



www.lsc.ohio.gov

OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

H.B. 103
133rd General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 103's Bill Analysis](#)

Version: As Introduced

Primary Sponsors: Reps. Lepore-Hagan and D. Manning

Local Impact Statement Procedure Required: No

Shannon Pleiman, Budget Analyst

Highlights

- The bill may result in additional costs for local building departments to inspect properties subject to land installment contracts and issuing certificates certifying that the property is in full compliance with the building code. The cost would at least be partially offset by inspection fees, fines for code violations, and any other fee established by the Board of Building Standards within the Department of Commerce.
- The Board of Building Standards may incur a minimal administrative cost to adopt rules regarding land installment contract procedures. Any costs would be paid from the Industrial Compliance Operating Fund (Fund 5560).
- It is unclear if entities entering into land installment contracts will have to be licensed as mortgage loan originators under the Ohio Residential Mortgage Loan Act, as the bill states that land installment contracts are subject to the federal Truth in Lending Act, governing interactions between consumers and creditors. This license is overseen by the Department of Commerce's Consumer Finance Section. The mortgage loan originator license fee is \$150 annually and is deposited into the Consumer Finance Fund (Fund 5530).

Detailed Analysis

Building code compliance

The bill modifies the law governing land installment contracts and may result in additional administrative costs for local building departments to inspect properties subject to these contracts. However, the cost would at least be partially offset by inspection fees, fines for code violations, or any fees to be established by the Board of Building Standards (BBS) within the Department of Commerce. Specifically, the bill requires that prior to executing a contract the seller must verify that the property complies with the applicable building code by

contacting the local building department or other entity responsible for code enforcement in the jurisdiction. Once the local building inspector determines the property is in full compliance with the building code, a certificate is issued to the seller. The seller must provide the certificate to the buyer prior to executing the contract. Further, the bill requires BBS to adopt rules to implement these procedures, including the procedures the seller must follow to obtain an inspector, issuance of the certificate indicating successful compliance with the applicable building code, and any fees associated with these procedures. This may result in minimal administrative costs for BBS to adopt these rules. Any cost would be paid from the Industrial Compliance Operating Fund (Fund 5560).

There are several municipalities in Ohio that have passed ordinances similar to the bill's requirements regarding building code compliance. For example, the city of Cincinnati passed an ordinance in 2018 requiring sellers to obtain a certificate of occupancy from the building department and provide a copy of the certificate to the buyer prior to executing the contract. In 2018, there were 83 land installment contract transactions in Hamilton County.

Registration under the Ohio Residential Mortgage Lending Act

The bill explicitly states that land installment contracts must be considered loans secured by an interest in real property, to which the federal Truth in Lending Act applies. It is unclear to the Legislative Budget Office how this provision would affect how these land installments are treated under state lending laws. According to the Department of Commerce, this provision could require entities entering into land installment contracts to register as mortgage loan originators under the Ohio Residential Mortgage Lending Act administered by the Department. If that is the case, the fee for a mortgage loan originator license is \$150 annually and is deposited into the Consumer Finance Fund (Fund 5530). In FY 2018, the Department oversaw 10,500 mortgage loan originator licenses.

Other provisions

The bill contains several other provisions that may have a minimal fiscal effect on state and local government expenditures. The bill requires a seller to pay off any liens on the property subject to the contract prior to executing the contract with the buyer. Additionally, if a court determines that the seller does not comply with the Land Installment Contract Law, the bill specifies the appropriate relief a court must grant to include money damages (2% of the principal amount of the contract debt, equity in the property, or return of all moneys paid by the buyer), court costs, and reasonable attorney fees. The bill allows the court to grant an injunction, order specific performance, or other relief.

Lastly, the bill requires the Department of Commerce to post on its website a list of Ohio certified or licensed real estate appraisers that can provide an independent appraisal of property subject to a contract. The Department currently has a list of licensed appraisers on its website. This list is to be used by sellers that are required under the bill to obtain and pay for an appraisal of the property and provide a copy of the appraisal report to the buyer. As of May 2019, there were nearly 3,200 active licensed real estate appraisers.