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March 12, 2024

The Honorable Jamie Becker-Finn
Chair, Judiciary Finance and Civil Law
Committee
559 State Office Building
St. Paul, MN 55155

The Honorable Peggy Scott, Ranking
Member, Judiciary Finance and Civil Law
Committee
335 State Office Building
St. Paul, MN 55155

Re: House File 3692

Dear Chair Becker-Finn, Ranking Member Scott, and committee members:

Pursuant to my duty under section 8.32 of the Minnesota Statutes to recommend statutory changes to protect consumers, I write in strong support of House File 3692. This legislation will protect Minnesota consumers from predatory contracts for deed and I strongly encourage the committee to advance it.

Contracts for deed are a centuries-old form of seller-financing that allow consumers without the means to obtain traditional lending to still purchase real estate. The transactions are risky to both sides. Purchasers run the risk of forfeiting the entire property, along with whatever equity and improvements have been made, with a single missed payment. Sellers risk selling property to customers with poor credit history and marginal or atypical income.

Thus far, Minnesota has minimally regulated contract for deeds, aside from sparse disclosure requirements that apply to multiple sellers. The lack of regulation, paired with a product designed to service the periphery of our community, has led to a landscape rife with abuse. Each year my Office receives many complaints about predatory loans involving contracts for deed. Sophisticated sellers have contracted all of the risks onto less experienced buyers. High downpayments combined with inflated purchase prices put the homes immediately underwater (as opposed to a traditional loan where 20% down would give you immediate equity to tap into). The use of balloon payments (sometimes annual balloons) and high interest rates (sometimes 100% of the payment goes towards interest) ensures that these contracts result in the buyer defaulting. A windfall for the seller. Investor sellers have capitalized on this market and commenced a practice of using contracts for deed as a vehicle to churn properties. Taking the life savings of families as down payments on the home with unsustainable payments results in a swift cancellation of the contract for deed, given that homeowners have neither the rights of tenants nor the protection of foreclosure law. Repeating this cancellation process is more profitable for a seller than the contract actually being performed.



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The legislation proposed to this committee aims to rebalance some of the risks of these transactions to both buyers *and* sellers in three meaningful ways. In addition to more clear and meaningful disclosures, the practice of churning is defined and prohibited. There is no need for investors to amass land wealth on the dime of destitute consumers. Second, the bill would briefly extend the short cancellation window for these contracts from 60-days to 90-days. This slight extension will minimally assist defaulted buyers in getting caught up before a complete forfeiture of their home. Yet, a 30-day extension cannot be said to chill the use of contracts for deed in lieu of foreclosures, which still take upwards of a year in comparison. Lastly, the bill aims to curtail the use of high down payments being forfeited to investors and to treat the home as something that can garner equity for the purchaser. The bill does not limit down payments at all, but rather forces investor sellers to return any portion of a down payment that exceeds 10% when there is a cancellation in the first four years of the transaction. This protection disincentivizes churning and encourages sellers to make deals that look destined to succeed and the seller can perform. Too often in Minnesota have family's life savings been swindled by an investor making a loan to someone with no income, job, credit, or ability to pay the debt.

My office has seen contracts for deed heavily targeted to poor and minority communities. These vulnerable populations often don't have the means to pay a lawyer to review the documents or the wherewithal to negotiate an inspection of the home before the purchase. For many purchasers, English is a second language and they enter predatory transactions based on trust of professional sellers or other less scrupulous members of their community. Religious principles also play a role in homebuyers feeling pressured into avoiding traditional loans and seeking options that are catered as "interest-free" and adherent to their faith, whether or not they actually are.

Given the external factors that weigh upon these transactions in favor of sellers, it is imperative that the legislature step in to balance the scales. Thank you for allowing me to provide my recommendations with respect to this bill. If you have any questions or would like additional information, my team and I would be happy to help in any way that we can.

Sincerely,

KEITH ELLISON
Attorney General

March 12, 2024

Chair Becker-Finn and Members of the House Judiciary Finance and Civil Law Committee:

Thank you for the opportunity to submit written testimony on Rep. Hassan's HF 3692, modifying requirements for contract for deeds between investor sellers and purchasers of residential property.

