



Question submitted via the Network's 311 for Cities feature:

We need information regarding best practices related to the regulation of “contract for deed” practices, with the intent to hold landlords accountable for the condition of their properties when they allow them to be occupied by lessors. The terms of the contract for deed (although a civil transaction not involving the government) sometimes condemn unsuspecting lessors to unreasonable and disproportionate servitude. It seems to us that perhaps the “industry” could be regulated just as predatory lenders are. Can the Network help?

Response from the Network's experts:

Our team has been looking into the questions you've raised and has come up with a few resources that we think might be helpful.

The State of Minnesota revised their contract for deed laws in 2013, so there is a decent amount of [press](#) and [analysis](#) of the changes that might be of interest to you. Under the new law, many sellers will have to provide a notice that spells out some of the drawbacks of such purchases and suggests that prospective buyers obtain an appraisal and inspection before finalizing their contract for deed (among other steps). Failure to provide such notice could result in penalties of as much as \$7,500 for the sellers. The new requirements cover “multiple sellers,” defined as individuals or companies that sell at least four residential properties on a contract for deed in a 12-month period. A key drawback seems to be that no state agency has been charged with overseeing the market or addressing abuses; instead, buyers are just given the legal right to sue. Based on what we read, it seems like negative press in a major paper helped spur this change along.

We also saw that the Minnesota Homeownership Center has published a [guide](#) to buying or selling via contract for deed; this could be used to supplement the educational materials you have already provided residents.

[This resource](#) details the evolution of contract for deed regulation in the state of Texas. Beginning with page 8, it highlights early protective measures (1995), amendments made in 2001, and proposed revisions made in 2005. The major change in 2001 was to make applicable statewide amended versions of provisions that had applied only in certain economically distressed counties.

As I'm sure you know, this issue seems to be fairly nuanced and state-specific, but I hope some of these resources are helpful. If you have any follow up questions or want to dig a little bit deeper, please let me know and we'll do our best to get you connected with folks who have the relevant expertise.

The materials and responses provided by the National Resource Network are designed to provide accurate and authoritative information on the subject matter(s) covered. However, the materials and responses are for informational purposes only. They do not promise or guarantee any final result, or constitute legal, accounting or other professional advice. If expert advice is required, you should consult a competent attorney, accountant or other appropriate professional. Finally, nothing contained in these responses should be construed to constitute an endorsement of any organization, product, service or professional.