

**Sixty-eighth Legislative Assembly of North Dakota
In Regular Session Commencing Tuesday, January 3, 2023**

HOUSE BILL NO. 1188
(Representatives Louser, Boschee, Cory, Koppelman, Meier, Mock, Steiner, VanWinkle)
(Senators Larsen, Larson)

AN ACT to create and enact a new chapter to title 47 of the North Dakota Century Code, relating to the prohibition of unfair service agreements.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new chapter to title 47 of the North Dakota Century Code is created and enacted as follows:

Definitions.

As used in this chapter:

1. "Recording" means the act of presenting a patent, deed, mortgage, bill of sale, security agreement, judgment, decree, lien, certificate of sale, or other instrument required to be filed or admitted to record, to the county recorder of the county in which the property is situated, for the purposes of placing the document in the proper books or other storage media as described in section 11-18-01.
2. "Residential real estate" means real property located in this state which is used primarily for personal, family, or household purposes and which is improved by one to four dwelling units.
3. "Service agreement" means a contract under which a person agrees to provide services in connection with the maintenance, purchase, or sale of residential real estate.
4. "Service provider" means a person that enters a service agreement with a person that has an interest in residential real estate.

Unfair service agreements - Prohibition.

1. A service agreement is deemed unfair under this chapter if the service obligations of the agreement are not to be performed within one year after the agreement is executed and the agreement:
 - a. Purports to be a covenant running with the land as described in section 47-04-25;
 - b. Purports to be binding on future owners of interests in the real property;
 - c. Allows for assignment of the right to provide service without notice and agreement of the owner of residential real estate; or
 - d. Purports to create a lien, encumbrance, or other real property security interest.
2. This chapter does not:
 - a. Apply to a home warranty or other type of similar product that covers the cost of maintenance of a major housing system for a set period of time from the date a house is sold;
 - b. Apply to an insurance contract;
 - c. Apply to an option to purchase or right of refusal;

- d. Apply to a maintenance or repair agreement executed between a landowner and a homeowners' association in a common interest community; and
- e. Impair the rights and remedies provided in chapter 35-27.

Actions to terminate service agreements for unfairness - Unfair agreements void and unenforceable - Recording of court order.

- 1. A person claiming to be subject to an unfair service agreement under this chapter may bring an action to terminate the agreement in the district court of the county in which the property is situated.
- 2. If a service agreement is found to be unfair under this chapter:
 - a. The agreement is void; and
 - b. A certified copy of the court order finding the service agreement void must be filed for recording along with a copy or memorandum of the original service agreement if the original service agreement is not of record.

Actual damages - Costs and attorney's fees.

The district court shall award the actual damages arising from the unfair service agreement, actual attorney's fees proven against the service provider, and costs incurred by the challenging party if the party with an interest in residential real estate subject to a service agreement has been found to be unfair by a district court.

Speaker of the House

President of the Senate

Chief Clerk of the House

Secretary of the Senate

This certifies that the within bill originated in the House of Representatives of the Sixty-eighth Legislative Assembly of North Dakota and is known on the records of that body as House Bill No. 1188.

House Vote: Yeas 91 Nays 0 Absent 3

Senate Vote: Yeas 47 Nays 0 Absent 0

Chief Clerk of the House

Received by the Governor at _____ M. on _____, 2023.

Approved at _____ M. on _____, 2023.

Governor

Filed in this office this _____ day of _____, 2023,

at _____ o'clock _____ M.

Secretary of State