



Maine Equal Justice

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**Testimony of Frank D'Alessandro,
Maine Equal Justice
In Support of LD 1183,
An Act to Ensure Rent-to-own Protections Apply
to Mobile Home Park Tenants
April 1, 2025**

Good afternoon, Senator Curry, Representative Gere, and distinguished members of the Committee on Housing and Economic Development. This testimony is submitted by Frank D'Alessandro (He/Him/His) the Director of Legal Services at Maine Equal Justice. We are a civil legal services organization, and we work with and for people with low incomes seeking solutions to poverty through policy, education, and legal representation to increase economic security, opportunity, and equity for people in Maine. Thank you for the opportunity to offer testimony in support of LD 1183.

Why Maine Equal Justice Supports LD 1183

This bill expands the rent to own protections found in Maine law to Mobile homes located in Mobile home parks. Maine Equal Justice supports this bill because it will help preserve and expand Maine's limited supply of affordable housing by protecting low-income Mainers who cannot afford traditional mortgages from turning to more predatory lending practices.

Maine is Facing an Affordable Housing Crisis

Maine is in dire need of affordable housing. Even before the pandemic, Maine's rental housing market was among the least affordable in the nation. Nearly 65% of

extremely low-income households pay more than 50% of their monthly income towards rent, a threshold which HUD deems severely rent burdened. Maine has a shortage of 20,307 affordable homes for extremely low income Mainers.¹ Finding affordable housing has become so difficult, many Mainers become homeless because they simply cannot find somewhere to live that meets their budget. At the same time property values have increased during the pandemic in every county across the State. Maine's traditional single-family home market saw a substantial jump from a median sale price of \$225,000 in 2019 to \$390,000 last year.²

The Role of Mobile Homes in Providing Affordable Housing

Manufactured housing provides critical affordable housing to Maine Residents. In 2020, 62,000 of the state's 747,000 housing units were mobile homes, about 8 percent.³ The median manufactured homeowner spends only 16% of their income on housing and less than 25% are cost burdened, making this a stable housing option.⁴

Rent to Own Protections

Because they own their homes but not the land under their homes, mobile home owners often find it difficult to obtain financing to purchase a mobile home located in a mobile home park. This is especially true when it comes to the purchase of a used mobile home. Rent to Own Option Contracts for the Purchase of a residence, including a mobile home, are often the only path to homeownership available to low-income Mainers unable to qualify for traditional loans. However, the traditional lack of protections provided to purchasers has left many low-income Mainers vulnerable to predatory vendors. In a recent publication, the Federal Reserve Bank of Boston described the pitfalls facing those who try to become homeowners by agreeing to land installment contracts. In that publication, the Federal Reserve Bank of Boston labels land installment contracts as a vehicle that provides the Illusion of Home Ownership. Consider their observations:

¹ <https://nlihc.org/housing-needs-by-state/maine>

² [More and more Maine homes are selling for millions of dollars](#)

³ ⁷ <https://www.centralmaine.com/2022/09/02/maine-voices-trailer-parks-wrongly-overlooked-inaffordable-housingdebate/#:~:text=Mobile%20homes%20make%20up%20a,mobile%20homes%2C%20about%208%20perce%20nt.>

⁴ ⁶ https://www.mainehousing.org/docs/default-source/policy-research/presentations/2019-mainearchivable-housing-conference/destigmatizing-manufactured-housing-presentation.pdf?sfvrsn=4190b115_2

While land contracts are marketed as an alternative path to homeownership, contract buyers almost never end up achieving ownership. The contracts are designed to fail. Successive cancellations allow the sellers to churn more would-be homeowners through the same property, creating more profit with each new contract.⁵

Purchasers often make substantial down payments, only to be served with a 7-day notice to quit if they fall behind in payments. In one instance a disabled mother of two whose only income was disability benefits, was convinced to make a \$35,000 down payment out of a personal injury settlement on a rent to own contract with the expectation that she would be able to obtain financing to cover the balance of a \$150,000 loan. According to the terms of the contract this individual could be evicted and lose her entire down payment if she was unable to obtain financing. In another case a purchaser was required to enter a promissory note in order to purchase the real estate without the benefit of a mortgage and the protections mortgages offer to homeowners. This purchaser remained liable for the amount due on the promissory note even after the vendor took possession of the property. In yet another case, a vendor did not record the land installment contract with the registry of deeds. The purchaser made all payments when due only to find that during the course of the contract the vendor had put the real estate up as collateral for other loans. These lienholders had a superior claim of title to purchaser even though he had made all payments due according to the terms of the land installment contract.

