

HOUSING INSECURITY

IN THE

UNITED STATES

AND THE

ROLE OF LEGAL AID

ISSUE BRIEF

Contracts for Deed

About the Legal Services Corporation (LSC)

Congress created the Legal Services Corporation (LSC) in 1974 to promote equal access to justice. Today, LSC operates as an independent 501(c)(3) non-profit corporation and serves as the nation's single largest funder of civil legal aid for low-income individuals. LSC distributes more than 90% of its total funding to 131 independent nonprofit legal aid organizations with more than 900 offices across the country. Attorneys with LSC grantees help low-income Americans access assistance to resolve civil legal matters involving safety, economic subsistence, housing and family stability. To learn more about LSC, please visit www.lsc.gov.

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Introduction

When the house they were renting burned down in 2007, Fernando Vences and Michele Gomez and their five children moved into a cramped trailer outside Michele's mother's house. Before long, the North Platte, Nebraska, couple saw an ad in the local paper for a home with three bedrooms and two bathrooms. After they visited the property and reached out to the seller, he told them they could buy it now for \$79,000 or else pay a deposit and monthly payments toward owning it at a later date, an arrangement known as a "contract for deed."

"It was a good fit for us," Fernando said of the home. Fernando also liked the contract-for-deed option, which the owner told him would require a \$5,000 down payment and monthly payments to the owner of approximately \$700. A 29-year-old husband and father, Fernando said his income as a tile installer for a local contractor was going entirely to family expenses and taxes. With a contract for deed, he wouldn't have to qualify for a home mortgage loan; he and Michele could just move in with the idea that they would one day own the home.

In the weeks and months after he wrote a check for the deposit and started the monthly payments, Fernando reached out repeatedly to the landlord to get a written contract affirming the terms of their agreement. Each time the landlord put him off, saying not to worry about it. He said he had given Fernando his word and had shaken hands on it.

Fernando and Michelle lived in the home for more than 10 years. In 2017, when the landlord decided to increase their monthly payment to \$900, Fernando and Michele realized that between the deposit and their monthly payments, they had already paid the landlord more than the original asking price of \$79,000. Fernando had also done extensive repairs and tilework on the home. When the couple approached the landlord to say the house should now be theirs, he told them there was never any kind of contract. All those monthly payments were just rent, he said.

After Fernando and Michele told the landlord that they couldn't afford the \$900 monthly payment, the landlord locked them out of the house while they were away visiting family for Christmas. The landlord filed an eviction notice and claimed Fernando and Michele had never paid their \$5,000 deposit.

SPOTLIGHT**About this Housing Insecurity Series**

While the COVID-19 pandemic increased overall demand for civil legal assistance, the number of people seeking help with housing issues grew at a disproportionate rate. In 2022, legal aid organizations funded by the Legal Services Corporation (LSC) closed over 756,000 cases, including over 312,000 housing cases (43%). It was the first time that LSC grantees handled more housing cases than any other legal problem area. During this period, LSC launched a [congressionally directed study](#) to investigate the unmet legal needs surrounding eviction in the United States, along with a [Housing Task Force](#) to document other challenges that low-income tenants and homeowners experience. The Housing Task Force is sharing what it learned about housing insecurity and the role of civil legal aid in helping low-income individuals and families achieve stability and security in a four-part series. Read and download the complete series, along with other LSC resources on unmet legal needs involving housing and eviction, by visiting www.lsc.gov.

A contract for deed is an agreement whereby a buyer of a home makes regular payments to a seller for an agreed period or up to an agreed amount (see sidebar on p. 3 for more). The seller holds legal title to the property until the final payment is made.¹ An article published by *ProPublica* put it simply, a contract for deed is “a financial agreement in which a buyer pays the seller directly in installments. No mortgage. No bank.”²

This can be attractive to buyers like Fernando and Michele. The buyer can move into the property immediately and avoid the cost and time to secure a mortgage. And for individuals and families who are unable to qualify for a mortgage from a financial institution or face barriers navigating the bank’s process, the appeal of making an arrangement directly with another person is even greater. A contract for deed can be a last-resort pathway to finding a home and moving closer to the American dream of home ownership.

