



Sheriff Sales as a Collections Strategy in Philadelphia

2018 Report

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Notes about the data

This report uses data from FY 2017. The data includes Sheriff Sales by the Department of Revenue and its co-counsel Linebarger and GRB Law. Properties that begin the foreclosure process in FY 2017 do not complete the process in the same year. For example, the properties that receive a Sheriff Sale Petition in FY 2017 and those that are sold at Sale in FY 2017 are two different sets of properties.

From the Revenue Commissioner

The Department of Revenue is getting smarter and tougher when it comes to identifying and collecting delinquent accounts. We're now able to leverage technology and strategic enforcement methods to reduce tax debt and improve tax collections in Philadelphia. One of these strategies is the use of Sheriff Sale.

Since 2013, the Department increased the use of Sheriff Sales to motivate delinquent Real Estate Tax payments and the strategy is working. The threat of Sheriff Sale is successful at motivating action - nearly half of the properties that were listed for Sheriff Sale were not sold at Sale. Most of the remaining property owners either pay in full or enter into a payment agreement.

Simultaneously, we are making things easier for those that are doing the right thing or need assistance. We have expanded safety net programs, increased outreach, and improved customer service.

This report outlines the process of Sheriff Sales, the Department's use of Sheriff Sales, and the programs in place to protect vulnerable homeowners. We share key statistics about this strategy and who is affected, as well as lessons we have learned so far.

Sheriff Sales are a tool of last resort, but an effective and efficient method to generate the funds needed to support the City and School District of Philadelphia.

Frank Breslin, CPA

Revenue Commissioner &
Chief Collections Officer



Sheriff Sales: An effective tool

Starting in 2013, the Philadelphia Department of Revenue has dramatically reduced delinquency and improved collections using several enforcement tools and enrollment of taxpayers in assistance programs. Sheriff Sales are an important way of collecting debt when other enforcement tools haven't worked.

Sheriff Sales are public auctions where properties can be sold to collect unpaid debt, including bills and taxes.

In FY 2017, 3,962 properties were sold at Sheriff Sale and raised \$24 million in delinquent and current taxes. This represents 5%, or about one in twenty, of all delinquent properties. Nearly half of the properties that were listed for Sheriff Sale were not sold at Sale and raised \$5.4 million in Real Estate Taxes for Philadelphia. These properties either paid in full, entered into payment agreements, or are under an administrative appeal - stopping the Sheriff Sale process before the property was sold.

Of all the properties sold at Sheriff Sale, less than 4% were owner-occupied. Owner-occupied homes are treated differently from other types of property for Sheriff Sales. Homeowners, or anyone with an ownership interest in the place they live, can request a payment agreement or pay in-full at any time during the process. They can even get their property back within nine months after Sheriff Sale.

Revenue has also expanded outreach and improved customer service to reduce tax Sheriff Sales and ensure that all taxpayers receive the help they need before the sale. Revenue, in collaboration with City Council and community partners, updated the Owner-Occupied Payment Agreement Program to make it easier for homeowners to continue to live in their homes without the threat of Sheriff Sale. All front-line staff and supervisors have undergone trauma-informed training. Finally, we have used behavioral science and human-centered design to improve our noticing and outreach strategies.

Going forward, Revenue is improving assistance programs on one hand and becoming tougher on property owners who are non-compliant on the other. Sheriff Sales are an important enforcement tool that raise revenue for the City and School District of Philadelphia.

Figure 1: Key Sheriff Sale statistics in FY 2017

**8,613
(12%)** delinquent properties were listed for Sheriff Sale. This represents one in eight or 12% of all delinquent properties.

~ 50% of the properties that were listed for Sheriff Sale were not sold at Sale (stayed).
These properties paid in full, entered into payment agreements, or are under an administrative appeal.

~ 40% of the properties that were stayed had a payment agreement by the end of the fiscal year.
This shows that the threat of Sheriff Sale motivates payment. The remaining properties either paid in full or are under appeal.

**3,962
(5%)** Delinquent properties were sold at Sheriff Sale. This represents less than 5% or one in twenty of all delinquent properties.
The sale may not have been completed for all the properties. For example, if a taxpayer continues to stay in their home and claims their right of redemption. The right of redemption also allows prior owner-occupants to buy back their property within nine months of the Sheriff Sale.

~ 4% of the properties sold at Sheriff Sale were likely owner-occupied.
Prior owner-occupants can buy back their property within nine months of the Sheriff Sale by filing a redemption petition with the Court.

\$60 m is the amount received by the City from the Sheriff's Office for delinquent and current year taxes. This includes the amounts received from sale by the City's co-counsel, currently Linebarger Goggan Blair & Sampson LLP (Linebarger) and Goehring Rutter & Boehm (GRB) Law.



What are Sheriff Sales and why does Revenue use them?

