

Month of September

Topic: Use of Foreclosure Sales in Sales Studies



Dear STaCy,

I am the assessor of record in several townships and am preparing to gather sales data for use in preparing the single year sales studies as required by the Commission. While gathering data I noticed there are several foreclosure sales in the townships. Can foreclosure sales be utilized in a sales study and if so, are there any guidelines I should be aware of prior to my selection?

Yours Truly,
Looking for Sales

Dear Mr. Sales,

The proper selection of sales to be included in the ratio study is critical. In the past, it was often thought that foreclosure sales could not be included in a sales study because most were sold at a value far less than what the property is “actually worth”. Due to the condition of the current market and the vast amount of foreclosure sales, that thinking has begun to change and completely disallowing these sales is no longer appropriate.

The Commission believes that foreclosure sales can and should be included in the ratio/sales study as long as they are analyzed and properly verified. On August 15, 2007 the Commission issued Bulletin No. 6 which details the appropriate guidelines for using foreclosure sales in sales studies.

Please visit the Commission’s website at www.michigan.gov/statetaxcommission (not a live link) and access Bulletin 6 or 2007 for more detailed information.

Best wishes on completing the sales studies for your townships.

Sincerely,
STaCy