But the pitfalls and the perils of contracts for deed are many and varied. It all goes back to one salient fact about these arrangements: the power in the buyer-seller relationship rests with the seller, who retains legal title to the home. Depending on state law, sellers often use eviction or forfeiture processes to force buyers out of their homes for late payments and other alleged breaches, from property damage to unauthorized guests and pets, noise violations and more. When forced out, buyers lose any equity they believed they were building toward ownership of the property.³

“Almost all of these contracts are skewed toward the seller of the property and do not benefit the buyer in any way,” said John Buhta, staff attorney at Southern Minnesota Regional Legal Services, Inc. “It’s a situation that creates an unequal playing field for individuals who are often desperate for housing.”

Making matters worse, contracts for deed are enormously difficult to monitor and enforce, both because many are entered into informally (as in Fernando and Michele’s handshake agreement) and because they fall outside the lines of both landlord-tenant law and mortgage and

foreclosure laws. Said Nick Smithberg, executive director of Iowa Legal Aid: “We have created a shadow credit market with no protections whatsoever for folks.”

After getting forced out of the home they had lived in for 10 years and that they had believed they would ultimately own outright, Fernando and Michele reached out to the local office of Legal Aid of Nebraska. With the support of Managing Attorney Jeffrey Eastman, they filed a notice to appeal their eviction. The key piece of evidence in their case: the written receipt for the original \$5,000 down payment on the home. (“Who pays \$5,000 toward a rental that costs them \$700 a month?” commented Eastman.)

Before the eviction appeal could be tried in court, the landlord offered to settle by reimbursing a portion of the down payment. Fernando and Michele accepted the settlement but still had nothing to show for all their monthly payments.

“It’s a horrible experience you can never forget,” Michele said. Since she and Fernando moved into a different rental home, Fernando started his own tiling business and is doing well.

“We’re much happier now, and if I could tell other people anything to avoid what we went through, I’d say don’t get too excited, find a lawyer, and get everything—and I mean everything—in writing,” said Michele.

AT ISSUE: CONTRACTS FOR DEED

There is not a lot of data on how many people in the United States are living in homes purchased with a contract for deed. The main reason: states often do not require these contracts to be recorded with county governments. However, LSC’s research and interviews for this issue brief suggest the problem is widespread. In the words of Smithberg, these arrangements are “shockingly prevalent and hiding in plain sight.” For example, a *Detroit News* report in 2016 found there were more “land contracts” (i.e., contracts for deed) than mortgages in the city, and that these contracts “soared” in the years after the Great Recession.⁷

The use of contracts for deed increased in the aftermath of the Great Recession, from late 2007 to 2009, as banks tightened loan requirements and as many Americans, especially people of color and low-income individuals and families, struggled to access mortgages.⁸ U.S. Census Bureau data indicate that 3.5 million Americans were buying homes via contracts for deeds in 2009, the last year the Bureau asked about this topic in its biennial American Community Survey. These homes represented 4.6% of all owner-occupied homes in the United States.⁹

Contributing to the problem has been an increase in corporate involvement in the contract-for-deed market. A 2017 paper found a marked rise in “corporate contracts for deed” in four southeastern U.S. cities in the years immediately following the financial crisis of 2008 and 2009.¹⁰ One company, according to a separate *New York Times* article, bought 6,700 single-family homes during the financial crisis and resold many of those homes via contracts for deed.¹¹

Corporate contracts for deed, however, are believed to be vastly outnumbered by contracts proffered by smaller-scale property owners. The range of smaller-scale sellers includes mom-and-pop owners selling individual properties via a contract for deed, as well as individuals and firms selling multiple properties using contracts for deed. Often, sellers will sell the same property or properties repeatedly using a contract for deed, as former buyers are forced out because of alleged breaches of their contracts.¹²

KEY PROBLEMS WITH CONTRACTS FOR DEED

Despite providing a pathway to homeownership for some individuals and families who might not otherwise be able to find a home mortgage loan, contracts for deed pose real risks to buyers. These include:

1. Properties sold through contracts for deed are usually sold as is and often have habitability and safety issues.

LSC’s interviews surfaced concern among civil legal aid providers that sellers often



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A Note About Terminology

Contracts for deed also are known by a variety of other names, including land contracts, installment contracts, lease contracts, sales contracts, bond for deed, bond for title, and agreement for deed. These arrangements even have been called a “poor man’s mortgage.”⁴

Contracts for deed should not be confused with “rent to own,” “lease to own” or “option to purchase” arrangements, which provide renters with the option to buy the homes they are renting for a specified time period and at a specified price. Under these arrangements, the landlord and tenant maintain a landlord-tenant relationship, with the landlord responsible for repairs and maintenance of the home. The tenant has no obligation to purchase the property, and both the tenant and the landlord can terminate the agreement at any time based on the provisions of the lease agreement.