Minnesota Realtors® (MNR) was founded in 1919 and is a business trade association with a membership of over 21,000 real estate professionals statewide active in all aspects of the real estate transaction.

MNR would like to thank Mr. Ron Elwood, Legal Aid, for the many conversations we have had over the past few months regarding the provisions in HF 3692. These discussions have been productive, and we look forward to continuing this dialogue as the bill progresses.

MNR supports key outcomes this legislation is trying to achieve:

- Our members work with both buyers and sellers of real property and believe strongly that all transactions, including those using contract for deed financing, must treat buyers and sellers fairly
- Having clear disclosures, so buyers and sellers have a shared understanding of the responsibilities of both parties, is critical to a successful transaction

Our members also believe that contract for deed financing is a valuable tool for helping some buyers achieve homeownership and we do not want to see it disappear or become so onerous for sellers that it is no longer viable.

One provision in the bill that has been the subject of much conversation is the creation of a duty for an investor seller to refund down payments (Sec. 15, Subd. 5). This provision states, *"If an investor cancels a contract for deed within 48 months of executing the contract, any portion of the down payment that exceeded ten percent of the purchase price shall be refunded to the purchaser within 180 days of the cancellation of the contract."*

There are costs to the seller associated with termination of the contract, however the refund provision in the bill does not contain any offsets. For example, if the purchaser

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damages a property, we believe the cost of mitigating that damage should be deducted from the refunded amount.

We look forward to working with Rep. Hassan and continuing to work with Mr. Elwood and other interested parties as the bill moves forward.

Thank you again for the opportunity to provide written testimony on HF 3692.

Sincerely,

A handwritten signature in cursive script that reads "Paul Eger".

Paul Eger
Senior Vice President, Governmental Affairs
Minnesota Realtors®



March 8, 2024

The Honorable Jamie Becker-Finn, Chair
Judiciary Finance and Civil Law Committee
559 State Office Building
St. Paul, MN 55155

The Honorable Peggy Scott, Ranking Minority Leader
Judiciary Finance and Civil Law Committee
335 State Office Building
St. Paul, MN 55155

Dear Chair Becker-Finn and Committee Members:

The Minnesota Council on Latino Affairs (MCLA) is in full support of the new contract requirements for deeds in bill HF3692, authored by Rep. Hassan. This bill will bring transparency, protections, and fairness in transactions involving investor-sellers and buyers of homes on a contract for deed.

Media stories in Minnesota and nationally, and complaints to the Attorney General, the Department of Commerce, and legal and housing advocacy organizations, have revealed the predatory nature of some of these transactions and the risks posed to buyers, particularly those in the Somali and Latine communities.

While preserving the status quo for contracts for deed between individuals, this initiative will increase protections for buyers entering into these contracts, provide key new rights of buyers and requirements of investor-sellers, require critical and prominent disclosures (including the language in which the transaction was advertised or negotiated), will protect buyers regarding the recording of the contract, and assure strong remedies for violation.

The Council believes that with the proper information and communication, this bill will reduce -if not eliminate- any threats for our communities that strive for homeownership and generational wealth, creating more prosperity in the state. We respectfully advise to support this bill as well.

Sincerely,

Rosa Tock
Executive Director



March 11, 2024

The Honorable Jamie Becker-Finn, Chair, Judiciary Finance and Civil Law Committee
The Honorable Peggy Scott, Republican Lead, Judiciary Finance and Civil Law Committee
Judiciary Finance and Civil Law Committee members

The Minnesota Homeownership Center supports contract for deed legislation to increase protections for residential contract for deed buyers and to balance the interests of investor-sellers and buyers. We encourage your support of HF 3692.

Contracts for deed are a critical financing mechanism for residential purchases, particularly for lower income and immigrant borrowers who may not be able to obtain traditional financing due to limited credit experience, religious beliefs, and other factors.

Unfortunately, existing legislation does not protect unsuspecting consumers from unscrupulous sellers, leaving buyers prone to predatory practices and risky transactions with little recourse. We are particularly encouraged by the provisions in this bill that require seller recording of the contract and enhanced disclosures to buyers.