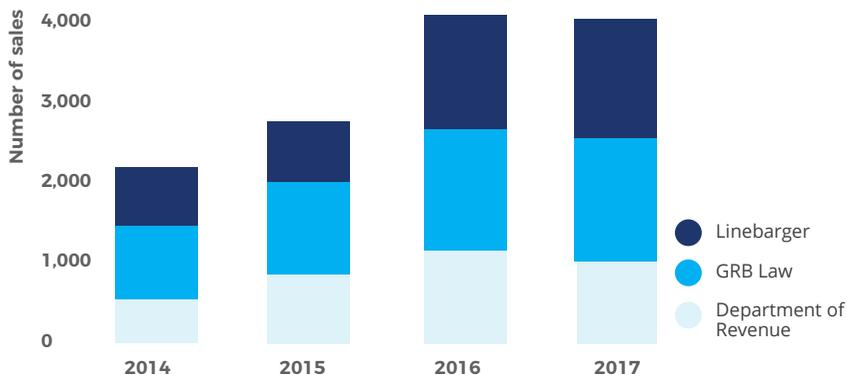
Sheriff Sales are public auctions where a property can be sold to collect unpaid debt. Debts can include outstanding water and sewer bills, School District of Philadelphia taxes, and city property taxes. There are two types of Sheriff Sales: mortgage foreclosure sales and tax sales. Mortgage foreclosure sales allow mortgage companies to collect debts owed to them and tax sales allows the City to collect debts. This report only focuses on Sheriff Sales with respect to tax sales.

Why Sheriff Sales?

From 2013 to 2017, Revenue reduced the total principal due for delinquent Real Estate Tax by 31% and the number of delinquent accounts from about 92,000 to approximately 67,000. One of the tools that Revenue has used to reduce delinquency and improve collections is Sheriff Sales. The City's co-counsel, currently Linebarger Goggan Blair & Sampson LLP (Linebarger) and Goehring Rutter & Boehm (GRB) Law, are also authorized to sell properties at Sheriff Sales.

Revenue ramped-up the use of Sheriff Sales in the last few years as a way to motivate payment of delinquent taxes. In most cases, the threat of a Sheriff

Figure 2: Trend of Sheriff Sales over time



Sale has worked to encourage the taxpayer to pay delinquent taxes and stop the process before the sale of the property. Sheriff Sales are usually the tool of last resort for collecting debt when other ways haven't worked.

How do we know Sheriff Sales work?

- **The threat of Sheriff Sale motivates payment before the process begins.** With behavioral scientists from the University of Pennsylvania, Revenue found that the threat of a Sheriff Sale encourages taxpayers to pay delinquent taxes. Taxpayers who received a letter that indicated the possibility of Sheriff Sale were almost 10% more likely to make a payment within three months, compared to those who only received a reminder to make a payment. The paper can be viewed [here](#).
- **The possibility of Sheriff Sale motivates payments during the process.** In FY 2017, although Revenue began the process of Sheriff Sales for 12,432 properties, only 3,962 properties (32%) were actually sold. The owners of the properties that were not sold at Sale largely paid in full or entered into payment agreements.

What is the Sheriff Sale process?

Every year in December, the Department of Revenue sends Real Estate Tax bills to property owners. On March 31st, Real Estate Taxes are due. Revenue will identify eligible properties for Sheriff Sale if the owner has unpaid taxes by the following January 1st.

A property is not eligible for Sheriff Sale if the:

- Owner has a payment agreement
- Owner is in litigation or appeals
- Owner is in bankruptcy
- Property's delinquency is established in the last 90 days

Delinquent property taxes that can be collected through other tools, like sequestration or Commercial Activity License revocation are also not eligible for Sheriff Sale.

Revenue then prioritizes properties for Sheriff Sale based on the amount of money owed. Revenue's co-counsel follow a similar process in identifying

properties for sale. As Sheriff Sales are the last enforcement tool, almost all properties in the pipeline have been delinquent for multiple years. In addition, the process gives taxpayers multiple opportunities to stop a sale before, during, and in some cases, even after the sale.

If Revenue or the co-counsel decide to begin the Sheriff Sale process, a **Tax Information Certification (TIC)** is ordered from a private title insurance company. The TIC lists all liens, judgements of record and anyone with an ownership interest in a property.

Revenue or co-counsel, on behalf of the City, then file a **Sheriff Sale Petition** in the Court of Common Pleas and starts the Sheriff Sale process. The City serves a Rule to Show Cause to anyone with an ownership interest in a property by mail. The Rule to Show Cause is an order made by the Court calling upon a party to appear at a particular time before the Court. At the hearing, the Court asks why the City should not foreclose on the property.

The Court holds the first in-person hearing within three to five months. If anyone with a property interest appears, they are allowed entry into a payment plan. Housing counselors are present at the hearing to assist anyone who attends. If no one appears, the property is **listed for Sheriff Sale** within three to four months. Finally, the property is **sold at Sheriff Sale** if no one with property interest pays the debt in full, or gets into a payment agreement.

