



3 Biggest Risks in Tax Lien and Tax Deed Investing

Bankruptcy

Environmental Issues

Not Understanding the Market Value

Liens = Low Risk

- If careful, risk is limited to capital invested
- Money can be tied up for years before a return is realized
- Bankruptcy can further delay process
- Liens redeemed quickly can erode returns



Deeds = Medium to High Risk

- Risk can exceed property value if environmental contamination is present
- Detailed research is required
- Must understand market value of property



Risk #1: Bankruptcy

Three Types of Bankruptcy

Chapter 7 – Quick Personal Bankruptcy

Chapter 11 – Commercial Bankruptcy

Chapter 13 – Extended Personal Bankruptcy



What Can You Do?

- Understand Bankruptcy Homestead Exemptions for each state
- Screen Properties for Bankruptcy by reviewing public records
- Look for multiple properties in a sale by one owner
- Higher value properties and commercial properties bankruptcy more likely



Risk #2: Environmental Contamination

Most important rule to remember:

The Property Owner may be Responsible for Cleaning Up
the Contamination Regardless of the Original Source



Screening Properties For Environmental Contamination

1. Location Screening
2. Property Screening
3. Public Records Review



Location Screening For Environmental Contamination

Scrutinize neighbors and avoid:

- ✓ Gas stations,
- ✓ Dry cleaners,
- ✓ Landfills,
- ✓ Military bases,
- ✓ Mines,
- ✓ Airports and industrial parks



Study the Property

Look for following items:

- Asbestos (Likely prior to 1980)
- Lead Paint (Likely prior to 1978)
- Mold (look for multiple properties affected)
- Flooding
- Settlement

Industrial Area



Abandoned Smelter Stack



Entrance to a Municipal Landfill



Gas Station



Flush Monitoring Wells and Vent Pipes



Asphalt Patch could indicate previous Underground Storage Tank



Dry Cleaner



Sewage Pump Station



Petroleum Refinery



Active Remediation of Floating Product at a Refinery



Electrical Substation



Asbestos (Transite) Siding



Radon Reduction System



Private Well





Public Records: Environmental Searches

USEPA website to review hazardous waste sites

www.epa.gov/enviro

RCRA

CERCLA/Superfund

State websites:

