

## **Ian Beniston**

### **House Bill 103- Proponent Testimony**

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

My Name is Ian Beniston, and I am the Executive Director of the Youngstown Neighborhood Development Corporation (YNDC) and the Vice President of ACTION, a faith based membership organization composed of 26 churches and civic groups in Youngstown and Mahoning County. YNDC is a citywide neighborhood planning and development that works tirelessly to stabilize and revitalize neighborhoods throughout the City of Youngstown. Our efforts have resulted in 297 homeowner receiving critical home repairs, the renovation of 121 vacant buildings, the creation of 417 homeowners, the cleaning and boarding of more than 2,300 homes, and many other improvements to Youngstown neighborhoods.

Several years ago we began to experience an increasing number of calls from clients seeking our housing counseling and home repair services that were in land contracts. Many of the residents calling YNDC did not fully understand the terms of the land contracts they executed or the extent of the repairs needed in the homes they were attempting to purchase through a land contract.

After receiving a number of these calls YNDC began to investigate and quickly identified many out of town companies and local investors purchasing low value properties and using predatory type land contracts to market the properties. These companies and investors often target their efforts to low-income and communities of color and preyed on people's desire to become homeowners.

Recent research by Policy Matters Ohio shows there have been more than 47,000 land contracts recorded in the State of Ohio from 2008 to 2018 and these are only the recorded contracts. In Mahoning, Columbiana and Trumbull County that compose the Mahoning Valley more than 5,100 land contracts were recorded from 2008 to 2018 (again this does not include the unrecorded). We suspect there are many thousands more unrecorded land contracts across the State of Ohio, as the act of not recording is another predatory condition. When we normalize the number of land contracts per 1,000 people we see that the most impacted counties are rural places including: Galia, Adams, and Highland.

Their research also shows that a single notorious property owner and purveyor of predatory land contracts, Harbour Portfolio engaged in over 1,300 transactions in Ohio alone during this time. The use of predatory land contracts by Harbour Portfolio has been well documented throughout this country by many news outlets, the Federal Reserve Bank, and other academic and advocacy groups.

So what is a predatory land contract?

- **Vendee (buyer) is responsible for all repairs to property EVEN though the Vendee is NOT the legal owner of the property. When an individual purchases a home with a traditional mortgage they become the legal owner, but if they use a land contract they do NOT become the owner. Example: 878 Palmer - C&K Properties (Carmen Neapolitan), vendee has no furnace and went through the winter heating her home with a stove.**
- **Vendee often pays an artificially high purchase price and an excessive interest rate. These two items result in vendees (buyers) paying many times the value for a property that is often inhabitable. Example: 478 W. Midlothian purchased by Daymark for \$36,100 and marketed on land contract for \$85,000. None of these properties would appraise for anywhere near the value.**

**Harbour Portfolio purchased dozens of properties for single digits and sold them with no improvements for ten times what they paid.**

- **Vendees (buyers) have significant exposure to title problems including outstanding mortgages, delinquent taxes, code enforcement fines, and other title issues. These issues have resulted in people doing everything right losing their home. Example: Craig and Gunter Gilchrist loss of home after putting \$3,000 down and making routine \$1,500 payments due to the owners delinquent mortgage. HOLD UP LETTER FROM CRAIG AND GUNTER.**
- **Vendees (buyers) often lack the protection of both renters and mortgagors.**

We continue to find companies and individuals using these predatory land contracts to create confusion and the illusion of homeownership knowing full well that most vendees (buyers) will never achieve homeownership and predicating their business model on cycling multiple individuals through the property to collect multiple “down payments” and never making repairs to the property.

The issue is particularly acute in the State of Ohio and has been well documented by Policy Matters Ohio, the Federal Reserve Bank of Cleveland and media outlets across the country. In a February 2016 New York Times article written by Matthew Goldstein and Alexandra Stevenson documented how predatory land contracts are used to trap low income buyers and highlighted cases of predatory land contracts being used in Akron, Ohio. In a more recent May 9, 2019 article in the Wall Street Journal, reporter Ben Eisen noted how predatory land contracts continue to become more prevalent in places with weak real estate markets and specifically highlighted Youngstown, Ohio.

These predatory land contracts cause great harm to our neighborhoods leaving behind abandoned and blighted homes that become havens for crime and further neighborhood decay after multiple vendees have been cycled through the property. The local community must tear down or clean up the blight caused by predatory land contracts and bear the burden of the cost of delinquent property tax, unpaid code and water bills and safety services something that is not easy to do for fiscally distressed communities.

We are here before you today asking you to support and move forward House Bill 103 that will address many of the issues vendees and neighborhoods face as previously outlined:

- Requiring the seller to obtain an independent appraisal
- Requiring the seller to obtain a certificate of code compliance verifying the properties condition
- Requiring the seller to make all repairs to the property to keep the property fit and habitable
- Prohibiting a seller from holding a mortgage on a property at the time of executing a land installment contract
- And capping the interest rate on land contracts among other proposed changes

Let me be very clear that we are not advocating for the elimination of land contracts as we do believe strongly that fair and reasonable land contracts offer an alternative path to homeownership. We are also not targeting realtors or real estate investors and believe once again that anyone using these contracts should want them to be fair and the consumer should be offered fair protection to a similar standard of those purchasing a home with a traditional mortgage.

As stated by the National Consumer Law Center predatory land contracts are structurally unfair and deceptive because they shift all the burdens and

obligations of homeownership to the buyers with none of the attendant rights or protections. They are morally wrong.

Chairman Hambley, Vice Chairman Patton and members of the committee, HB 103 is legislation that will offer a fair and just path for land contracts to continue as an alternative to homeownership for all people of Ohio. This legislation will end the vulturing and predation of out of town and out of state companies and investors that seek only to extract from our neighborhoods and communities. I ask you to support House Bill 103 Fair Lending through Land Contracts Act.

Thank you again for the opportunity to provide sponsor testimony for House Bill 103. I am able to answer any questions you may have at this time.