



Glenn R. Reiser  
Partner  
Member of NJ Bar & NY Bar  
Direct Dial 201-527-6000

## Challenging the Bona Fide Purchaser Status in New Jersey Tax Foreclosure Cases

If you've lost your home or investment property in a **New Jersey tax foreclosure**, it may feel like the fight is over — especially if the property has already been sold to someone else. But that's not always the case. With the right legal strategy, you may still be able to **redeem your property** and recover the equity you thought was gone for good.

---

### A Typical Tax Foreclosure Scenario

Consider this situation:

- A tax lien investor forecloses on a tax sale certificate and gets a **final judgment of foreclosure** in the Superior Court of New Jersey.
- The judgment was entered less than three months ago.
- The property owner never requested a sheriff's sale, as permitted under recent changes to New Jersey's Tax Sale Law.
- The property is worth nearly **ten times more** than the lien, wiping out hundreds of thousands of dollars in equity.
- Because a final judgment in New Jersey operates as a deed, the investor becomes the legal owner and quickly sells the property to a third-party buyer at a steep discount.
- That buyer records a quit claim deed — but the former owner is still **living in the property** and now wants to pay off the tax lien and reclaim ownership.

The big question: **Is it too late once a third-party buyer steps in?**

The answer: **Not always.**

---

### **The Law on Bona Fide Purchasers in New Jersey**

New Jersey law protects a **bona fide purchaser for value (BFP)** — someone who buys property for fair value and without knowledge of defects in title. But that protection is not automatic.

In *Reaves v. Egg Harbor Tp.*, 277 N.J. Super. 360 (1994), the court explained that once evidence shows a buyer may have had notice of competing rights, the burden shifts. The purchaser must prove they were truly without notice.

The courts have repeatedly emphasized that **possession matters**. In *I.E.'s, L.L.C. v. Simmons*, 392 N.J. Super. 520 (2006), the court vacated a tax foreclosure judgment despite a third-party sale because the original family was still in possession. The court held that any buyer who sees someone living in a property has a duty to **investigate their rights** before closing.

This duty dates back decades. In *Hinners v. Banville*, 114 N.J. Eq. 348 (1933), the court overturned a sheriff's sale for the same reason: the so-called bona fide purchaser ignored the rights of those in possession.

---

### **Our Case: *Fundpality 2023, LLC v. Ho*, Superior Court of New Jersey**

We recently represented a 72-year-old disabled man who lost his longtime home in a tax foreclosure. The home was worth nearly six times more than the lien amount. After foreclosure, the investor sold the property to a third-party buyer for less than half its fair market value — just two months after the final judgment.

But our client never left the property. Further, our investigation uncovered the third-party principal's checkered past and the suspicious circumstances by which they acquired title to the property.

Using the precedents above, we successfully argued that the buyer was **not a bona fide purchaser**. The steeply discounted sale price and the fact that our client remained in possession were red flags the buyer could not ignore. The court agreed, vacated the foreclosure judgment, and **returned the home to our client**.

[\[Download the full court opinion here\]](#)

---

## What This Means for Property Owners

If you lost your property in a **New Jersey tax foreclosure**, do not assume that a third-party buyer ends your rights. Courts may still allow you to:

- **Redeem your property** by paying off the tax lien.
- **Challenge a so-called bona fide purchaser** if they bought while you were still in possession.
- **Recover your equity** when the sale price was grossly below fair market value.

Our law firm focuses on helping property owners protect their homes and investments from unfair tax foreclosure outcomes. If you or a loved one is in this unfortunate situation, speak with a **New Jersey tax foreclosure attorney** who knows how to fight back.\*

*\*Disclaimer. This article is provided for informational purposes only and should not be construed or relied upon as an exhaustive summary of the law on the particular points covered. Nor does a reader's access to this article or the downloading of this article from our website create an attorney client relationship with the law firm of Shapiro Croland Reiser Apfel & Di Iorio, LLP.*

*Descriptions and summaries about the attorney's prior cases and settlements found on this website are intended only to provide information about the activities and experience of our attorneys and should not be understood as a guarantee or assurance of future success in any matter. The results portrayed were dependent on a variety of facts and circumstances unique to the particular matters described, and do not reflect the entire record of the individual attorney(s) involved. Past results are not a guarantee of future results, and the outcome of your particular case or matter cannot be predicted using a lawyer's or law firm's past results. Every case is unique and different and should be evaluated on its own merits, without comparison to other cases that may have had different facts and circumstances.*