Missouri: Missouri Department of Natural Resources

<http://www.dnr.mo.gov/>

Sanborn Fire Insurance Maps

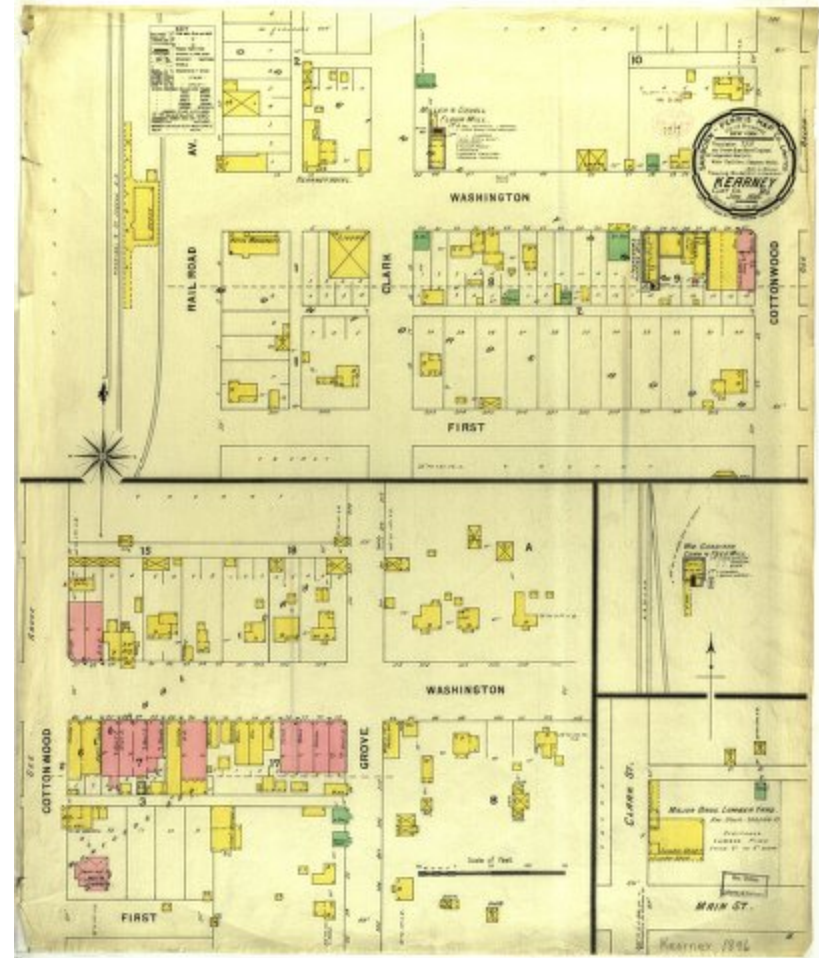
Phase I Investigation

Sanborn Maps

www.sanborn.com

Universities/Public Libraries

[http://mulibraries.missouri.edu/
specialcollections/
sanborne.htm](http://mulibraries.missouri.edu/specialcollections/sanborne.htm)



Topographic Maps

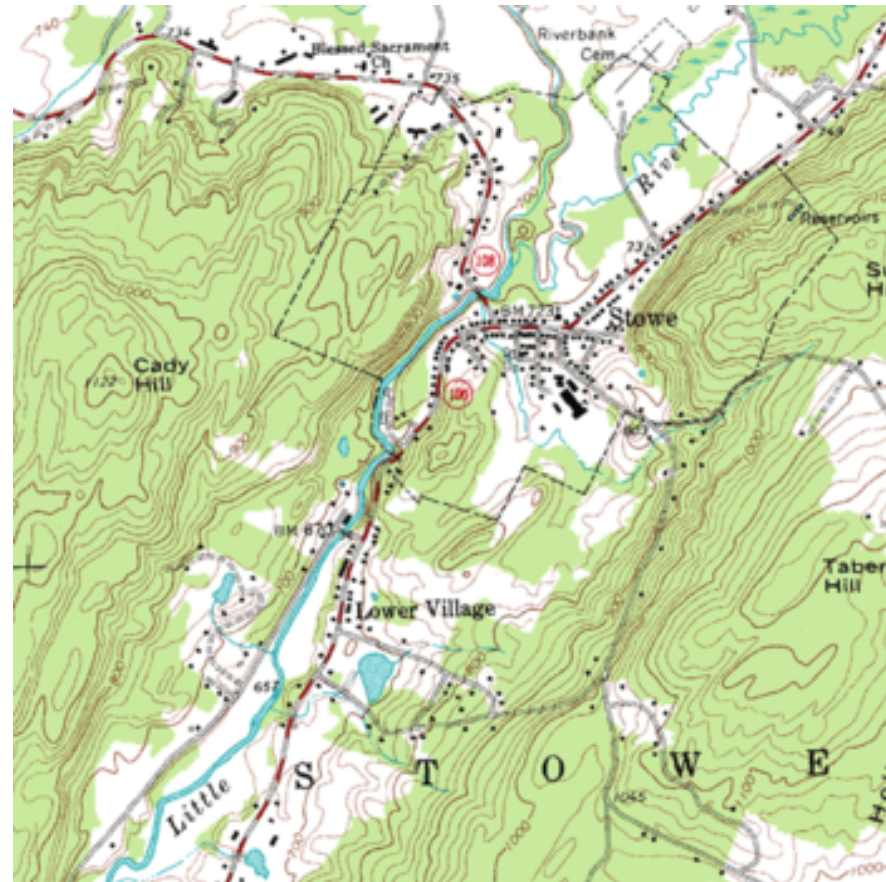
Phase I Investigation

USGS

<http://topomaps.usgs.gov/>

Topozone/Trails.com

www.topozone.com





Risk #3 : Not Understanding the Market Value

Use your knowledge of the area

Review real estate publications: realsatebook.com

Call realtors: MLS

Check assessed value by county

Talk to locals

Know approximate property value before you bid

Websites:

<http://www.zillow.com>

<http://www.trulia.com>



Questions

Send me your questions

michael@rogueinvestor.com