The Land Bank can also acquire tax delinquent properties at Sheriff Sale to reactivate properties for redevelopment. Revenue collaborates with the Land Bank to review these properties for potential acquisition.

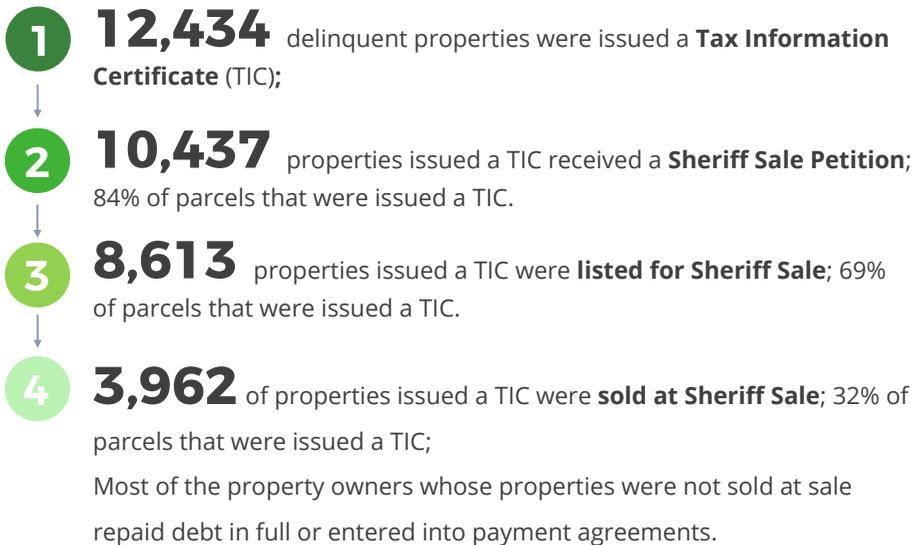
The Sheriff Sale process is illustrated in Appendix 2 on page 16.

What happens at a Sheriff Sale?

A list of properties to be sold at sale is available on the Sheriff's Office website. The bidding for properties generally opens at \$1,500. Linebarger and GRB may set opening bids at a higher amount. If there are no bidders, the sale of the property is postponed. The sale can also be stayed for

Figure 3: How many properties went through the foreclosure process in FY 2017?

Properties that begin the foreclosure process do not complete the process in the same year. Therefore, properties sold in FY 2017 is not a subset of the properties that were issued a TIC in the same year.



reasons such as if the owner enters a payment agreement. An owner can request a payment agreement up to the day of the sale.

If there is a successful bidder at the sale, they place a deposit with the Sheriff's Office of \$600 or 10% of the final bid. The bidder needs to get a tax clearance certificate from Revenue. A tax clearance certificate shows that the purchaser is in good standing with the City. It can be obtained at Revenue's website, www.phila.gov/revenue.

The remaining balance needs to be settled with the Sheriff's Office within 30 days. By law, the Sheriff's Office first pays off tax debt, municipal debt, and other liabilities from the sale money. Then, the Sheriff's Office pays the cost of real estate transfer tax, Sheriff's costs and fees, and the deed recording fee and other creditors. The prior owner may receive money if any funds remain.

The sale may not complete for all properties sold at Sheriff Sale. For example, a prior property owner may choose to file a motion to redeem a property with the Court, which they can do within nine months of the Sheriff Sale deed. The sale may also not settle if the highest bidder fails to pay the remaining balance to the Sheriff's Office. In that case, the property is re-listed for sale, unless the prior property owner enters a payment agreement or pays in full.

What are the possible results of a Sheriff Sale?

- **Stayed** - This means the Sheriff's Office has cancelled the court order requiring the sale of the property. This can happen if the owner enters into a payment agreement, a bankruptcy is filed, the property owner has other legal issues, or if a property is not sold at two consecutive sales.
- **Postponed** – This means the Sheriff's Office rescheduled the sale of the property to a future date. This can happen if a property owner and Revenue are working on developing an agreement, or if there is a pending administrative appeal.
- **Sold** – This means the Sheriff's Office sold the property to the highest bidder.

What happens if an owner-occupied property is selected for Sheriff Sale?

Homeowners can stop the Sheriff Sale process at any time before the sale, even on the date of the sale. After a Sheriff Sale Petition is filed with the Court, the City notifies anyone with an ownership interest by mail and by a printed notification on the property. If no one with an interest in the property appears at the mandated court hearing, the City obtains an order to sell the property. The City will send notices to all parties by first-class mail, and the Sheriff also posts a handbill of sale on the property. At this point, interested parties still have time to avoid the sale if they get into a payment agreement or pay their delinquent taxes.

