

A. General Matters

1. Any institution desiring to invest in Tax Lien Sale Certificates of Purchase (TLSCP) must receive approval of the Banking Board prior to the commencement of the activity. The institution must file an application with the Banking Board on the form provided by the Division of Banking.
2. No institution that has a regulatory composite examination rating (CAMELS) of "4" or "5" from any regulator shall purchase TLSCPs. No institution that has a regulatory composite examination rating CAMELS of "3" from any regulator and that is subject to a memorandum of understanding, cease and desist order, or written agreement imposed by or entered into with any regulator of the institution shall purchase TLSCPs. In the event that a institution's CAMELS rating is reduced to a "4" or "5" or to a "3" subject to regulatory action, that institution shall make no additional purchases of TLSCPs except such endorsements to previously purchased TLSCPs as may be necessary to protect the institution's investment in TLSCP purchases made prior to the reduction in its CAMELS rating, or until such time as its CAMELS rating has been restored to "3" or better, and it otherwise qualifies to purchase TLSCPs.
3. Institutions that are approved to purchase TLSCPs shall be restricted to purchases of TLSCPs on property situated in the county in which that institution has its principal place of business, or situated in a contiguous county.
4. The purchase of TLSCPs shall be restricted to certificates arising from delinquent ad valorem taxes representing liens on 1-4 single family occupied residences, or undeveloped residential lots in established subdivisions the improvements of which are maintained by the county in which they are situated.
5. The purchase of a TLSCP and related endorsements shall not be considered an investment in real estate for purposes of Section 11-105-304(9)(a), C.R.S. until such time as a treasurer's deed to the underlying property is issued to the institution.

B. Capital Restrictions

1. The aggregate value of TLSCPs and endorsements owned by an institution shall not exceed 15 percent of the institution's Tier 1 Capital plus its loan loss reserves.
2. The face value of TLSCPs, not including endorsements, purchased in any one year shall not exceed 6 percent of Tier 1 Capital plus loan loss reserves. This restriction will provide a cushion for endorsements of certificates in future periods.
3. At no time shall the face value of any TLSCP for a single property exceed one percent of the institution's Tier 1 Capital plus loan loss reserves.
4. The value of a TLSCP shall mean the redemption price of the original certificate and subsequent endorsements.

C. Due Diligence Must Be Exercised By The Purchasing Institution:

1. Prior to acquiring a TLSCP, institutions shall:
 - a. Obtain a written owners and encumbrances report;
 - b. Make a physical inspection of the property;
 - c. Obtain photographs of the property; and

- d. Obtain a copy of the assessment card for the property as prepared by the county assessor's office.
2. Prior to making an endorsement of a TLSCP, the institution shall update and review the property, including:
 - a. A written updated owners and encumbrances report;
 - b. Make a physical inspection of the property;
 - c. Obtain photographs of the property; and
 - d. Obtain an updated copy of the assessment card for the property as prepared by the county tax assessor's office.
3. Prior to making an application for a treasurer's deed on a TLSCP, the institution shall update and review the property, including:
 - a. A written updated owners and encumbrances report;
 - b. Make a physical inspection of the property;
 - c. Obtain photographs of the property;
 - d. Obtain an updated copy of the assessment card for the property as prepared by the county tax assessor's office; and
 - e. Evaluate any and all risks attendant with property ownership at the time, including any potential environmental or hazardous material issues.
4. If at any stage of the above due diligence any unsafe or unsound risk is revealed, the institution shall not purchase, endorse, or apply for the deed.
5. The institution shall maintain records documenting its due diligence efforts for each TLSCP until such time as the underlying property is redeemed.

D. Regulatory Reporting

1. TLSCPs shall be included in the Report of Condition as "Other Assets" until such time as the treasurer's deed to the underlying property is issued to the institution.
2. TLSCPs shall be assigned to the 100 percent risk-weighted category for the calculation of risk-based capital pursuant to Banking Board Rule IB47.

Amended Effective October 3, 2005

Amendments correct minor grammatical and technical errors.

Amended Effective March 1, 2004

Statutory reference amendment to conform Rule to recodified statutes; update terminology to conform to recodified statutes; formatting changes to comply with Colorado Secretary of State guidelines.

Amended Effective July 30, 1998

Technical and grammatical corrections.