

MAKE AN INFORMED DECISION

For some, a rent-to-own agreement can be a sensible path to homeownership. However, in the aftermath of the foreclosure crisis, there has been a resurgence in predatory rent-to-own contracts that can lead people to buy poor quality houses at inflated prices with contract terms that unfairly favor the seller.

In these agreements, the seller keeps the title of the home until the buyer has made all of the payments contained in the agreement. Even though the buyer doesn't own or have title to the property during the contract, the buyer is typically required to pay the real estate taxes, purchase homeowner's insurance, and pay for repairs to the home.

For help making decisions about housing options:

Speak with a HUD-approved housing counselor. Find a nearby counselor by visiting the Illinois Housing Development Authority (IHDA) website and doing a zip code search at bit.ly/2JgNfgv

For legal information and resources:

Visit Illinois Legal Aid Online at illinoislegalaid.org. Cook County Residents can also call LAF at **312-341-1070**

For complaints about rent-to-own contracts or consumer fraud issues:

Call the Office of the Illinois Attorney General at **1-800-544-7151**

File a complaint online and find other ways to contact the office at illinoisattorneygeneral.gov/consumers

KNOW THE LAW

RENT-TO-OWN CONTRACTS



A stronger Illinois begins at home



HOMEOWNER PROTECTIONS

The **Installment Sales Contract Act (765 ILCS 67)** is an Illinois law that regulates sellers of 1-4 unit residential properties who enter into contracts more than 3 times in any 12-month period. This law applies to rent-to-own contracts entered into on or after January 1, 2018.

The law requires a written contract that must meet certain requirements. Whether or not a contract is covered by the law, the buyer considering a contract should make an educated decision about whether the terms of the contract are acceptable and fair.

The written contract must include:

- Details such as who is responsible for repairs, property taxes, and insurance and whether any balloon payments are due at the end of the contract.
- An amortization schedule, which describes how monthly payments will be applied to the principal and interest, as well as how long it will take to pay off the loan.
- A disclosure of past building code violations.

Certain predatory loan terms, such as putting the buyer in default of contract for failing to repair preexisting conditions and prepayment penalties, cannot be included in the contract.

The law also provides for:

- A 3-day “cooling off period” after the seller gives the final contract to the potential buyer. During this time, parties cannot finalize the contract and buyers must be provided an educational disclosure document prepared by the Office of the Attorney General, available online at bit.ly/2EkmGDd
- A 90-day period to cure defaults before the seller can take action to terminate the contract.

The Attorney General may investigate potential violations of the law and file lawsuits based on unfair or deceptive practices. Individuals may also bring legal actions based on violations of the law under the Consumer Fraud and Deceptive Business Practices Act.

Foreclosure Protections

There are also expanded foreclosure protections for people who enter into rent-to-own contracts on or after January 1, 2018. If at least 20% of the contract has been paid, the seller has to foreclose in the case of default on the contract. The requirement that the contract be more than 5 years in length is eliminated.

The foreclosure process offers more time and protections for the buyer than the eviction process. However, until 20% of the contract has been paid, the seller can file an eviction case against the buyer in the case of default and the buyer is at-risk of losing everything they invested in the home.

Beware of Predatory Rent-to-Own Contracts

Predatory sellers create a business model based on the buyer defaulting on the contract so they can resell the home in the same manner.

These contracts are called by a few different names. They may be referred to as: rent-to-own contracts, installment sales contracts, or contracts for deed.

