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Tax Foreclosure Financial Hardship Policy Otsego County

Property owners who fail to pay delinquent property taxes are subject to losing their property to foreclosure. Foreclosure is the final action in the tax reversion process when the Circuit Court enters the judgment of foreclosure and declares redemption rights expire March 31st.

This financial hardship policy establishes the guidelines to assist delinquent taxpayers who want to maintain their property. The Treasurer's goal is to assist taxpayers throughout the year to achieve their real property tax obligation, and to avoid foreclosure on parcels by taxpayers who demonstrate that financial hardship has contributed to their inability to meet real property tax obligations.

Financial hardship will be a factor considered for the deferral of the foreclosure process. Otsego County Hardship Deferral Applications will be available at Otsego County Treasurer's Offices, The Department of Human Services, Capital Area Community Services, Michigan State University Extension, and other locations designated by the Treasurer.

The Treasurer may grant deferrals for non-homestead parcels involving extraordinary circumstances. We are willing to discuss your individual situation with you as part of the application process.

The applicant must complete a **"Hardship Deferral Application"** and provide all requested supporting documentation. The applicant must be approved by the Otsego County Treasurer in order for the tax foreclosure to be postponed for an additional cycle, approximately one year.

The Otsego County Treasurer will take into consideration the income and assets of the person or family applying for the deferral. The income guidelines will be the federal poverty guidelines as issued by the United States Department of Health and Human Services.

Applicants whose income exceeds 125%-200% of the federal poverty limits for Otsego County will only be eligible for deferral if their household has suffered substantial financial hardship due to an unavoidable increase in expenses or an involuntary reduction in income.

This may include, but is not limited to, the following:

- Health/medical issues including physical or mental disabilities.
- Outstanding financial obligations due to conditions/factors outside of the individual's control.
- Unemployment due to conditions/factors outside of the individual's control.

Applicants must exhaust all potential sources of assistance. A list of agencies to assist them in applying for financial assistance will be distributed to those applying for hardship deferral.

The County Treasurer will compile a list of all applicants applying for deferral of tax foreclosure in Otsego County. The final determination to postpone the tax foreclosure will be made solely by the County Treasurer. All applicants will receive notice of the County Treasurer's decision.

The "granting of a hardship deferral" only extends the time to pay the delinquent amount due. Interest at 1½% monthly and any additional expenses continue to accrue on the parcel during the deferral period increasing the taxpayer's liability. It would be unusual for the Treasurer to grant a second extension when a previously granted extension has not resulted in redemption.

Otsego County Treasurer Foreclosure Prevention Goals

- 1) The Otsego County Treasurer's primary goal of the foreclosure prevention program is to assist taxpayers to **achieve their real property tax obligation** and ultimately **break the cycle** of delinquent tax status.
- 2) **Tax liability remains the taxpayer's responsibility.** Penalties and interest are very high, and will continue to accrue until taxes are paid in full. Partial payments can help lower those expenses and payment plans are highly recommended.
- 3) Otsego County Treasurer staff **assesses taxpayer's specific needs** and circumstances.
- 4) Taxpayers are **well informed** of foreclosure prevention concepts and steps necessary to maintain property ownership.
- 5) Taxpayers are **referred** to local, state and federal agencies for assistance for relief for their specific circumstances.
- 6) Taxpayers are instructed to **exhaust all potential sources of assistance.**
- 7) Taxpayers experiencing **financial hardship** may qualify for a one year **Hardship Deferral**, withholding the property from foreclosure for one cycle, or approximately one year.
- 8) Taxpayers who are on **official payment plans and** have demonstrated a "**good faith effort,**" will qualify for withholding from judicial foreclosure.
- 9) Taxpayers **granted an extension of time** would be **expected to redeem** that year's taxes prior to consideration **for additional withholding** the following year. It would be unusual for the Otsego County Treasurer to grant a second extension when the previously granted extension has not resulted in redemption.
- 10) The Otsego County Treasurer must determine if an extension of time to pay delinquent property taxes by granting a financial hardship postponement is **helping** a property owner catch up while paying additional interest and fees **or hurting** them by allowing them to get further behind. This is determined case by case and is based on an individual's prior foreclosure prevention program history.
- 11) **Realistically,** we discuss if a person can afford the expenses of property ownership and what other options might exist.
- 12) The Otsego County Treasurer must determine when withholding from foreclosure is **not in the best interest of the community.** **Vacant and Red-tagged properties** blight the surrounding community; therefore, it is unlikely such properties would qualify for this program.