

1 STATE OF OKLAHOMA

2 1st Session of the 56th Legislature (2017)

3 SENATE CONCURRENT
4 RESOLUTION 1

By: Pittman

5
6 AS INTRODUCED

7 A Concurrent Resolution condemning the financial
8 practice of using Contracts for Deeds; encouraging
9 federal, state and local policies which protect
10 vulnerable citizens and promote home ownership; and
11 directing distribution.

12 WHEREAS, the Oklahoma State Legislature strives for social and
13 economic equality of all persons through the enactment of federal
14 state, and local laws securing civil rights; and

15 WHEREAS, since the sub-prime housing crisis began in 2007,
16 African-American household wealth has continued to decrease,
17 producing a loss of forty percent of non-home-equity wealth.
18 Additionally, home equity wealth, which dropped 19 percent during
19 the crisis, has declined an additional 13 percent; and

20 WHEREAS, according to figures from recent American housing
21 surveys, while only 5 percent of all owner-occupied households in
22 the United States had contracts for deed in 2005, 9.5 percent of
23 Hispanic owner-occupied households and 7.1 percent of Black owner-
24 occupied households across the country used them; and

1 WHEREAS, because most families desire to become homeowners, over
2 three million families have entered into a Contract for Deed in
3 pursuit of their ambitions of homeownership. A Contract for Deed,
4 also known as a land sales contract or land installment contract, is
5 a seller finance method to purchase a home where the seller retains
6 the legal title to the property until the homebuyer finishes paying
7 all principal payments and interest owed under the contract; and

8 WHEREAS, Contracts for Deeds are used by low-income homebuyers
9 who are unable to obtain a traditional mortgage or financing because
10 of poor credit ratings, inadequate income or other issues; and

11 WHEREAS, Contracts for Deeds allow the seller to avoid health
12 and safety regulations, and crucial repairs to the property, while
13 transferring the burden of property taxes, property insurance, and
14 repairs to the homebuyer; and

15 WHEREAS, in comparison to renting, the home-buyer must pay more
16 per month for the property under a Contract for Deed, make a larger
17 upfront payment, and take better care of the premises, because the
18 homebuyer believes he or she will eventually become the homeowner.
19 However, sellers rarely end up transferring the title to the
20 prospective homebuyer; and

21 WHEREAS, a balloon payment often requires the buyer to secure a
22 traditional mortgage to pay off the final amount or risk the
23 contract being cancelled by the seller; and

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1 WHEREAS, Contracts for Deeds are often consummated between the
2 home-buyer and the seller without the benefit of a title search and
3 title insurance, government regulatory protections and standardized
4 legal documents in many states including Texas, Illinois, Michigan,
5 Minnesota, West Virginia, South Dakota, Ohio, South Carolina and
6 Florida; and

7 WHEREAS, investment firms ("Investors") that acquired land
8 during the recent recession use Contracts for Deed to target
9 vulnerable people largely low-income minorities who either: (1) are
10 unable to fully comprehend the risk associated with a Contract for
11 Deed; or (2) lack the financial means to satisfy the contract; and

12 WHEREAS, investors use Contracts for Deed to "sell" homes
13 requiring major repairs, due to: (1) physical damage; (2) biological
14 contaminants (black mold); (3) structural problems (foundational
15 issues); and (4) missing or improperly functioning building systems
16 to low-income homebuyers; and

17 WHEREAS, the Investors typically include in a 30-year Contract
18 for Deeds provisions that require the homebuyer to: (1) pay an
19 interest rate in excess of nine percent; and (2) bring the property
20 to a habitable condition within four months of the contract. These
21 terms force low-income homebuyers to devote large amounts of money
22 into properties to satisfy the contracted provisions, on top of
23 large monthly payments with exceptionally high interest rates; and

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1 WHEREAS, investors promptly seek to evict the homebuyer for
2 violating the contract once the homebuyers fail to bring the house
3 up to a habitable standard in the brief amount of time allowed or
4 for not being able to afford payments pursuant to the contract.

5 Moreover, investors include in the Contract for Deed a one-sided
6 clause for compulsory binding arbitration to avoid homebuyers'
7 consumer protections from being adjudicated in a court of law; and

8 WHEREAS, the eviction causes the low-income homebuyer to lose
9 rights to the home and all capital spent on the property prior to
10 the eviction. The seller retains the title to the property, income
11 paid pursuant to the contract, and improvements the homebuyer was
12 able to afford. The seller is then able to enter into a new
13 contract for deed with a new prospective homebuyer and continue the
14 cycle of contracting and evicting; and

15 WHEREAS, Contracts for Deed have existed for decades, but are
16 now receiving new scrutiny at the federal level from the United
17 States Consumer Financial Protection Bureau; and

18 WHEREAS, the proliferation and abuse of Contracts for Deed
19 presents the risk of creating yet another large drain on African-
20 American wealth comparable in impact to the housing finance abuses
21 that brought about the 2007 sub-prime crisis.

22 NOW, THEREFORE, BE IT RESOLVED BY THE SENATE OF THE 1ST SESSION
23 OF THE 56TH OKLAHOMA LEGISLATURE, THE HOUSE OF REPRESENTATIVES
24 CONCURRING THEREIN:

1 THAT the Oklahoma Legislature condemns the use of Contracts for
2 Deeds to exploit low-income homebuyers and requests the Department
3 of Housing and Urban Development, the Department of Veterans
4 Affairs, and the Rural Housing Service of the Department of
5 Agriculture to enact regulations and safeguards against predatory
6 uses of Contracts for Deeds, to prohibit the practice of using
7 Contracts for Deeds to unjustly evict low-income families from their
8 homes and encourages non-profit, community organizations, and banks
9 to host programs on homeownership, especially for first-time home
10 buyers.

11 THAT a copy of this resolution be distributed to the President
12 of the United States, Vice President of the United States, members
13 of the United States House of Representatives and the United States
14 Senate, and other federal and state government officials as
15 appropriate.

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