

## **130th MAINE LEGISLATURE**

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**Legislative Document** 

No. 1380

H.P. 1014

House of Representatives, April 7, 2021

An Act To Increase Protections for Option Contracts for the Purchase of Real Property or Rent-to-own Real Property

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R(+ B. Hunt

ROBERT B. HUNT Clerk

Presented by Representative HARNETT of Gardiner. Cosponsored by Representatives: COLLINGS of Portland, DOUDERA of Camden, PEBWORTH of Blue Hill, TALBOT ROSS of Portland, WHITE of Waterville.

1	Be it enacted by the People of the State of Maine as follows:
2	Sec. 1. 14 MRSA §6203-F, sub-§1-A is enacted to read:
3 4 5	<b>1-A. Mediation.</b> Upon the request of either party, mediation must be provided as set forth in section 6321-A if the premises are owner-occupied residential real property of no more than 4 units and the primary residence of the owner-occupant.
6	Sec. 2. 14 MRSA §6203-H is enacted to read:
7	§6203-H. Option contract for purchase of real property or rent-to-own real property
8 9	<b><u>1. Definitions.</u></b> As used in this section, unless the context otherwise indicates, the following terms have the following meanings.
10 11 12 13 14 15 16 17	A. "Option contract for the purchase of real property or rent-to-own real property" means an agreement for the occupancy of purchaser-occupied residential real property of no more than 4 units that is the primary residence of the purchaser in which the purchaser is required to make an initial payment in excess of 4 times the periodic monthly payments required to occupy the premises and any agreement in which a person is induced to occupy such property as a primary residence by a promise or offer to grant ownership of the property to the person at a future date, at the option of the purchaser.
18 19 20	<u>B.</u> "Purchaser" means a person who enters into an option contract for the purchase of real property or rent-to-own real property and thereby obtains an option to purchase the real property.
21 22 23 24 25 26 27	C. "Vendor" means the owner of real property that is the subject of an option contract for the purchase of real property or rent-to-own real property and who enters into an option contract for the purchase of real property or rent-to-own real property for that real property. A vendor is a creditor under Title 9-A, section 1-301, subsection 17, except that an individual who engages in no more than 2 transactions per year and not more than 4 in a 5-year period may not be considered a creditor for purposes of Title 9-A, section 1-301, subsection 17.
28 29	<b>2. Requirements.</b> An option contract for the purchase of real property or rent-to-own real property must:
30	A. Be in writing;
31 32 33 34	B. Include a statement that the vendor has inspected the property to be conveyed and certifies that the property is in compliance with sections 6021 and 6021-A, subject to the provisions of section 6021, subsection 5 authorizing a waiver for a stated reduction in payment or other specified fair consideration;
35 36	C. Identify the party required to maintain the premises in compliance with sections 6021 and 6021-A;
37 38	D. State the amount of the initial payment to secure the option contract for the purchase of real property or rent-to-own real property;
39	E. State the amount of the monthly payment due;
40 41	<u>F.</u> State the date by which the option contract for the purchase of real property or rent- to-own real property must be exercised;

1 2	<u>G.</u> State the amount due to exercise the option contract for the purchase of real property or rent-to-own real property;
3 4	H. Identify the party responsible to make payments for any real property taxes and homeowner's insurance;
5 6 7	I. State whether the amounts paid for rent, property taxes or homeowner's insurance will be deducted from the amount due to exercise the option contract for the purchase of real property or rent-to-own real property;
8	J. Include a termination clause that recites the provisions set forth in subsection 4;
9 10 11	K. Include a clear and conspicuous provision above the place for the signature of the purchaser that acknowledges receipt by the purchaser of a copy of the option contract for the purchase of real property or rent-to-own real property; and
12 13 14 15 16	L. Include language that in the event the option contract for the purchase of real property or rent-to-own real property is not exercised, the vendor shall return to the purchaser any amounts paid by the purchaser to the vendor at the commencement of the option contract for the purchase of real property or rent-to-own real property in excess of the lesser of:
17	(1) Four times the monthly rent; and
18	(2) One percent of the contract price for the purchase of the real property.
19 20 21 22 23 24 25 26 27 28 29 30 31	<b>3. Recordation.</b> Within 20 days after the option contract for the purchase of real property or rent-to-own real property has been signed by both the vendor and the purchaser, the vendor shall cause a copy of the option contract for the purchase of real property or rent-to-own real property or a memorandum of the option contract for the purchase of real property or rent-to-own real property to be recorded at the purchaser's expense in the registry of deeds in the county where the real property sold under the option contract for the purchase of real property or rent-to-own real property or rent-to-own real property is located. If a memorandum of the option contract for the purchase of real property is recorded, it must be entitled "Memorandum of a Land Installment Contract" and must at a minimum contain the names of the parties, the signatures of the parties, a description of the real property and the applicable time periods. A person other than a vendor and purchaser may rely on the recorded materials in determining whether the requirements of this subsection have been met.
32 33	<b><u>4.</u></b> Termination. The following provisions govern the termination of an option contract for the purchase of real property or rent-to-own real property.
34 35	<u>A.</u> An option contract for the purchase of real property or rent-to-own real property may be terminated only pursuant to the eviction process set forth chapter 709 if:
36 37	(1) The vendor has entered into not more than one contract in any calendar year or 2 contracts in any 5-year period;
38 39 40	(2) The option contract for the purchase of real property or rent-to-own real property does not require an initial payment of more than 4 times the monthly rent charged for the real property;
41 42	(3) The option contract for the purchase of real property or rent-to-own real property requires the vendor to maintain the real property pursuant to the