A factsheet from the Minnesota Legal Services Coalition clarifies what is so different—and so dangerous for buyers—about a contract for deed in comparison to renting to own: “A contract for deed is very different. As soon as you sign the contract, you are the homeowner in every way, except you don’t have title yet. You are responsible for repair and maintenance, and usually for the taxes and insurance.”⁵ In other words, buyers assume all the obligations of homeownership without the benefit of gaining any equity in the home until the entire contract is paid off. Additionally, “if the buyer defaults on payments in a typical contract for deed, the seller may cancel the contract, resume possession of the property, and keep previous installments paid by the buyer as liquidated damages.”⁶



“We often see sellers entering into these contracts for low-quality properties to get past any maintenance obligations.”

Eric Hallett

Statewide Coordinator of Housing Advocacy,
Legal Aid Services of Oklahoma

use contracts for deed to profit from unsafe, substandard homes without having to make them suitable for sale or rental. Banks require home inspections to approve a home mortgage loan, while state and local landlord-tenant laws generally offer habitability protections for renters. A contract for deed offers sellers a way to avoid these requirements, “which means that a buyer who does not perform a thorough inspection of the property could end up with a home that has significant defects which require substantial repair.”¹³ “We often see sellers entering into these contracts for low-quality properties to get past any maintenance obligations,” said Eric Hallett, statewide coordinator of housing advocacy with Legal Aid Services of Oklahoma. Making matters worse, the fact that sellers have no obligation for maintenance and repairs under these contracts places the burden on buyers to keep their homes habitable and safe even though they do not hold legal title.

2. A contract for deed can be forfeited easily, putting buyers at serious risk of homelessness. Contracts for deed generally include a forfeiture clause that allows the seller to terminate the contract and retake the property without legal process. A paper from the National Consumer Law Center calls these contracts “structured to fail.”¹⁴ Forfeiture can be the result of any number of alleged breaches of the contract, from missed payments to claims of excessive noise or clutter or owning a pet.

When researchers at the University of Texas examined the use of contracts for deeds in low-income *colonia* communities along the U.S.-Mexico border in 2012, they found that buyers had “very low success rates” when it came to eventually assuming ownership of their homes.¹⁵ In one county, fewer than one-fifth of buyers made the transition to ownership, and 45% of a random sample of contracts recorded between 1989 and 2012 had been canceled. The researchers compared these figures to mortgage statistics showing that just 6.4% of buyers who took out a mortgage between 2004 and 2008 lost their homes to foreclosure by February 2011, a period that coincided with the peak of the foreclosure crisis in the U.S.

When buyers forfeit these homes, they lose any equity they presumed they were building over time, often including investments in maintenance and repairs on the property. Brian Lipford, regional leadership attorney with Southern Minnesota Regional Legal Services, said, “These buyers have fewer rights than renters aside from being potential owners of the property at some distant time in the future. And they can easily lose everything.”

3. Buyers lack due process because most of these cases end up in eviction court. Legal aid providers interviewed for this paper said disputes over contracts for deed between buyers and sellers often end up in eviction courts, a process that offers fewer protections than a foreclosure proceeding or a contract dispute in a civil court.

Teressa Webster, statewide director of litigation with Legal Aid Services of Oklahoma, explained that home buyers often do not understand the provisions of the contract for deed and that they are being subjected to predatory practices. “They assume a landlord is proceeding legitimately in court under the eviction process when these should really be foreclosure cases,” she said. She added that many contracts are purposefully drafted to create confusion about whether someone is buying or renting a property.