Fortunately, Maine took an important step to curtail many of these abusive practices when it passed LD 1380 in 2021, “An Act To Increase Protections for Option Contracts for the Purchase of Real Property or Rent -to-own Real Property” PL 2021, CH. 350. This bill would extend those protections to people who purchase mobile homes located in mobile home parks.

This bill provides the protections offered by the foreclosure process for purchasers who enter Rent to Own Contracts and Assume the Duties of homeowners

Under current law, rent to own contracts for the purchase of a mobile home often require tenants to assume the responsibilities of home ownership with none of the benefits. For example, rent to own contracts often require the tenant to assume the responsibility of maintaining the residence to the requirements of the Maine

⁵ <https://www.bostonfed.org/home/publications/communities-and-banking/2017/spring/landinstallment-contracts-newest-wave-of-predatory-home-lending-threatening-communities-ofcolor.aspx>

Warranty of Habitability Act while permitting the vendor/ landlord to evict the tenant according to the provisions of Maine Landlord Tenant law. This bill would afford common sense protections to purchasers who enter into option contracts for the purchase of a mobile home. If the purchaser is provided the protections afforded to tenants under landlord tenant law the tenant is subject to the provisions of Maine's landlord tenant laws. If not, the purchaser is provided the protections of the foreclosure process. It also provides purchasers a remedy to enforce their rights.

This bill prevents vendors from selling substandard properties

Property sold through the rent to own or land installment contract process is often of poor quality. This bill will require that the vendor must certify that the property must be fit for human habitation as defined by the Maine Warranty of Habitability Act. It is not unreasonable to require that property subject to the terms of rent to own contract, as a result of which the vendor retains ownership and all equity in the property until the purchaser is able to obtain financing, be subject to the same habitability requirements as those provided to a tenant at will.

This bill requires that the vendor record any rent to own mobile home contract with the registry of deeds

It is important that land installment contracts be recorded in the registry of deeds so that third parties are put on notice of the purchaser's interest in the property and any lien placed upon the property after the land installment contract is signed is subject to the purchaser's interest in the property.

This bill provides a remedy for purchasers if the protections offered by this bill are violated

The penalty provision of this bill is necessary so that a purchaser can enforce their rights and to incentivize vendors from engaging in predatory behavior. The provisions in this section are similar to the protections that apply to other creditors under the Maine Unfair Trade Practices Act.

Foreclosure Mediation

This bill will give parties in a foreclosures of land installment contracts the right to mediation. As set forth in the Maine Court's most recent report, this program has

proven extremely successful in assisting both homeowners and lenders in negotiating settlements that keep Maine families in their homes.⁶

This Bill Prevents Vendors from Requiring Purchasers to Enter into Financial Obligations that Survive the Termination of the Contract

Finally, the prohibition against the requirements that purchasers enter into promissory notes or other financial obligations that survive the Land Installment Contract Foreclosure process are necessary so that purchasers are not put into a worse position than they would have been had they not entered into the contract or that that of homebuyers who enter into a mortgage agreement. In the foreclosure of a mortgage a seller who is awarded judgment is required to sell the property and return any excess equity to the homeowner. Following the foreclosure of a land installment contract the vendor retains all equity in the property. Basic fairness requires that a purchaser under these circumstances not also be saddled with a debt.

Conclusion

For all of the reasons set forth above Maine Equal Justice strongly urges this Committee to vote ought to pass on LD 1183

⁶ <https://www.courts.maine.gov/about/reports/fdp-report-2022.pdf>