Sheriff Deeds – Recordation Problem

Zoning, Neighborhoods & Development Committee

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Recording Deeds

- Most buyers <u>WANT</u> to record and make their ownership official & public
- Non-recordation allows new owner to avoid accountability while retaining legal ownership
- Recordation of <u>any</u> deed is NOT mandatory under current law
- Unsecured, cash transactions far more likely to be un-recorded

Bad Actors?

- Sheriff auctions & deeds are niche market:
 - 12,664 total sales in Milwaukee in 2014
 - Only 1,607 recorded Sheriff's Deeds (13%)
- Tax delinquency often part of the buyer business model
- Some buyers quickly "flip" and settle taxes & ownership w/ recorded deed
- Some buyers avoid recording and accountability for extended periods of time

"Normal" Sheriff sale & recordation

Sheriff's Deed

- 10% paid @ auction
- 90% due to Clerk of Courts
- Clerk of Courts issues deed
- Confirmation of sale in court effectively closes foreclosure action

Recording - County

- County Register of Deeds records the change in title
- Collects conveyance fee

Registration - City

- New owner notified by DNS to register/record non-owner occupied or vacant property
- Assessor updates tax roll/owner address

- Assumption: buyer records deed after the Clerk issues it
- Public record is then clear on transfer of ownership & accountability

"Shady" Sheriff sale - no recordation

Sheriff Deed

- 10% @ auction
- 90% due to Clerk of Courts
- Clerk of Courts issues deed
- Confirmation of sale in court effectively closes foreclosure action

NO RECORDING

- No recordation of change in title
- No conveyance fee
- No update to City Assessor or DNS

Registration - City

- City unaware of purchase
- Old owner must have <u>legal</u> proof of sale/transfer
- New owner avoids accountability

- No ownership accountability for City, neighbors, tenants
- Delinquent taxes, code violations, etc. put on former owner
- Burden of proof on buyer or seller to prove/disprove responsibility for taxes, fees, and property maintenance

Internal process

- "Normal" flow of information for recorded deeds: Clerk of Courts > Register of Deeds > Assessor/MPROP > DNS
 - Correct in 99+% of cases
- DNS also collects range of information to support Vacant Bldg. Registry, RPPF, RRI, etc.
 - Not just ownership, but may include deeds
- Assessor only draws ownership from Register of Deeds
 - Recorded deed = gold standard for transfer/assessment

How do we fix it?

- Assessor will begin coordinating info with DNS on:
 - Sheriff Deeds
 - Other ownership transfer
- Assessor will continue to coordinate with the Treasurer
- Continued scrutiny by City Attorney and DNS to foreclosure transactions
 - Proper closing of cases w/ confirmed sale
 - Verify deeds and
- Referral to MPD, District Attorney, WI Revenue, and IRS as appropriate
- City assist on pending State legislation [Rep. Goyke] to make recordation of Sheriff Deeds mandatory