Once a case enters the eviction process, the buyer is at a distinct disadvantage. Jeffrey Eastman, managing attorney with Legal Aid of Nebraska, said judges in eviction cases will generally focus on missed payments (considered to be “rent”) without considering whether a buyer should even be considered a tenant, let alone whether a contract is predatory, or whether a buyer has made a good-faith effort to satisfy the contract.

“The judge won’t listen to what happened five years ago when a buyer made a significant down payment,” Eastman said. “They just want to see delinquency in the monthly payment.” He added, “And besides, this shouldn’t be a landlord-tenant case in the first place. These folks are not paying rent. But the

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Key Protections for Buyers

LSC's interviews and research identified many legal and policy changes that states either have already adopted or could adopt in order to ensure that buyers are better protected in contracts for deed. These include:

- Stronger recording requirements for contracts for deed in a short period (e.g., 30 days);
- Required independent inspections or third-party appraisals of these properties;
- Required disclosure of finance charges and other contract terms, such as who is responsible for paying taxes and insurance;
- Required disclosure of the risks of entering a contract for deed, including the buyer's responsibility for repairs and maintenance, etc.;
- Standard-form, understandable contracts;
- Mandatory purchase counseling for buyers; and
- Requirements that contract for deed disputes be treated as foreclosures rather than evictions or forfeitures.

burden is on the buyer to prove they were not a tenant." However, many buyers, like Fernando and Michelle, cannot meet this burden because they never signed a written agreement.

Adding to the challenge for buyers, the fact that these cases end up in eviction court means buyers and their attorneys have no access to discovery to locate important documents and contracts, including proof of down payment. And given the speed with which evictions are generally processed, buyers have little time to find legal help and prepare their case.

Matt Jividen, advocacy manager with Legal Aid of West Virginia, said eviction hearings in his state are held 5 to 10 business days after they are requested by a landlord, with the typical "set-out date" for a resident to remove all possessions occurring 10 days after an eviction judgment. He said eviction can be a "dizzying experience" for someone possessing a contract for deed. "Within two weeks someone who believes they are building equity can lose possession of the home they thought was theirs," he said.

Scott Mertz, managing attorney in the Omaha office of Legal Aid of Nebraska, said the problem in Nebraska as in so many other states is that landlord-tenant laws are written "to make sure evictions happen as quickly as possible," with courts using a "rocket docket" process to move cases through the system. In disputes involving contracts for deed, he said, "[t]here really is no time for buyers to connect with attorneys and plead their case in a system where they have to be in court in as little as 10 days."

Even if these cases are moved out of eviction court, however, the lack of formal written agreements is a huge problem, legal aid providers said. Said Jividen: "I see these agreements sometimes written on an envelope or entirely oral, and they provide no clarity around who is responsible for what."

4. Buyers of properties through contracts for deed usually pay above-market purchase prices and interest rates. Many buyers are drawn to contracts for deed because they often require a lower down payment when compared to obtaining a mortgage, as well

as faster timelines for moving to homeownership. Buyers also may not be aware that they are being charged interest. In reality, contracts for deed usually are based on above-market interest rates and home prices, especially considering that these homes often could not be purchased or rented under normal circumstances.

In addition, most contracts for deed require a large lump-sum or "balloon" payment in order for the buyer to take title to the home.¹⁶ These payments usually are significantly higher than the buyer's monthly payments and often will require buyers to secure a mortgage or other loan to cover the cost, which ultimately defeats the purpose of obtaining a contract for deed.¹⁷

A 2017 *Chicago Reader* report found that three corporate sellers in the city were charging interest rates of 8–10% to buyers of contracts for deeds, roughly double the interest rate at the time for a federally backed mortgage. In one 30-year contract for deed, the reporters found that a buyer who made it to the end of the contract would wind up paying 35 times more than the seller paid to acquire the property.¹⁸

A Pronounced Impact on Economically Disadvantaged Populations

Buyers of contracts for deed tend to be economically disadvantaged. Based on an analysis of data from six midwestern states, a 2020 paper published by the U.S. Department of Housing and Urban Development's (HUD's) Office of Policy Development and Research found that contracts for deed are "more prevalent in lower-income neighborhoods with higher vacancy rates, lower homeownership rates, older housing stock, lower home values, and lower rates of mortgage lending." The researchers also found higher rates of contracts for deed in neighborhoods with high percentages of African American residents.¹⁹

Scott Mertz at Legal Aid of Nebraska noted that contracts for deed in his state are more prevalent in rural areas where there is a scarcity of affordable housing for lower-



“I see these agreements sometimes written on an envelope or entirely oral, and they provide no clarity around who is responsible for what.”

