



**Representatives Michele Lepore-Hagan & Don Manning
58th & 59th Ohio House Districts**

**House Bill 103- Sponsor Testimony
Civil Justice Committee
Tuesday, March 26, 2019**

Chairman Hambley, Vice Chair Patton, Ranking Member Brown, and members of the House Civil Justice Committee; thank you for the opportunity to provide sponsor testimony for House Bill 103 the Fair Lending through Land Contracts Act.

We drafted the legislation in response to concerns about abuses in the land installment contract industry (LIC) raised by consumers, traditional lenders, advocacy organizations, local government officials, community leaders, 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, unscrupulous firms operating in this largely unregulated industry are ruining lives and decimating neighborhoods across our state. These companies swooped into Ohio cities devastated by the collapse of the housing market in 2008, bought homes for pennies on the dollar from Fannie Mae and banks, inflated the value of those homes, then enticed residents to take out high-interest, long-term loans the lenders knew 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.

HB 103 will bring much needed regulation and fairness to the LIC marketplace. This common-sense legislation will protect buyers and communities by requiring landlords and property management companies to act responsibly. Among other important reforms, the bill will:

- Require that each LIC clearly spell out the seller's and buyer's obligations;
- Require the seller to make all repairs necessary to keep the property in a fit and habitable condition during the course of the land installment contract;
- Requires the seller to obtain a certificate indicating the property complies with applicable building codes;
- Make the seller responsible for taxes, assessments, and other charges against the property;
- Requires the seller to pay off all liens on the property before an LIC is executed;
- Prohibit a seller from holding a mortgage on the property when an LIC is executed or from placing a mortgage on the home during the term of the LIC;
- Requires the seller to obtain an independent appraisal of the property before executing an LIC

Anyone who doubts the urgency of the situation need look no further than Cincinnati. Attached to my testimony is an in-depth report from WCPO TV in Cincinnati chronicling the abuses that led the city to sue Harbour Portfolio Advisors of Dallas, Texas, and Vision Property Management of Columbia, South Carolina in 2017. The suit alleged that both firms were "predatory actors." According to the city, the firms



Representatives Michele Lepore-Hagan & Don Manning 58th & 59th Ohio House Districts

owed hundreds of thousands of dollars in unpaid fines and fees and 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. Lawrence Avenue in Cincinnati, was purchased by Harbor from Fannie Mae for \$7,600, then sold via an LIC for \$40,700.

In March of 2018 Vision and Harbour reached settlements with the city. Along with paying a \$88,679.61 fine and turning over three "nuisance properties" to the Hamilton County Land Reutilization Corporation, Vision agreed to bring two other properties up to city building department standards, to refrain from offering properties in Cincinnati unless the building department deemed them habitable, and to comply with all state and city rental laws.

Harbour paid the city \$125,000 and agreed to bring their properties into compliance with city code. The company also agreed to let the buyer know about any citations, liens, unpaid taxes or other issues with a property before signing an LIC. The company also agreed to record all future LICs with the county recorder's office.

We would note at this point that the terms of the settlements the city reached with Harbour and Vision mirror the provisions of HB 103. Clearly, the firms and the city believe the reforms set forth in the legislation are the best way to end the abuses that plague the LIC industry.

While we are pleased the companies signed settlements that comport with the most important provisions of HB 103, and that the cities of Youngstown, Toledo, and Cincinnati have passed ordinances mirroring the legislation, we are dismayed that residents of Cleveland, Columbus, Akron, Canton and other communities across Ohio are still at risk of being preyed upon by unscrupulous landlords and property management firms. In fact, people living in cities that have not passed local ordinances are now more likely to be victimized as predators take aim at communities that have not regulated LICs.

Just in case anyone is laboring under the delusion that the LIC problem is limited to our larger cities and urban areas, on March 20, 2019, East Liverpool's housing inspector Kayla Crawl asked city council to pass an ordinance regulating LICs. According to Crawl, the idea behind the new ordinance, modeled after similar code enacted in the city of Youngstown, is to curtail the use land contracts "as a crutch to hide rentals." "The issue we have is landlords using land contracts to get out of obtaining rental licenses, inspections and insurance." Crawl said people are buying gutted homes with no water lines intact, selling them on so-called land contracts to others who are living in them, even though they are not inhabitable, and once a house is inhabited, getting inside for an inspection is more difficult, sometimes requiring a search warrant.



**Representatives Michele Lepore-Hagan & Don Manning
58th & 59th Ohio House Districts**

Mr. Chairman and members of the Committee, we believe the time has come to protect all Ohioans. Requiring landlords and property management firms to remediate building code violations is critically important because many of the homes they own have collapsing foundations, failing façades, walls covered with peeling lead paint, unsafe wiring, unsanitary plumbing, dangerous furnaces and myriad other problems that should have rendered the houses uninhabitable. Yet firms like Harbour, Vision and others market and sell them despite dangerous defects.

Why? Because they can. Because we let them.

It's time we stop letting them. Passage of HB 103 will both protect the well-being of thousands of Ohioans and strengthen communities across the states that have been targeted by the unscrupulous operators who are willing to place people in danger and destroy neighborhoods in order to make a buck.

Chairman Hambley and members of the committee, HB 103 is much-needed, and long overdue. Its reasonable provisions are supported by traditional lenders, consumer groups, housing advocates, local government officials. 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 103. We are able to answer any questions you may have at this time.