The right of redemption also allows prior owner-occupants to buy back their property within nine months of the Sheriff Sale. To redeem, the prior

Figure 4: What types of property were sold at Sheriff Sale in FY 2017?

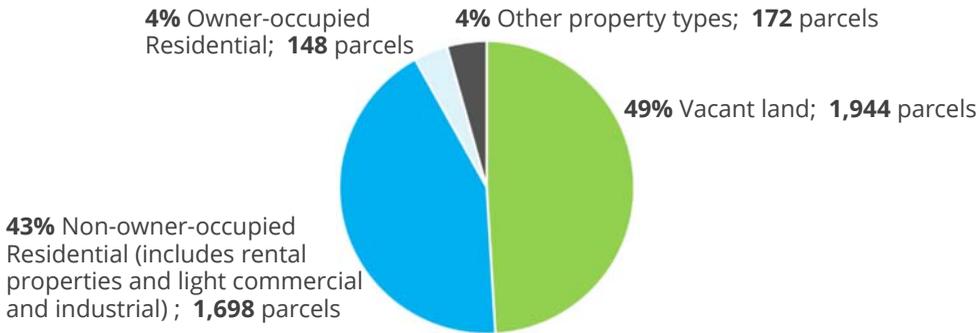
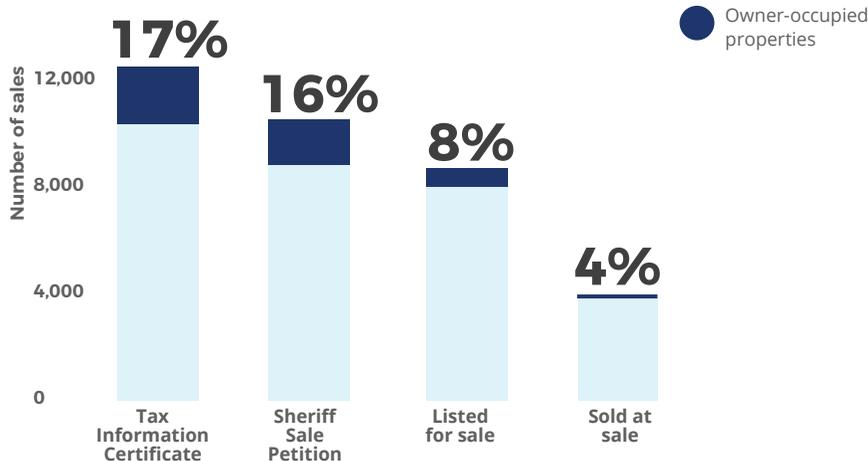


Figure 5: How many properties in the foreclosure process in FY 2017 were owner-occupied?

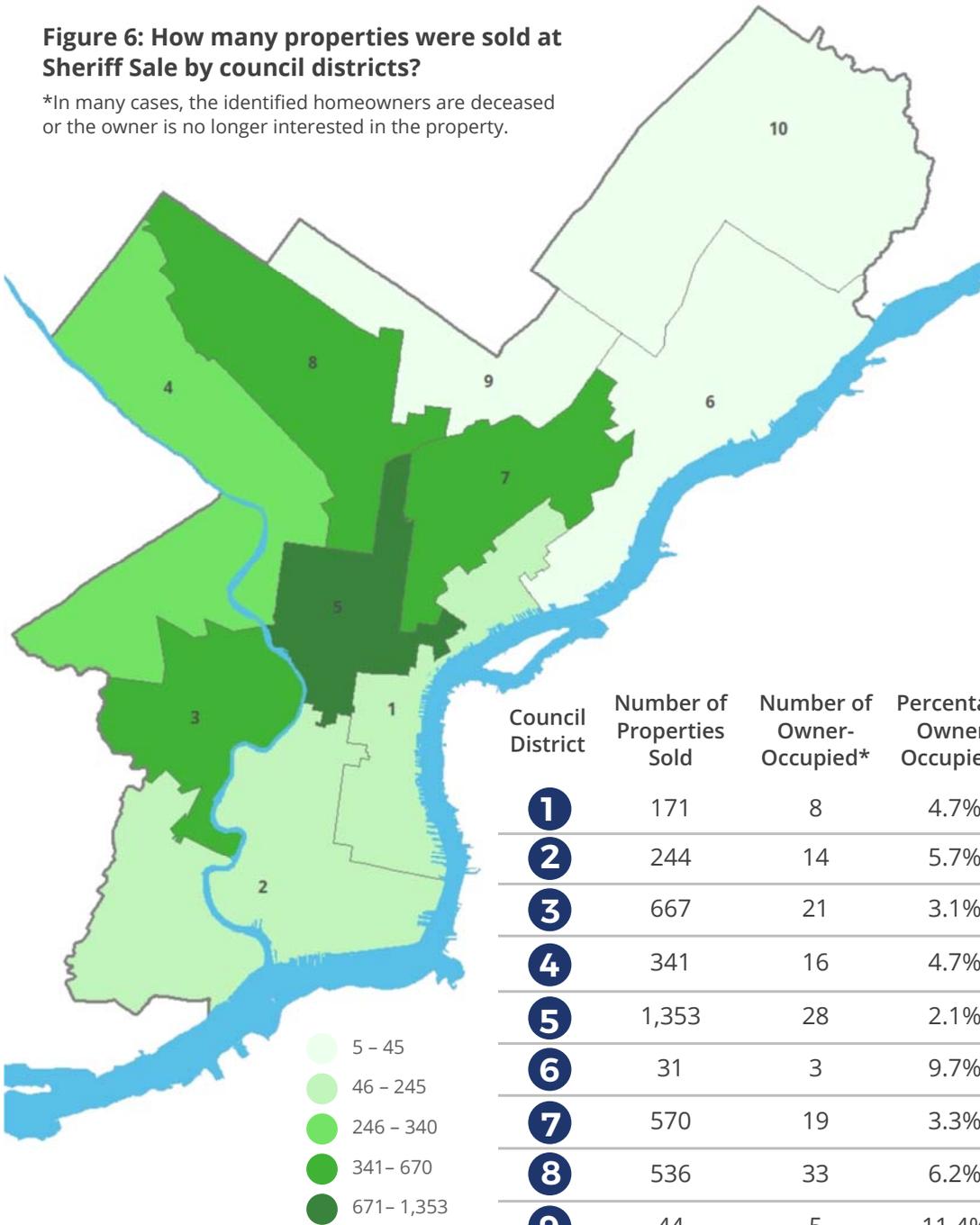
Owner-occupied properties were identified based on enrolment in taxpayer assistance programs—Homestead Exemption, Long-time Owner Occupants Program, or the Senior Citizen Tax Freeze. In many cases, the identified homeowners are deceased or the owner is no longer interested in the property.