Matt Jividen

Advocacy Manager, Legal Aid of West Virginia

income residents. “If people could rent they would do that, but it’s really not a viable option because new rental homes aren’t getting built,” Mertz said. And even if lower-income residents wanted to buy a home, Mertz said, they often run into trouble finding a mortgage to make it possible. “These things really are a last-resort housing option for lots and lots of people,” Mertz said.

John Buhta at Southern Minnesota Regional Legal Services said he has seen sellers target buyers with limited English proficiency, who have a hard time understanding often-predatory terms in the contract for deed. Another target population cited in LSC’s interviews are older residents and people with disabilities who are living on fixed incomes.

“A lot of people react favorably to the idea that these contracts appear to provide security and stability, when the truth is often exactly the opposite,” said Teresa Webster at Legal Aid Services of Oklahoma.

VARYING PROTECTIONS IN STATES AND LOCALITIES

Legal protections for buyers of contracts for deed vary by state, but it is widely understood that existing protections (and varying enforcement of those protections) do not fully address the problem. A 2016 paper from the National Consumer Law Center (NCLC) identified what it called a “patchwork of state laws” that “leaves consumers at risk.”²⁰ The NCLC paper cited a few legal provisions targeting specific features of contracts for deed that “could be components of an effective law.” These include:

- A requirement that the seller disclose specified information in the contract (such as finance charges and the buyers’ responsibilities for maintenance and repairs, property taxes, insurance, etc.) and provide a copy of the contract to the buyer (as in Maryland).²¹
- A requirement that sellers record the agreement with local government in a specified time, e.g., 90 days (as in Iowa).²²
- A requirement that contracts for deed be treated as mortgages and foreclosed in the same manner as a mortgage loan (as in Oklahoma).²³

The 2020 paper published by HUD affirmed that some states “enjoy relatively strong protections equal to those with traditional mortgages.” The paper specifically cited laws in several states—including Florida, Maryland, Illinois, Ohio, Oklahoma and Texas—that provide the right to a foreclosure sale of the property based on certain conditions. However, the researchers noted that the level of available protections for buyers is highly variable. “Furthermore, the onus is on the buyer to exercise his or her rights, and many buyers may lack the resources or knowledge to seek recourse.”²⁴

LSC’s interviews underscored how the patchwork of state protections has been insufficient. According to Brian Lipford at Southern Minnesota Regional Legal Services, a seller in that state can file a notice to cancel a contract for deed and start an eviction in 60 days.²⁵ Within those 60 days, the buyer has an opportunity to pay what they owe the seller, along with any associated attorney fees, to resolve the matter. But once the contract is canceled, buyers can be forced out and lose any equity they believed they had built in the property.

“You can be 95% through your contract and miss one payment and then you get your 60-day notice,” Lipford said. He added that most of his organization’s clients lack the resources to “cure” alleged contract violations, let alone pay the attorney fees involved. As a result, they often lose a home they believed they were on their way to owning. “It’s a very, very harsh penalty,” Lipford said of the law’s treatment of these buyers.

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Buyer Protections in Minnesota Law

Minnesota law requires “multiple sellers” of contracts for deed—those who sold more than four properties using these arrangements in the prior 12 months—to provide the below notice to buyers.²⁶ The notice serves as a warning label highlighting key risks for buyers and a model for other communications and disclosures with buyers. It also provides civil legal aid providers in Minnesota with an avenue to protecting buyers in instances where adequate notice is not provided.