1	provisions of section 6021, unless a waiver pursuant to the provisions of section
2	6021, subsection 5 has been entered into, and section 6021-A; and
3	(4) The vendor has otherwise complied with the requirements of this section.
4 5 6	B. If paragraph A does not apply, an option contact for the purchase of real property or rent-to-own real property may be terminated only pursuant to the foreclosure process set forth in section 6203-F.
7 8 9 10	<b>5.</b> Violations. A violation of this section is a violation of the Maine Unfair Trade Practices Act. In addition to any other rights and remedies a purchaser may have in the law, upon a finding that a violation of this section by a vendor has occurred, a court shall find one or more of the following:
11 12	A. The purchaser is entitled to recover all actual damages or \$1,000, whichever is greater;
13 14	B. The purchaser may rescind the option contract for the purchase of real property or rent-to-own real property and recover all payments made on the contract; and
15 16 17	C. The purchaser is entitled to recover the aggregate amount of costs, expenses and attorney's fees determined by the court to have reasonably been incurred on the purchaser's behalf in connection with the prosecution or defense of the matter.
18	Sec. 3. 33 MRSA §483 is enacted to read:
19	§483. Prohibited acts
20 21 22	<b>1. Bad faith avoidance.</b> A person may not in bad faith attempt to avoid the application of this chapter including engaging in subterfuge or designing or structuring a transaction with the purpose of evading the provisions of this chapter.
23 24 25 26	2. Survival of foreclosure. A land installment contract may not require a purchaser to enter into a promissory note or any other financial instrument or obligation that survives the foreclosure of the purchaser's interest in the real estate, or enforce any such obligation, unless:
27 28	A. The term of the promissory note does not exceed the term of the land installment contract;
29 30	B. Payments of principal made during the term of the promissory note are credited to reduce the principal due on the note; and
31 32 33 34 35	C. After obtaining a judgment for foreclosure and the expiration of the period of redemption set forth in Title 14, section 6203-F, the vendor conducts a sale in the same manner as required for a mortgagee in Title 14, section 6323 and complies with the provisions of Title 14, section 6324 except with the equity of redemption being 60 days.
36	SUMMARY
37 38	This bill makes the following changes to the laws governing residential real property contracts.
39 40	1. It provides for mediation upon the request of either party in a foreclosure proceeding regarding a contract for the sale of real property, including a bond for a deed, in the case of

- 1 owner-occupied residential real property of no more than 4 units that is the primary 2 residence of the owner-occupant.
- 2. It specifies information that must be included in an option contract for the purchase of real property or rent-to-own real property including basic terms of the contract and certification that the real property meets the warranty of habitability under state law subject to the provision in the law that authorizes a waiver for a stated reduction in payment or other specified fair consideration.
- 8 3. It specifies under what conditions an option contract for the purchase of real
  9 property or rent-to-own real property may be terminated.
- 4. It provides that a violation of the provisions governing an option contract for the
  purchase of real property or rent-to-own real property is a violation of the Maine Unfair
  Trade Practices Act.
- 13
- 5. It specifies prohibited acts with respect to land installment contracts.