

**Statement of the National Consumer Law Center (on behalf of its low-income clients)  
for  
Hearing: A Review of the State of and Barriers to Minority Homeownership  
before the  
Subcommittee on Housing, Community Development and Insurance,  
House Financial Services Committee**

**May 8, 2019**

The National Consumer Law Center,<sup>1</sup> on behalf of its low-income clients, strongly supports congressional efforts to regulate predatory land contracts. In the aftermath of the housing crisis, in which communities of color were targeted by high-cost predatory lenders with destructive loans, land installment contracts have re-emerged. Marketed as an alternative path to homeownership in credit-starved communities, predatory land installment contracts have further harmed communities and destabilized neighborhoods in need of true investment.

In our 2016 report, *[Toxic Transactions: How Land Installment Contracts Once Again Threaten Communities of Color](#)*, we outline the racist history of land contracts and their relationship to historical redlining and the predatory lending that caused the recent financial crisis. The current predatory land installment contracts we see in the market are designed to fail. They involve the sale of uninhabitable homes to purchasers who have no chance of adequately repairing the homes, especially since the contracts often include extremely high interest rates that impose a significant financial burden. The purchasers are often in a legal limbo in which they do not own the home but have all the responsibilities of homeownership. In some states, they can be swiftly evicted, which relieves the seller of an obligation to compensate the buyer for investments in the home.

Land contracts can only be a fair method of transferring ownership when the equities between the parties are more balanced. Congress can achieve this balance by simply imposing three obligations on land installment contract transactions:

- Require sellers to ensure that the homes are habitable at the point of sale and throughout the contract.

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<sup>1</sup> Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the United States. NCLC's expertise includes policy analysis and advocacy; consumer law and energy publications; litigation; expert witness services, and training and advice for advocates. NCLC works with nonprofit and legal services organizations, private attorneys, policymakers, and federal and state government and courts across the nation to stop exploitative practices, help financially stressed families build and retain wealth, and advance economic fairness. [www.nclc.org](http://www.nclc.org)

- Require sellers to record the land contract promptly after the contract is signed to ensure that sellers do not encumber or sell the property during the term of the land contract without appropriate recognition of the purchaser's rights to the property.
- Allow termination of land contracts by sellers only through a judicial process that protects the purchaser's investments.

We recognize that there is a significant demand for homeownership opportunities in communities of color and a dearth of reasonable credit options. Legitimate, honest sellers of homes are always free to enter into seller-financed mortgages, an age-old mechanism of financing home sales. Predatory land contracts do not achieve the goal of providing housing opportunities because they drain wealth and deny true homeownership opportunities for families looking to rebuild after the foreclosure crisis. Dismantling important consumer protections created in the aftermath of a crisis that disproportionately impacted communities of color is also not the right avenue. Rather, federal protections are necessary to protect homebuyers from those who use gaps in the law to deny the promise of homeownership.