Study: $15 million taken from Springfield homeowners over 7 years of tax foreclosures

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Western Housing Court in Springfield on Sept. 29, 2023. (Hoang 'Leon' Nguyen / The Republican)

By Namu Sampath | nsampath@repub.com

SPRINGFIELD — In a seven-year span, the city of Springfield foreclosed on 129 houses to collect almost $3.5 million in taxes. But in doing so, it caused residents to lose $15 million in equity they put into those properties, according to a study conducted by the Pacific Legal Foundation.City Councilor Justin Hurst recently highlighted the study and used its findings to lay blame at the feet of Mayor Domenic J. Sarno.

Hurst and Sarno are running against each other in a race for Springfield mayor. "Mayor Domenic Sarno and his administration stole an average of 119,000 dollars in home equity from homeowners in the city of Springfield due to non-payment of taxes," Hurst said in a press release Thursday. A spokesman for Sarno did not return requests for comment about where the money from these sales went or whether the people whose homes were foreclosed on have received any financial compensation for their property's equity value.

According to Pacific Legal Foundation, municipalities in the commonwealth can file liens against properties whose taxes are delinquent, liens which could be sold to private investors. After six months, the lienholders can seek to foreclose on the properties and then sell them. In the past, the sellers could keep the proceeds after these tax foreclosures, even if the original homeowner only owed a couple thousand dollars in taxes on the property.

Pacific Legal Foundation's strategic research director and lead author in the study, Angela Erickson, said in the states where home equity theft occurs, "the city — usually the treasurer's office and respective tax collecting departments — takes the remaining home equity, which is why we call it home equity theft." In May of this year, the U.S. Supreme Court made a unanimous decision in Tyler v. Hennepin County, Minnesota declaring the practice unconstitutional, saying it violated the Takings Clause of the U.S. Constitution. Days after the ruling, Pacific Legal Foundation said Massachusetts' laws needed to be changed , saying the state was one of 12 whose laws allowed local governments to keep proceeds of tax sales beyond what was owed in taxes.

A statement issued by Massachusetts Land Court after the ruling said municipalities involved in tax foreclosure cases had to make sure to "provide just compensation to property owners," and homeowners in those proceedings were able to recover the proceeds of a tax sale beyond what they owed in taxes. For its study, the foundation requested public records requests for land records and information from city treasurers from Jan. 1, 2014, to Dec. 31, 2021. The number of foreclosed homes that were sold due to tax delinquency in Springfield far outstripped any other city in Massachusetts during that period. In Boston, 45 homes were seized for tax debts and in Worcester, 23, according to Pacific Legal Foundation.

Hurst noted in his press release that "victims in Springfield who lost their property due to tax title foreclosure had the equity in their homes taken at almost 3 times the rate of Boston and 6 times the rate of Worcester." "Our goal should be to identify these victims and help these people be whole again," Hurst said. Generally, when purchasing a house, people get a mortgage loan.

"Often, these mortgage loan agencies would offer to pay real estate taxes on properties," said Kevin Handly, Boston University School of Law's Director of Graduate Programs in Tax, Banking, and Financial Law "Unfortunately, many mortgage services neglect to pay those taxes even if a property owner is diligent about paying off their mortgage — and that's where many people fall victim to foreclosure," he said. Handly said the city is not obligated to return the nearly $15 million to the former homeowners. "This form of home equity theft is now federally illegal and unethical," he continued. "I would expect cities that foreclose on homes to return the excess of the sale they pocket to the homeowners."