Thank you for your efforts in working to ensure more affordable homeownership and wealth-building opportunities for Minnesotans.

In partnership,

A handwritten signature in black ink, appearing to read "Julie Gugin". The signature is fluid and cursive, written in a professional style.

Julie Gugin, President & CEO Minnesota Homeownership Center

MPLS

3/11/2024

Dear Chair Becker-Finn and members of the House Judiciary Finance & Civil Law Committee,

Our Streets Minneapolis stands alongside other members of the Contract for Deed Reform Coalition to express our full support for Minnesota House File 3692, which seeks to reform contract-for-deed home sales.

Our Streets Minneapolis is a grassroots organization that works to put people first in transportation projects and advance a community where everyone thrives. We talk with people every day, at their doors, businesses and transit stops, about the transportation projects in their communities. Housing and transportation go hand in hand. During doorknocking conversations, the need for stable housing is one of the most discussed topics by community members.

Just like streets and bridges, safe and stable housing is essential infrastructure. A stable housing environment fosters a sense of belonging and security that is essential to both individual and economic well-being. H.F. 3692 establishes long-overdue reforms to ensure fair and transparent housing transactions.

This bill represents a significant and needed step toward ensuring that all members of our community have equitable access to safe and affordable housing. Contract-for-deed sales lack the protections of traditional mortgages, leaving buyers vulnerable to predatory practices. These contracts often result in high interest rates, hefty fees, and little legal recourse for buyers if they default. As a result, many community members end up losing their homes and any equity they've invested.

H.F. 3692 would ensure that individuals and families seeking housing through contract-for-deed arrangements have increased protection. By capping interest rates, mandating comprehensive disclosures, and providing buyers with enhanced legal rights and resources, this bill protects vulnerable populations from predatory practices that can result in housing instability.

A more just and inclusive society relies heavily on housing equity. House File 3692 addresses our region's steep racial disparities in homeownership access, which have been shaped by racially restrictive covenants, redlining and other discriminatory housing market practices.

We urge you to support Minnesota House File 3692 and make its passage a priority.

Thank you for your attention to this matter.

Sincerely,

José Antonio Zayas Cabán
Executive Director, Our Streets Minneapolis

The Honorable Chair Becker-Finn

House Judiciary Finance & Civil Law Committee

Minnesota House of Representatives

March 11th, 2024

Dear Chair Becker-Finn and members of the House Judiciary Finance & Civil Law Committee,

We are writing on behalf of the Contract for Deed Reform Coalition to express our full support for Minnesota House File 3692, which aims to reform contract-for-deed home sales. This file represents a significant step toward ensuring that all members of our community have equitable access to safe and stable housing.

As a result of House File 3692, individuals and families seeking housing through contract-for-deed arrangements will have increased protection. This file protects vulnerable populations from predatory practices that can result in housing instability and financial exploitation. It does this by capping interest rates, mandating comprehensive disclosures, and providing buyers with enhanced legal rights and resources.

Furthermore, we strongly believe that safe and stable housing is essential to generational stability and accountability within our community. A stable housing environment facilitates the building of futures for individuals and families, by fostering a sense of belonging and security that is essential to both individual and economic well-being. House File 3692 establishes reforms to ensure fair and transparent housing transactions. This allows individuals and families to establish roots, invest in their communities, and achieve long-term success.

A more just and inclusive society relies heavily on housing equity. House File 3692 addresses disparities in homeownership access and combats discriminatory practices within the housing market. This is to advance housing equity and ensure that all members of our community have equal opportunities to own a home.

As a final point, we urge you to support Minnesota House File 3692 and make its passage a priority. With reforms designed to protect home buyers' rights and promote equitable access to housing, Minnesotans can look forward to a more secure and prosperous future.

Contract for Deed Reform Coalition Urges you to Vote YES for House File 3692. If you have any questions please do not hesitate to contact us

Thank you for your attention to this matter.

Sincerely,



Ayada Leads, Jewish Community Action, Reviving Sisterhood, OurStreetsMpls, CAIR-MN, HomeLine