owners usually must pay the entire sale price to the new owner, plus the new owner’s costs and interest. The prior owner has the right to stay in their home and keep possession of the property until the right of redemption ends.

Figure 6: How many properties were sold at Sheriff Sale by council districts?

*In many cases, the identified homeowners are deceased or the owner is no longer interested in the property.



Council District	Number of Properties Sold	Number of Owner-Occupied*	Percentage Owner-Occupied*	Percentage delinquent accounts
1	171	8	4.7%	7%
2	244	14	5.7%	9%
3	667	21	3.1%	15%
4	341	16	4.7%	10%
5	1,353	28	2.1%	19%
6	31	3	9.7%	3%
7	570	19	3.3%	15%
8	536	33	6.2%	15%
9	44	5	11.4%	5%
10	5	1	20.0%	1%
Total	3,962	148	4.0%	

We are expanding the safety net

While Revenue has dramatically reduced delinquency using Sheriff Sales and other enforcements tools, we have also expanded outreach and improved customer service to reduce tax foreclosures and ensure that all taxpayers receive the help they need. Appendix 2 outlines the assistance programs and agencies that are available to taxpayers, and included in Revenue noticing and materials.

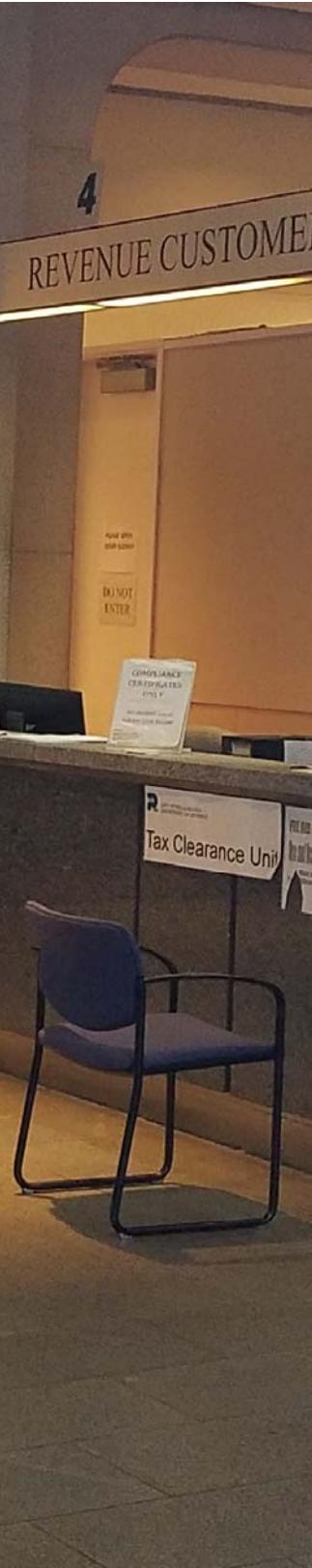
Flexible and low-cost payment terms for homeowners

Revenue's goal is never to foreclose on homeowners. We offer many opportunities to enroll in payment plans and assistance programs throughout the Sheriff Sale process. Housing counselors are available at the Court hearing and at every stage to help homeowners navigate their tax assistance options. The right of redemption also allows prior property owners to buy back their property within nine months of the Sheriff Sale deed.