MINNESOTA'S NOTICE TO BUYERS IMPORTANT INFORMATION ABOUT CONTRACTS FOR DEED

Know What You Are Getting Into

- 1) A contract for deed is a complex legal agreement. You are NOT a tenant. Mortgage foreclosure laws don't apply.
- 2) You should know ALL of your obligations and rights before you sign a purchase agreement or contract for deed.
- 3) You (seller must circle one):
 - (a) DO DO NOT have to pay homeowner's insurance.
 - (b) DO DO NOT have to pay property taxes.
 - (c) DO DO NOT have to make and pay for some or all of the repairs or maintenance, as described in the contract for deed.
- 4) After some time, you may need to make a large lump sum payment (called a “balloon payment”). Know when it is due and how much it will be. You'll probably need to get a new mortgage, another financial arrangement, or pay for the balance in cash at that time.
- 5) If you miss just a single payment or can't make the balloon payment, the seller can cancel your contract. You will likely lose all the money you have already paid. You will likely lose your ability to purchase the home. The seller can begin an eviction action against you in just a few months.
- 6) Within four months of signing the contract for deed, you must “record” it in the office of the county recorder or registrar of titles in the county in which the property is located. If you do not do so, you could face a fine.

Key Things Highly Recommended Before You Sign

- 1) Get advice from a lawyer or the Minnesota Home Ownership Center at 1-866-462-6466 or go to www.hocmn.org. To find a lawyer through the Minnesota State Bar Association, go to www.mnfindalawyer.com.
- 2) Get an independent, professional appraisal of the property to learn what it is worth.
- 3) Get an independent, professional inspection of the property.
- 4) Buy title insurance or ask a real estate lawyer for a “title opinion.”
- 5) Check with the city or county to find out if there are inspection reports or unpaid utility bills.
- 6) Check with a title agent or the county where the property is located to find out if there is a mortgage or other lien on the property and if the property taxes have been paid.
- 7) Ensure that your interest rate does not exceed the maximum allowed by law by calling the Department of Commerce to get a recorded message for the current month's maximum rate.

If You Are Entering into a Purchase Agreement

- 1) If you haven't already signed the contract for deed, you can cancel the purchase agreement (and get all your money back) if you do so within five business days after getting this notice.
- 2) To cancel the purchase agreement, you must follow the provisions of Minnesota Statutes, section 559.217, subdivision 4. Ask a lawyer for help.

LEGAL AID SOLUTIONS

Across the country, legal aid providers and private attorneys are joining with tenants, organizers, policymakers and others to educate their communities about the risks of contracts for deed, and to help buyers who are facing eviction and other challenges. Interviewees for this issue brief suggested the following civil legal aid interventions and other model practices.

Providing representation. Legal aid organizations are providing direct representation and other critical services that can help buyers faced with forfeiture or eviction after entering a contract for deed, including:

- Working with buyers to dismiss evictions and forfeitures by proving that they entered into a contract for deed and were building equity in the home (e.g., proof of down payment, proof of payment for repairs/maintenance, etc.).
- Filing legal cases against sellers who do not provide adequate notice of contract cancellation (per state laws).
- Filing legal cases against sellers based on claims of unjust enrichment (e.g., by demonstrating that buyers are paying above-market interest rates and/or that the property has been overvalued by the seller).
- Filing pleadings to move these cases from eviction courts by demonstrating that landlord-tenant laws don't apply and that these are property and contract cases.
- Filing cases holding sellers financially liable for overpayments, damages, legal fees and other costs incurred by buyers.

“Just showing proof of a down payment can be key to getting these cases out of eviction court and giving the client more time to resolve any issues.”

Scott Mertz

Managing Attorney, Legal Aid of Nebraska

Targeting the reasons why people enter contracts for deed. In communities nationwide, legal aid providers are working to help low-income tenants find and remain in stable housing, so they don't end up having to enter into risky contracts for deed. These activities cover the full range of legal aid activities related to addressing the housing needs of low-income communities, including:

- Preventing home foreclosures and tax foreclosures,
- Providing eviction defense services and support,
- Expanding and protecting tenants' access to subsidized housing, and
- Supporting residents to file motions to seal records of past evictions so that residents would be better able to qualify for market rentals.

“The prevalence of these contracts is a housing problem. It's a symptom of the bigger issues we are working on as people struggle to find stable, affordable housing.”

Nick Smithberg

Executive Director, Iowa Legal Aid

Public education and outreach. Legal aid providers and advocates can help buyers by launching outreach and public education campaigns highlighting the risks of contracts for deed.

