

Pros and Cons of South Carolina Tax Lien Investing[©]

By Tax Lien Pro

South Carolina is one of my favorite states to invest in tax liens. So long as I performed good due diligence, I made a great return on both the redemptions and those deed I received. However, like all tax lien investing, there are risks and negatives in the South Carolina tax lien market that we all need to be aware of.

Pros of Investing in South Carolina

1. Short Redemption Period. The redemption period (the time the tax payers are given to pay their delinquent taxes before going to tax deed) is only one year in South Carolina. Therefore, taxpayers have a good incentive to pay their liens quickly and lock in your return for you. Also, if the lien remains unpaid, you get deed to the property just a few weeks after the expiration of the redemption period. You can then work to secure the property, get the title cleared up, and get the property sold or rented before it deteriorates or sits there vacant.
2. Foreclosures are handled by the County. The county that you are investing in handles all of the title searches, noticing and redemption notification for you. That means you can sit back for the whole year and not worrying about meeting specific deadlines to notice the delinquent taxpayers yourself. And, you're not paying some attorney to do this work either.
3. Overbids. Because you bid over and above the tax amount at the tax lien auction, you can put a lot of money to work in each asset and both the overbid and the tax bid amount earn an interest penalty of 12% (There is a cap to this which we will discuss in a later article/blog post at taxliens.garrettcapitalmanagement.com). Plus, larger overbids usually relate to a higher potential to receive the tax deed uncontested if you are looking for a play on the property versus just the redemption.

Cons of Investing in South Carolina

1. Quiet Title. In most cases if you receive a tax deed to a property, you'll need to go through what is called a quiet title action. Basically, you'll hire an attorney who will go thru a judicial process to ensure that all potential interests in the property will not have a claim to the property. This can take a year or more and can be expensive (3-5K for an average case). But, you'll need to do this if you want to sell the property free and clear.
2. Foreclosures are handled by the County. Note that this is the same #2 in pros of South Carolina tax investing. While it may be nice that the county handles all of the title work and noticing, they do make mistakes. I've had a couple properties where the county forgot to notice either the mortgage holder, the heirs to a property, or even the IRS. Unfortunately, you can't do anything about this and it will lead to either a refund without your 12% interest penalty or a long and drawn out legal battle as you are going through the quiet title action.
3. High LTVs. I use LTV (Loan to Value) for lack of a better term. Because South Carolina is an overbid state, you can bid as much as you want to at the auction. The value of the property

does not limit you to bidding 80%, 90% or even greater than 100% of the property's market value. This both limits the amount of penalty interest you can earn and increases your risk for a profitable sale if you receive deed to the property.

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