In 2017, Revenue in collaboration with City Council and community partners updated the Owner-Occupied Payment Agreement Program (OOPA) to make it easier for homeowners to stay in their homes and avoid foreclosure. This program allows people who own and live in their home to make affordable monthly payments on property taxes that are past due. Very low income taxpayers may qualify for a \$0/month payment agreements that will help vulnerable homeowners continue to live in their home, without the threat of Sheriff Sale. Other agreements offer terms as low as \$25/month.

Trauma-informed training

Last year, the Department of Revenue received over 700,000 phone calls and served over 130,000 walk-in customers. Many of our taxpayers and water customers have likely suffered from or been exposed to some form of trauma. For some, those experiences affects how they interact with others, and we want our staff to be equipped to provide high-quality service in all situations.



We offered a pilot Trauma Informed Customer Service Training to front-line staff and supervisors in 2016 to raise awareness about the behavioral and emotional impact trauma has on citizens. Three-quarters of the customer service staff who attended the program in August 2016 reported that the information was useful and helped their job performance. All staff began the same training at the end of 2017.

Improved outreach and noticing

In the last few years, we have improved customer experience with Revenue. We launched a new, mobile-friendly website written in plain language that had more than 8 million visits last year. We attended 175 outreach events for businesses and residents in FY 2018 to reach taxpayers in their neighborhood. We have also expanded email and social media as outreach tools.

Revenue has also used behavioral science best practices to improve noticing, and reach taxpayers before their property is sold at Sheriff Sale. With behavioral scientists from the University of Pennsylvania, we were able to test messaging and methods for communicating with taxpayers. We sent 16,940 letters with different messaging in 2015 that raised \$615,752 in additional City and School District revenues. Among the messaging tactics used, letters indicating a potential Tax Lien or Sheriff Sale were most effective in motivating payment.

In 2017, Revenue tested the effectiveness of sending the Risk of Tax Foreclosure notices in color versus black and white. Around 42,500 properties received a foreclosure notice. Half these properties received black and white notices and the other half received color notices. We found that properties that received a colored notice made higher average payments, with 41% of payments coming in within one week.

What has Revenue learned so far?

Data analysis and behavioral science show clear results in using Sheriff Sales to collect delinquent taxes. Not only does the threat of Sheriff Sale motivate payment before the process begins, but also reduces delinquency during the process.

Help is always available to taxpayers who need support. Revenue's assistance programs provide relief to many taxpayers, helping them remain up-to-date on their taxes.

At the same time, Revenue is sending a strong message to people who choose to be non-compliant. We will take action and collect tax debt to support the City and the School District of Philadelphia.

Notes about the data

This report uses data from FY 2017. The data includes Sheriff Sales by the Department of Revenue and its co-counsel Linebarger and GRB Law. Properties that begin the foreclosure process in FY 2017 do not complete the process in the same year. For example, the properties that receive a Sheriff Sale Petition in FY 2017 and those that are sold at Sale in FY 2017 are two different sets of properties.

Picture credits in order of appearance

Jukie Bot (flickr), Jared Brey (PlanPhilly), Department of Revenue, PHS



Appendix 1 - Taxpayer Resources

Get back on track

Owner-Occupied Payment Agreement

This program allows homeowners to make affordable monthly payments on property taxes that are past due. To be eligible, you must live in the home that you own, meet income requirements OR have monthly expenses that make paying your real estate taxes a hardship. For more information call (215) 686-6442 or visit www.beta.phila.gov/OOPA.

Homeowners Emergency Mortgage Assistance Program

This is a state-funded program that assists homeowners who are unable to pay their mortgage due to circumstances beyond their control. For more information call (800) 342-2397 or visit one of the Housing Counseling agencies listed on the other side of this form.

Stay on track

Homestead Exemption

If you own property in Philadelphia and it is your primary residence, you are eligible for the Homestead Exemption on your Real Estate Tax. It works by reducing the taxable portion of your property assessment by \$40,000. Most homeowners save about \$550 a year on their real estate tax bill. For more information call (215) 686-6442, or visit www.phila.gov/revenue to apply online.

Senior Citizen Tax Freeze

If you meet certain age and income requirements the City will stop increasing the amount you owe for Real Estate Taxes. Under this program the amount of property tax you pay each year will not increase, even if your property assessment or the tax rate changes. If your tax liability decreases due to a lower property assessment or a tax rate decrease, the amount of Real Estate Tax you owe will also be lowered to the new amount. For more information call (215) 686-6442 or visit www.phila.gov/revenue.

