PACIFIC LEGAL FOUNDATION

The Size and Scope of Home Equity Theft in Minnesota

Thousands of Minnesota families and individuals have lost their homes or properties and all the savings they built in them because of legalized home equity theft.[1]

Across the nation, property tax collectors can seize and sell homes to collect unpaid taxes if an owner misses a payment or even underestimates how much they owe. These tax collectors, quite rightly, seek to collect tax debt and interest to ensure resources for their communities.

In Minnesota, however, not only can a locality collect the debt, but it can also take the entire home. Counties can seize everything, no matter how much equity the owner has in the home or how little tax is owed—and this has devastating consequences for Minnesotans.

Pacific Legal Foundation analyzed Minnesota tax and sales records in the first-ever analysis of the size and scope of home equity theft in Minnesota. The data analyzed covers 12 Minnesota counties (consisting of two-thirds of Minnesota's population) during a seven-year period (2014-2020).[2]

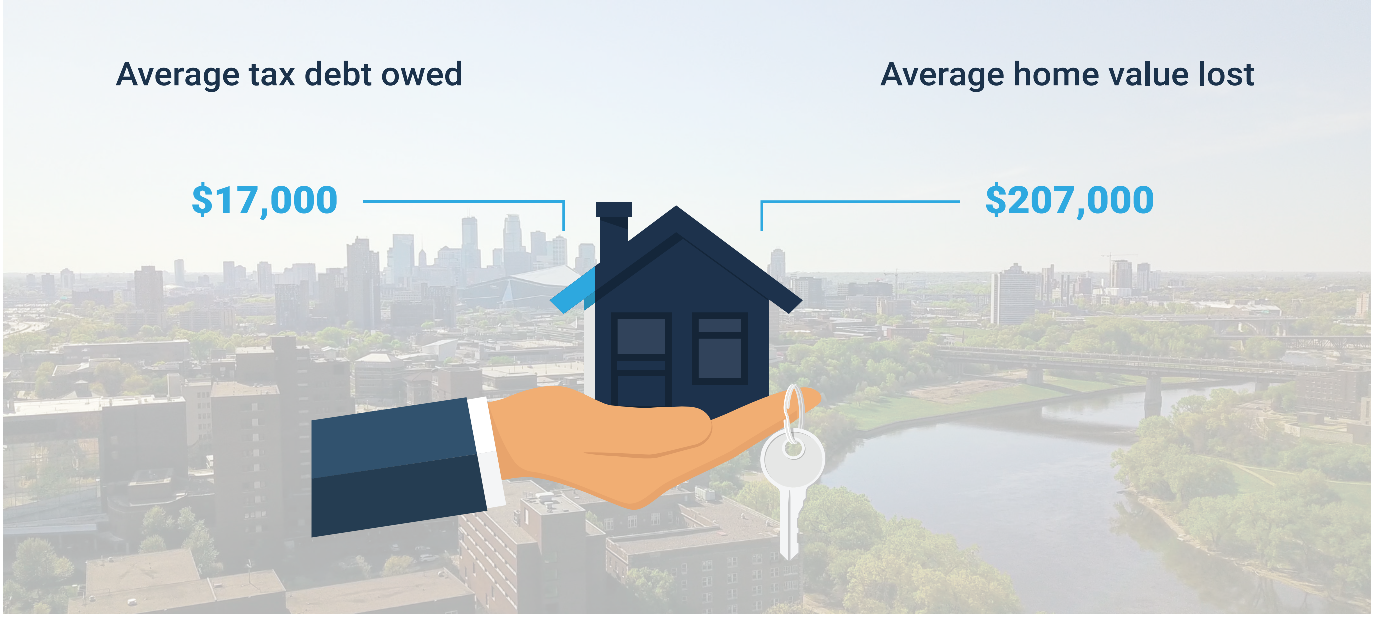
THE FACTS

- **More than 4,300 Minnesota properties were taken and sold.**
- **More than 1,200 included family homes (other properties were vacant or commercial).**
- **Tax debt figures and home value estimates were available for 570 of the 1,200 seized homes, and more than $118 million in savings/equity was stolen from those 570 homeowners after the tax debt was deducted.[3]**
- **On average, homeowners lost 92% of the value of their home, or $207,000, above the tax debt that was owed, which averaged $17,000.**

The State, localities, and private investors gain at the cost of Minnesotans losing their homes and life savings, but the State itself does not receive the full amount stolen from homeowners.

The State of Minnesota and its localities often quickly sell the homes at below-market prices, before they are sold to others at higher rates, masking the true amount of equity lost by homeowners.

For example, the State of Minnesota often sells tax-forfeited properties to the City of Minneapolis for as little as $1. Even then, the State and localities retained over $11.6 million in excess of the taxes owed in 772 homes examined in our study where sales price data was available.[4] The city then turned around and sold the properties to private investors—a gain not captured in the $11.6 million figure. Private investors then sold properties for market value—also getting a large cut of the homeowners' savings.



Minnesota homeowners on average owe 8% of their home's value when their home is tax-forfeited.

Notes

[1] Pacific Legal Foundation is representing one home equity theft victim, Ms. Geraldine Tyler (see *Tyler v. Hennepin County*, 2020).

[2] Data come from public records requests for properties that were tax forfeited and sold between 2014 and 2020 made to 12 Minnesota counties (Anoka, Beltrami, Dakota, Hennepin, Kanabec, Ramsey, Olmsted, Scott, Stearns, St. Louis, Washington, Wright) and a bulk property data provider, Estated, which maintains deed records and provides an estimated value of homes. The 12 counties in our analysis account for 66.5% of the Minnesota population.

[3] Lost savings in the home could only be calculated for a subset of the data. It is Estated's estimated value of the home minus the unpaid taxes and fees from public records.

[4] The equity kept by the State or locality could only be calculated for a subset of the data. It is the price the property was first sold for (mostly from public records) minus the unpaid taxes and fees.