachers have participated in 12,000 hours of professional development delivered by Next Gen Personal Finance.

In addition, NGPF has also partnered with the Milwaukee Public School (MPS) district to provide a three year grant to fully fund a full-time resource in the district office to provide curriculum support and professional development and increase access to financial education. Importantly, all of NGPF's curriculum and PD are provided at no cost as NGPF's operations are funded by an endowment created by its co-founder.

Our experience at facilitating multiple FinCamps in Milwaukee and Madison and through our virtual PD workshops, has demonstrated that Wisconsin educators are passionate, qualified and committed to reach more students with this essential course. In fact, Wisconsin leads the nation with 16 high schools receiving NGPF Gold Standard Challenge grants for ensuring that all students receive a course in personal finance. The reason for that success: matching financial education grants provided by DFI! That's the good news.

In many of these cases, however, teachers, parents and students advocated for years in order to make this happen. The unfortunate news is that only 1 in 3 students in Wisconsin is guaranteed today to take a personal finance course while in high school (NGPF State of Financial Education Report, 2021). We cannot afford to continue to withhold this course from Wisconsin high schoolers.

What we see happening in Wisconsin with the introduction of Assembly Bill 899 is part of a larger national movement. In the last three years alone, the number of states guaranteeing financial education has grown from 5 to 10, with Ohio being the last (and largest) state to make this commitment in October of 2021. Already in 2022, 17 states have introduced bills, with almost all of them increasing access to financial education (NGPF FinEd Bill Tracker).

We know that there are concerns regarding how a bill like this would be implemented and funded. Should the state of Wisconsin pass a bill that guarantees that all high school students complete a course in personal finance, my organization will commit to the following:

- No-cost curriculum (available now): other high quality non-profit providers are available which eliminates need for textbooks
- No-cost professional development (available now): also available from excellent Wisconsin providers, such as DFI and Economics Wisconsin
- Up to $500 stipend for every teacher tapped to teach personal finance as a result of this legislation (estimate of $300,000)
- Three year grant to support DPI in implementing this course guarantee

Wisconsin has a chance to send a signal to the nation and become the 11th state to guarantee that every student crossing that graduation stage will have the financial skills they need to thrive in the future. It's good for students, it's good for families, it's good for the state economy. Thank you for the opportunity to provide testimony.

Regards,

Tim Ranzetta

Tim Ranzetta
Advocate, NGPF Mission 2030 Fund