Real Estate Tax Installment Plan

If you are a senior citizen or low-income taxpayer who owns and lives in your home, you can qualify to pay your current-year Real Estate Tax in monthly installments. For more information call (215) 686-6442, or visit www.phila.gov/revenue

Active Duty Reserve and National Guard Tax Credit

This credit excuses reserve military service members from paying a portion of their Real Estate Tax while they are called to active duty outside of Pennsylvania. You can qualify even if you had family members living in the home while you were deployed. For more information call (215) 686-6442, or visit www.phila.gov/revenue

Disabled Veteran Tax Credit

If you are a 100% service-related disabled military veteran (or surviving spouse) and demonstrate financial need, you may qualify for a 100% exemption from real estate taxes. For more information contact the Commonwealth of Pennsylvania Department of Military Affairs at (800) 54-PAVE.

Legal Assistance and City Agencies

Community Legal Services, Inc. North Philadelphia Law Center

1410 Erie Avenue
(215) 227-2400
www.clsphila.org

Philadelphia Department of Revenue

1401 JFK Boulevard
(215) 686-6442
www.phila.gov/revenue

Philadelphia Bar Association

1101 Market Street, 11th Floor
(215) 238-1701
www.philadelphiarbar.org

Philadelphia Legal Assistance, Inc. "Save Your Home Philly Hotline"

42 S. 15th Street, Suite 500
(215) 334-HOME (4663)
www.philalegal.org

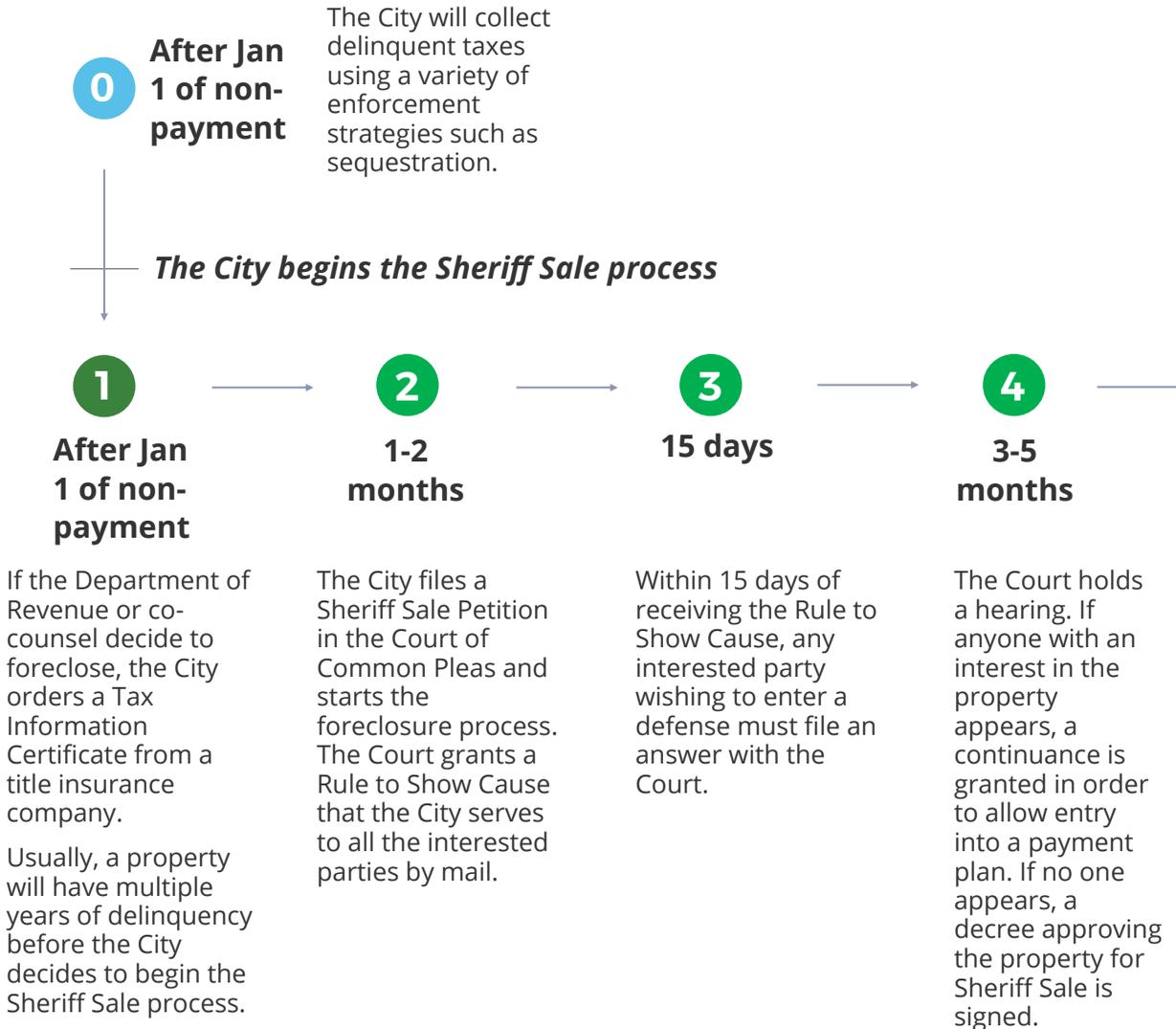
Philadelphia Department of Housing and Community Development

