



**Representative Michele Lepore-Hagan
58th Ohio House District**

**House Bill 368 – Sponsor Testimony
Financial Institutions, Housing, and Urban Development Committee
Tuesday, October 24, 2017**

Chairman Dever, Vice Chair Sprague, Ranking Member Smith, and members of the Financial Institutions, Housing, and Urban Development Committee; thank you for the opportunity to provide sponsor testimony for House Bill 368 (HB 368), the Fair Lending through Land Contracts Act.

This legislation will establish new protections for Ohioans who are buying homes via land installment contract (LICs) commonly referred to as “Lease to Own” or “Rent to Own” agreements. Along with protecting consumers, the legislation will strengthen communities throughout the state by requiring sellers to correct code violations and pay outstanding fines before they can enter into these agreements with a prospective buyer.

I drafted the legislation in response to concerns about abuses in the LIC market raised by consumers, traditional lenders, advocacy organizations, local government officials and the news media. When executed properly, LICs provide a path to home ownership for people who do not qualify for a traditional mortgage loan. Unfortunately, a growing number of unscrupulous firms are now using the agreements to trap trusting buyers in predatory loans.

These companies swooped into Ohio and other states devastated by the collapse of the housing market, bought homes for pennies on the dollar from Fannie Mae and banks, inflated the value of the homes, then enticed residents to take out high-interest, long-term loans the lenders knew the borrowers would have little, if any, chance of repaying. In fact, default is a key component of the lenders’ business model because it enables them to place their dilapidated properties on the market time after time after time, borrower, after borrower, after borrower.

The problem has become so severe that the City of Cincinnati recently [filed suit](#) against Harbour Portfolio Advisors, the nation’s largest seller of foreclosed properties, alleging that the firm is a ‘predatory actor’ that targets vulnerable borrowers. According to the city, the firm owes more than \$360,000 in unpaid fines and fees and has failed to properly maintain dozens of homes. In at least one instance, Harbour’s negligence resulted in a child-testing positive for lead poisoning.

To illustrate just how profitable this business can be for companies that are willing to place our state’s residents in both physical and fiscal jeopardy, that home, located at 3814 St.



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Lawrence Avenue in Cincinnati, was purchased by Harbor from Fannie Mae for \$7,600, then sold via an LIC for \$40,700.

This one example underscores the shocking revelations contained in a *New York Times* (NYT) report about the industry. The paper noted that Harbour purchased approximately 7,000 single-family homes from Fannie Mae for \$10,000 or less and then pawned them off on unsuspecting buyers who were surprised to find their new “dream” homes lacked working plumbing, furnaces and electrical systems.

Harbour is not the only company in the business of using LICs to bilk consumers and devastate neighborhoods. Columbia, South Carolina-based Vision Property Management (VPM), which also owns properties in Cincinnati, is among the worst of the bad actors. According to the *NYTimes* report, the company routinely fails to register the properties it buys with cities, fails to make needed repairs, and then convinces people barely able to make payments to enter into contracts that make the borrower responsible maintaining or fixing the home. One former VPN employee described the company this way:

"My big problem with the culture there was that we knowingly manipulated people's bad situations for our own gain. When people presented us with their problems like 'oh I need a little help with this, I need a little bit of help with that, I can't swing that,' they were pretty much ridiculed. They were never worked with."

VPN is so bad that Fannie Mae now refuses to sell homes to the company. While this is a good thing, the company still owns thousands of homes that it can use to cheat and exploit hopeful buyers.

The following provisions of the Fair Lending through Land Contracts Act will address many of the concerns raised by consumers, traditional lenders, advocacy organizations, and news outlets:

1. The contract can only be recorded when all liens and code violations are alleviated.
2. The company offering the property must make all repairs and do what is reasonably necessary to make the property habitable.
3. Provide an inspection and a certificate of compliance with the building code.

This is especially important because many of the building code violations are serious. For example, there is a tree growing through the roof of a VPM-owned property in my



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district and many of the homes owned by the predatory lenders who dominate the LIC industry have collapsing foundations, failing façades, and walls covered with peeling lead paint.

Forcing the owners of these homes to bring them up to code will both protect the well-being of thousands of Ohioans and strengthen neighborhoods in Youngstown, Warren, Akron, Cleveland, Columbus, Cincinnati, Toledo, Canton and the numerous other communities that have been targeted by Harbour, VPM, and other unscrupulous operators who are willing to place people in danger and destroy neighborhoods in order to make a buck.

Chairman Dever and members of the committee, HB 368 is much-needed, and long overdue. Its reasonable provisions are supported by traditional lenders, consumer groups, housing advocates, local government officials and real estate agents. Enacting this bill, as some opponents may claim, will not close off an avenue that enables non-traditional borrowers to buy a home, it will create the opportunity for hard-working Ohioans to realize the dream of homeownership in a house that is not a nightmare.

Thank you again for the opportunity to provide sponsor testimony for House Bill 368. I am able to answer any questions you may have at this time.