

## Companies that purchase late tax bills sued

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### Document Text

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Companies that buy delinquent property tax bills are charging unnecessary, exorbitant and illegal legal fees to owners who want to reclaim their property -- and preying on the elderly and unsophisticated, according to a lawsuit filed in Jefferson Circuit Court

The suit, filed earlier this month on behalf of an 86-year-old woman and two other plaintiffs, says that charging attorneys' fees, often within a year after the sales, is both unlawful and unethical

Under Kentucky law, private companies can buy delinquent bills and charge derelict owners 12 percent a year until they pay the debt. If the owners still don't pay after one year, the company can start foreclosure proceedings against the property and add interest and attorney fees.

But the law says that no action may be brought to initiate the foreclosure until one year after the property is certified delinquent.

The lawsuit alleges that the Jamos Fund I LP, of Fort Thomas, Ky., is violating that stipulation by tacking on exorbitant legal fees before the year expires, merely for sending notices to taxpayers that their bills have been purchased.

In an interview, James Ballinger, one of the lawyers for the plaintiffs, said other companies, including some owned by lawyers, are doing the same.

Cindy Lanham, a spokeswoman for the Kentucky Finance and Administration Cabinet, which is not involved in the suit, said it believes that attorneys' fees can be charged during that period, but Ballinger said he believes the courts will look askance at such fees if they aren't earned.

He said that the suit is the first of its kind filed in Kentucky and that the state's courts have never decided whether pre-litigation expenses can be charged during the year after a tax certificate is purchased.

#### Profitable business

Buying and selling tax bills is big business; in recent years in Jefferson County alone, the delinquent tax roll has averaged about \$14 million on about 15,000 delinquent bills. The interest on that amount in the first year is nearly \$1.7 million.

Statewide, the Kentucky Finance Cabinet estimates the delinquent tax roll at \$52 million.

Ballinger says that adding the legal fees is designed to make buying and selling the tax bills even more profitable.

The complaint asks that the suit be declared a class action on behalf of everyone who has paid what are described as "outrageous fees" to the Jamos Fund I and attorneys Steven Roland Smith and Greg Dewey Voss.

Filed on behalf of plaintiffs Flora Bailey, Mielen Hargrove and Dartanya Hill, all of Louisville, the suit says that the lawyers are part of the company and that the charges are not legitimate legal fees.

Ballinger contends that fees can only be charged if a company hires independent, outside attorneys.

Bailey said in a phone interview last week that she was angry about the situation.

"I want to get my money back," she said.

Jamos executives did not respond to requests for comment. Smith, who has a Cincinnati address, and Voss, of Burlington, also didn't return phone calls.

#### Bill grows \$600

Under the law, within 50 days of buying a tax bill, the purchaser must notify the property owner that interest is accruing and that the property may be foreclosed on if the debt and interest are not paid.

The lawsuit notes that there is no need or provision requiring that an attorney be hired to send out that notice

But last September, Smith sent a letter to Bailey, 85, telling her that he had been retained by Jamos to collect the \$812.91 she owes on her home at 4208 Greenwood Ave where she had lived for 52 years

A widow who lives on Social Security Bailey said she had fallen behind on her property tax bill

"We would like to give you an opportunity to contact us to pay the delinquent taxes owed on your property to prevent further collection action from being taken," the letter said

Bailey decided to pay

According to her lawsuit interest and a mandatory \$100 administrative fee should have increased Bailey's cost by \$132, on top of the delinquency

Instead, with the attorney fees the complaint alleges, the amount required to pay off the tax certificate "ballooned" to \$1,465, and Bailey had to take out a reverse mortgage on her home to pay it

Smith's letter said the extra charges -- \$520 in attorney fees -- were imposed for "researching the title on your property and collection efforts," despite the prohibition on collection efforts in the first year

The suit says that Hargrove's \$949 tax bill for 3137 Elliott Ave mushroomed to \$1,699 and that Hill's at 640 38th St climbed from \$1,575 to \$2,470

The complaint said that when Hargrove didn't respond to the letter, Voss sent her another one, portraying himself as a "new" lawyer assigned to the case, even though he and Smith have the same post office box and phone number.

According to the suit, the extra round of letters is designed to "dupe unsuspecting and uninformed property owners into paying Smith and Voss' unearned, unlawful and arbitrary fees "

The suit also notes that Jamos Capital LLC, also named as a defendant, has the same address, telephone number and fax number as the one listed for Smith with the Kentucky Bar Association Ballinger says that shows he wasn't an independent outside lawyer hired to do legal work

The suit asks for compensatory and punitive damages, as well as fines and an injunction banning Jamos from charging others the attorney fees

Ballinger acknowledges that his clients were charged fees in the amount allowed under a state formula for "pre-litigation expenses " But Ballinger argues that those expenses aren't justified during the yearlong waiting period

"You shouldn't be able to charge \$500 or \$600 or \$700 for writing a form-generated demand letter," he said

In Indiana, property owners also have a year to pay delinquent taxes -- plus 10 percent interest and penalties -- to get their property back

Judges set attorneys' fees -- which are generally \$350 -- for sending the required notices

If the property owner doesn't act within a year, the tax bill purchaser is given the deed to the property without having to file a foreclosure suit as is required in Kentucky

Attorney Eric Albrektson of Crestwood, who runs two companies that buy tax bills Lien Solutions LLC and Charter Group LLC, declined to say if they charge attorney fees during the first year or if he thinks it's lawful

Louisville lawyer David Pedley -- who does legal work for Woodford Finance LLC, which also buys tax certificates and is operated by his wife, Elizabeth according to state records -- said in an e-mail that Kentucky law "clearly provides that limited legal fees are permitted to be charged against a property owner during the year prior to the initiation of foreclosure actions "

He added that the law is "carefully constructed to protect the interests of taxpayers a goal which I completely support "

Reporter Andrew Wolfson can be reached at (502) 582-7189

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**Abstract** (Document Summary)

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