1234 Market Street, 17th Floor
215-686-9749
www.phila.gov/dhcd

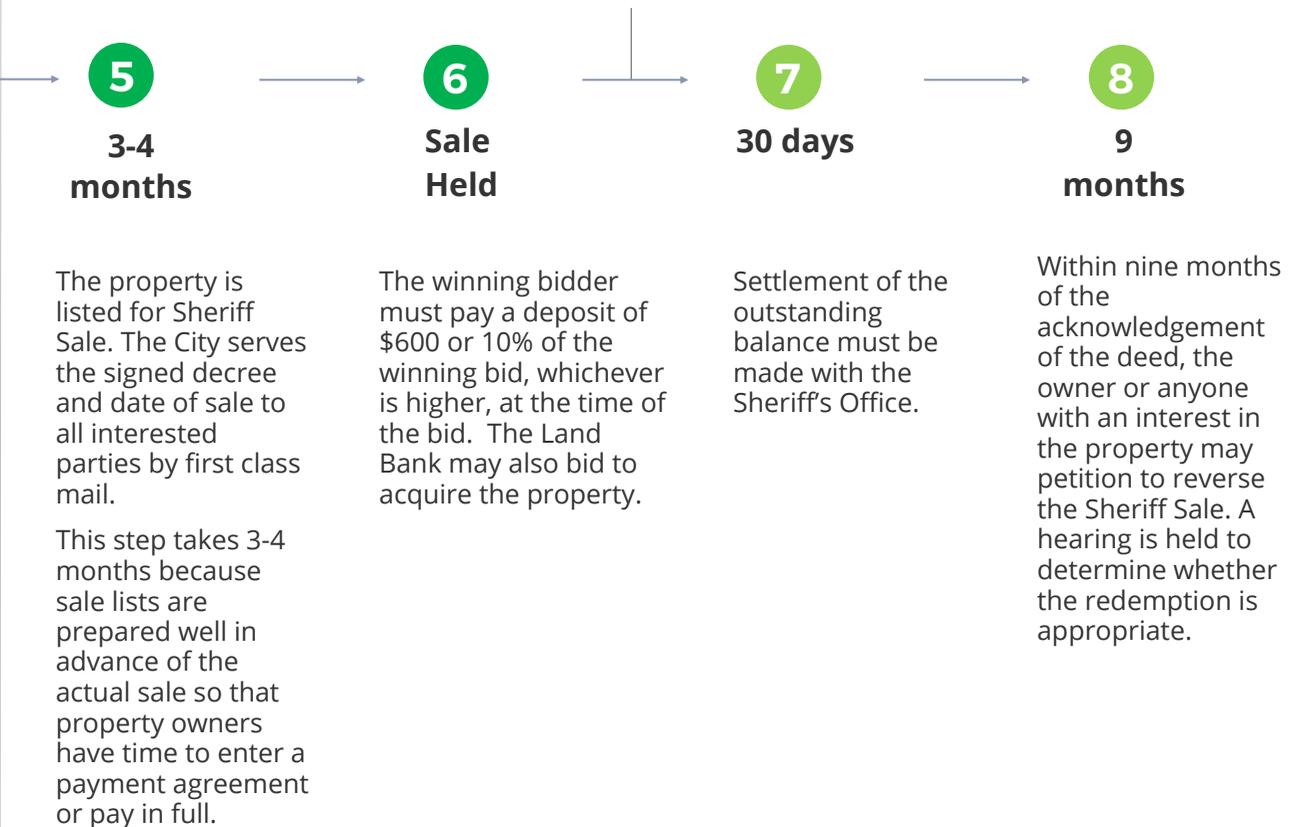
Senior LAW Center

1500 John F Kennedy Blvd., Suite 1501
(215) 988-1242
www.seniorlawcenter.org

Appendix 2 - Sheriff Sale Process



Property is sold at Sheriff Sale



The **Department of Revenue** collects taxes, water charges, and other fees and fines that fund the School District of Philadelphia and City of Philadelphia.

These funds support crucial services such as trash collection, snow removal, police and fire protection, parks, libraries, and more.

The Department of Revenue's mission is the timely, courteous, and prompt collection of all revenue due to the City of Philadelphia, and all tax revenue due to the School District of Philadelphia. This includes the billing and collection of water and sewer charges.

The Department of Revenue also administers the City's many tax and assistance programs.

www.phila.gov/revenue

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