

# LIEN SALE REPORT

## 2021

## Report on Post Tax Lien Sale for 2021

Local Law 4 of 2006 requires the New York City Department of Finance (DOF) to report annually to the New York City Council on the sale of tax liens during the preceding year. This report summarizes tax lien sale activity for calendar year 2021. The law mandates that the report include:

- A list of properties for which tax liens have been sold, including identification of the liens sold.
- Proceeds received from the sale of tax liens.
- Identification of the tax lien purchasers and servicers.
- A report of servicer activities during the immediately preceding year.
- The redemption rate for tax liens that have been sold.
- The delinquency rate for real property taxes for the immediately preceding year.

In December 2021, DOF conducted a lien sale, and a city trust was formed. NYCTL 2021-A and NYCTL 1998-2 were purchasers of the 2,841 tax liens sold in 2021.

The NYCTL trust managed by Real Estate and Structured Finance Advisory Services (RESF) makes the recommendations as to which liens should be sent to the bonding issuing trust or the 1998-2 Trust. The general concept is that liens of lesser credit quality and collectability, or liens that have a higher risk of being defected by the City post-sale, are assigned to the 1998-2 Trust. Assigning these lower credit quality liens to the 1998-2 Trust helps increase the advance rate that the rating agencies will assign to the lien pool sold to the bond-issuing trust and reduce the cost to the City for curing defective liens. Liens currently owned by the 1998-2 Trust were not originally sold to the trust. Liens are transferred to that trust when the bond-issuing trust is completely paid off, at which point any outstanding tax liens owned by the bond issuing trust are transferred to the 1998-2 Trust and the bond issuing trust is terminated.

The properties sold to the 1998-2 Trust include liens whose balance due is greater than or equal to 70% of the estimated market value, liens on properties with market values of less than \$20,000, liens on properties whose prior sold liens were defected, liens on properties that appear to be owned by religious organizations but do not have a valid tax exemption, liens on properties with serious environmental contamination, and liens on properties that are difficult to market for sale (such as storage spaces or individual parking spaces in a condominium building).

RESF advisors have traditionally made recommendations to the Office of Management and Budget prior to each sale on the allocation of the portfolio of liens based on the collection performance of the servicers. The current servicers are Tower Capital Management (TCM) and MTAG Services, LLC. Fifty percent of liens on properties without active liens from prior sales were allocated to each servicer, based on sale balance. The allocation is random, but RESF tests the allocations to ensure that each has similar distributions of the assigned balance by tax, class, borough, and lien size. Properties which have an outstanding balance from previously sold liens are assigned to the same servicer that was assigned the prior liens.

The servicers will institute foreclosures against any property owner who does not satisfy their tax lien in a timely manner. Servicers may begin foreclosure proceedings seven months after the sale, 30 days after the taxpayer does not pay the six-month interest payment due on the tax lien, or when the tax lien is not fully satisfied within one year. The property owner can enter into a formal payment plan that will prevent the filing of a foreclosure action. The servicers will not institute foreclosure action against a property if the owner is making regular partial payments in a timely manner, even without a formal payment plan. There are

circumstances under which the servicers will not file a foreclosure against a property, regardless of whether the owner attempts to pay or not, if the servicer determines that the property's value is less than the cost of completing the foreclosure. These are usually properties with significant environmental contamination or other features which reduce its value, such as underwater lots, sliver lots that are not developable, or wetlands.

In Fiscal Year 2021, the property tax delinquency rate was 3.4%.

The following spreadsheet contains more information; a summary follows.



NYCTL 2021-A Lien  
Sale Report v3.xlsx

The first tab details the liens sold in 2021. It includes both the purchaser and the servicer. The second tab details the net proceeds and the redemption rate by both lien count and principal lien balance for the liens sold.

<b>Net Initial Proceeds to City from 2021 Tax Lien Sale:</b>		
Sale of tax liens to NYCTL 2021-A Trust		\$78,945,539
Purchase of Risk Retention Bonds by NYCTL 1998-2 Trust		\$4,444,000
Sale of tax liens to NYCTL 1998-2 Trust		\$11,388,489
<b>Initial Sale Proceeds received by NYC</b>		<b>\$94,778,028</b>
<i>* NYC entitled to 100% of residual collections generated from liens after 2021-A bonds are retired.</i>		
<b>Purchasers of Tax Liens Sold in December 2021:</b>		
	Lien Count	Collateral Sale Balance
NYCTL 2021-A Trust	2,451	\$111,080,980
NYCTL 1998-2 Trust	390	\$31,222,797
	<u>2,841</u>	<u>\$142,303,778</u>
<b>Redemption Rate as of 12/31/2022</b>		
Liens Outstanding	2,013	
Principal Balance Outstanding	\$71,536,689	
By Lien Count	29%	
By Principal Sale Balance	50%	
<b>Tax Class</b>	By Lien Count	By Lien Principal Balance
1	24%	42%
2	38%	55%
4	29%	48%
	<u>29%</u>	<u>50%</u>

The third tab details the servicing highlights for the 2021 lien sale.

**Servicing Highlights for the 2021 lien sale portfolio:**

**Purchasers of Tax Liens Sold in December 2021:**

NYCTL 2021-A Trust	2,451	\$111,080,980
NYCTL 1998-2 Trust	<u>390</u>	<u>\$31,222,797</u>
Total	2,841	\$142,303,778

As of December 31, 2022, approximately 828 or 29% of the liens sold have been resolved, which comprised 50% of the lien principal balance sold.

**Redemption Rate as of 12/31/2022**

Liens Outstanding	2013
Principal Balance Outstanding	\$71,536,689
Redemption Rate by Lien Count	29%
Redemption Rate by Principal Sale Balance	50%

**MTAG**

Redemption Rate By Lien Count	25%
Redemption Rate By Principal Balance	49%

**Tower**

Redemption Rate By Lien Count	33%
Redemption Rate By Principal Balance	51%

As of December 31, 2022, there are 2,013 liens outstanding in the 2021 sale portfolio, 285 of which have entered into payment plans with the trusts. Of the liens not in payment plans, 996 have been referred to foreclosure. Based upon historical experience, it is expected that most liens currently outstanding will be resolved by property owners prior to the conclusion of the foreclosure process.