Legal aid providers employ various tools (from easy-to-understand factsheets²⁷ to website content) to educate the public about the hazards of contracts for deed. Some have also offered sample contracts written to protect the buyer's interests, while others incorporate content from such sample contracts for deed into educational programming for clients. Among the keys to education and outreach: helping clients understand predatory contract terms and encouraging people to retain documentation of down payments and outlays for home repairs and other costs.



“These buyers have fewer rights than renters aside from being potential owners of the property at some distant time in the future. And they can easily lose everything.”

Brian Lipford

Regional Leadership Attorney,
Southern Minnesota Regional Legal Services

“Being proactive on this issue is so important. We go to great lengths to try and get information out in the community about how dangerous these contracts are. It is so much harder to help people after the damage is done.”

Matt Jividen

Advocacy Manager, Legal Aid of West Virginia

Forging community partnerships.

Legal aid providers can join with community agencies, tenant groups and other partners in a variety of ways to protect local residents from the harm caused by contracts for deed. Connecting clients to community groups that provide financial literacy coaching, credit counseling and other services can help prevent them from entering what can be predatory contracts. Similarly, legal aid providers can distribute educational content and materials on the hazards of contracts for deed via a range of community partners who assist low-income and underserved communities.

“There is a huge opportunity and need for more financial coaching for people so they know what to look out for and so they can avoid getting into this situation in the first place.”

John Buhta

Staff Attorney, Southern Minnesota Regional Legal Services, Inc.

CONCLUSION

Contracts for deed can pose serious risks—from homelessness and financial ruin to the hazards of living in unsafe, substandard housing—to people who already suffer from serious economic hardships. While state laws vary widely in the protections they offer contract buyers, legal aid providers and others have an array of tools and strategies at their disposal to provide critical support. These include:

- The provision of a broad range of legal aid services, including representation and eviction defense, to help buyers who have been forced from their homes.
- Coordinated advocacy for better policy protections for buyers against predatory contracts, and to expand access to damages and relief if they are forced out of their homes.
- Public outreach and education to ensure that economically disadvantaged communities understand the hazards of contracts for deed, as well as steps they can take to protect their interests.
- Outreach to judges and court officials to help ensure proper enforcement of existing law by the courts and that buyers receive due process.
- Outreach to media to publicize how the problem afflicts low-income people and to advocate for stronger protections.
- Stronger and expanded partnerships between civil legal aid providers, housing advocates, nonprofit service providers and other stakeholders who can bolster public outreach and education and make an aligned case for protections.

LSC supports legal aid providers across the country in their important work on housing insecurity issues and, through this issue brief, seeks to bring increased awareness and stronger protections for low-income tenants and homeowners across the nation.

Acknowledgments

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Endnotes

1 For a fuller definition and discussion, see Crystal Myslajek, *Risks and realities of the contract for deed*, Federal Reserve Bank of Minneapolis (Jan. 1, 2009), <https://www.minneapolisfed.org/article/2009/risks-and-realities-of-the-contract-for-deed>.

2 Jessica Lussenhop and Joey Peters, *Real Estate Investors Sold Somali Families on a Fast Track to Homeownership in Minnesota. The Buyers Risk Losing Everything*, Co-published by ProPublica and Sahan Journal (Nov. 21, 2022), <https://www.propublica.org/article/how-contracts-for-deed-put-families-at-financial-risk>.

3 Steve Vockrodt & Laura Ziegler, *Contract for Deed: The promise of homeownership that often leaves Midwest buyers out in the cold*, [kansasreflector.com](https://kansasreflector.com/2022/03/05/contract-for-deed-the-promise-of-homeownership-that-often-leaves-midwest-buyers-out-in-the-cold/) (Mar. 5, 2022), <https://kansasreflector.com/2022/03/05/contract-for-deed-the-promise-of-homeownership-that-often-leaves-midwest-buyers-out-in-the-cold/>.

4 Ann Carpenter, Abram Lueders, & Chris Thayer, *Informal Homeownership Issues: Tracking Contract for Deed Sales in the Southeast*, Federal Reserve Bank of Atlanta (Jun. 2017), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2993830.

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