

Hunker: Tax lien transfers help make homeownership more attainable

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By Kathleen Hunker - Special to the American-Statesman

Student debt represents one of the greatest obstacles standing between graduating millennials and homeownership. Escalating property taxes represent another. But whereas the government permits graduates to refinance their student loans, some want to deny homeowners a similar opportunity to manage their property tax obligation.

Like most millennials, I walked away from my graduation ceremony weary with debt and resigned to the fact that one of the next milestones of adulthood, homeownership, sat further along the path than it did for my parents.

Experience has tempered that fear to a degree. Texas, after all, has the nation's most vibrant economy, and its relative low cost-of-living helps ensure that my paycheck stretches even so far as a savings account.

Plus, there are some key financial services that can help someone like me manage a pre-existing obligation, such as refinancing student loans.

In that way, my generation is lucky. Regulators acknowledge the benefits of refinancing student loans and so, for the most part, allow us to pursue the option without undue interference when we decide it's in our best interest.

But that magnanimity does not extend to another type of debt management, tax lien transfers, which can be a crucial tool once a young professional transitions into homeownership.

Every year local governments attach a lien onto all privately owned land as means of enforcing the property tax. In the case of a tax lien transfer, the owner then assigns that lien to a third-party, who pays the owner's outstanding taxes. The owner then pays off the lien using a flexible payment schedule that was negotiated at the start of the transaction.

Over the past few months, there have been calls to restrict this practice, in part, out of fear that it causes Texans to take on commitments they cannot afford. These proposals misunderstand what tax lien transfers actually do.

Tax lien transfers do not impose a new obligation on property owners. Instead, the transfers offer them a way to restructure an existing debt, i.e., their property tax bill. In other words, tax lien transfers mimic the refinancing of a student loan in that they give Texans the opportunity to rewrite the terms of an earlier commitment so that it better reflects their ability to pay.

Thus, any attempt at limiting access to tax lien transfers will not protect Texans from overextending themselves so much as deny them a chance at bringing their current obligations under control.

Property taxes have gone up nearly 80 percent this past decade and claim about 5 percent of a median household income. It's hardly surprising, then, that some Texans cannot afford the upfront, lump-sum payment demanded by the government and instead seek to spread that cost out.

What happens, though, when that outlet is closed or pushed back? The answer is that property owners — those who do not qualify for or cannot meet the terms of the government's payment plans — will be pressed into delinquency and assume all the penalties and fees that accompany it.

Recent graduates already have a steep climb if we are to reach the goal of homeownership. Making it harder to keep up with our taxes only digs that hole deeper.

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