BUYER BEWARE

Promised a Home, Delivered a Trap

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A scheme with many names

Rent to own

Installment Sale Contract

Land Sale Contract

Seller Financing

Bond for deed

Buyer and seller of real estate use a contract agreement to finance the sale instead of a mortgage. Payments go directly from the buyer to the seller. The deed transfers after all payments are made.

Brief History

Pre-1960s before the Fair Housing Act and other regulations

1980s Contract Buyers League

Surged during financial and housing crises

The Illinois Installment Sales Contract Act

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III. Installment Sales Contract Act

"Installment Sales Contract"

- any contract, including a contract for deed, where seller agrees to sell a residence
- payable in installments for a period of at least one year, and
- seller continues to have an interest in the property.

765 ILCS §67/5

III. Installment Sales Contract Act

Right to Rescind

"Buyer" has the right to cancel and get money back **if:**

- Contract is not notarized
- Buyer was not given executed, notarized copy of contract
- Specific requirements are not met

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III. Installment Sales Contract Act

What “specific requirements”?

There are a lot. See 765 ILCS §67/10

- Certificate of compliance with Code
- List of Code violations in past 10 years
- Right to appraisal and inspection
    - In **bold** font!

More of the Specific Requirements

- Amount charged for property taxes
- Assessed value and fair cash value of property
- Explanation of when buyer receives title
- Statement that disclosure from Ill. Attorney General was provided

- Any additional charges or fees
- Amount charged for insurance
- 90 day cure period
- Amortization, interest
- Any unpaid property taxes
- And **more**! 765 ILCS 67/10

III. Installment Sales Contract Act

What if "specific requirements" are missing?

- Give notice to rescind
- Demand full return of money paid

How to Recognize Problematic Contracts

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Hidden Fees & Trapdoor Clauses

The real “scheme” in these contracts are all the hidden, ambiguous, and contradictory contract terms.
Some contracts are designed to fail.

- No buyer screening
- Anything to increase payments
- Automatic rental conversion
- Maintenance and habitability
- Option contracts

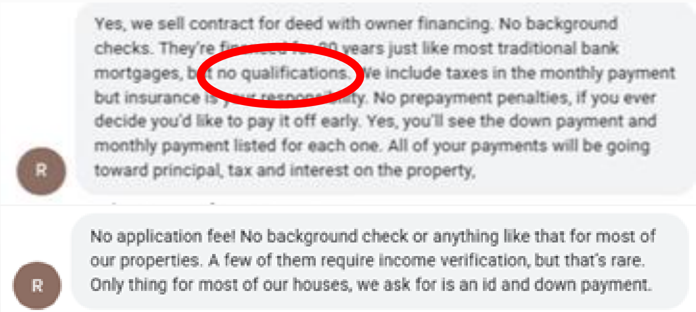
No Buyer Screening

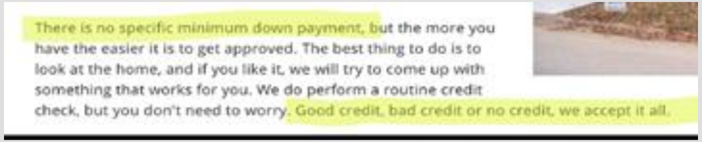
In many of these schemes, the seller doesn't ask any questions about the buyers financial or credit background.

Then they pull an interest rate out of thin air, **sometimes as high as 17%.**

The only question is:

"Do you have money for the downpayment?"





Anything to Increase Payments

Sellers may hide lots of extra fees or penalties. The fees aren't always justified by business expenses and don't come with any receipts.

- Buy cheap, abandoned homes at tax sales
- Increase home values without an appraisal
- Random interest rates
- Property taxes
- Insurance
- Habitability permits
- Multiple late fees
- Payment increases without notice

Automatic Rental Conversion

Sales contracts turn into rental leases without any notice.

Homeowners face foreclosure where they have many rights and may recover some equity from repairs.

Tenants face eviction where they walk away with nothing.

DEFAULT

5. In case of the failure of the Second Party to make any payment or any part thereof within ten (10) days of the date due, or any failure to perform any of the covenants required by this Agreement, and fails to cure the default within the time specified by the Agreement, this Agreement shall, at the option of the First Party, be forfeited and terminated, and the Second Party shall forfeit all payments made by him to date on this Agreement and said amount shall be retained by the First Party in full satisfaction and liquidation of all damages sustained by the First Party. At such time, this Agreement shall be terminated and rendered null and void. The First Party shall have the right to demand immediate possession of the Property and commence eviction proceedings, if necessary. Any additional payments made by the Second Party to the First Party shall be considered rent, and the Second Party shall be considered a month-to-month tenant, in the sole and absolute discretion of the First Party. All costs and expenses incurred by the First Party, including but not limited to reasonable attorneys' fees, shall be paid by the Second Party to the First Party.

9. As an alternative remedy in the case of any default on behalf of the Second Party, the unpaid payments due for the time period that the Second Party has possession of the property shall be considered rent, at the option of the First Party, become immediately due and payable, and all costs and expenses of collection, by eviction, or otherwise, including reasonable attorney's fees, shall be paid by the Second Party, and all such sums are hereby secured by this agreement.

that regard, if you breach any obligations you have in the Agreement including default of any payments owed therein, [redacted] (the "First Party") will have the right to terminate this Agreement and treat you as a tenant. That means you could face potential eviction and will lose your right to become an owner of this property. Given the nature and complexity of this transaction, you are strongly encouraged and advised to seek independent legal advice regarding this Agreement.

Pushback!

Eviction Court

- Refer to legal aid
  - Prairie State Legal Services; Land of Lincoln Legal Aid
- Possible Motion to Dismiss
  - 30 day notice required
  - If paid more than 20% should be in foreclosure court
  - Contract for deed lacks requirements

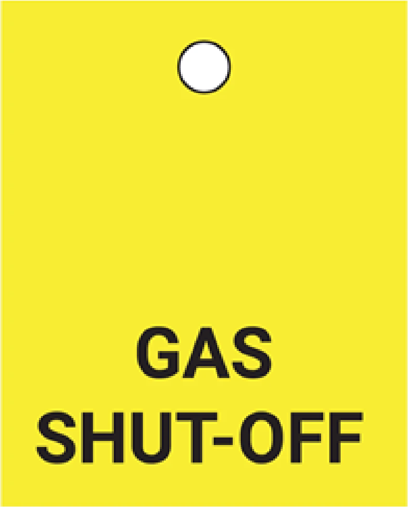
Problems Identified

"Option" or "Right to Purchase" Contract

- "Downpayment" is actually just for the option to purchase
- Depends on you coming up with your own financing
- Seller often hides this term; misrepresents the nature of the contract
- Seller holds you responsible for repairs
- Does it still meet the definition of "contract for deed?"

Problems Identified

Habitability Concerns



PSLS Litigation in Rock Island

Presented by:
Katie Liss
Director of Complex and Appellate Litigation

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PSLS Litigation in Rock Island

OPTION AGREEMENT

This Agreement is made and entered into on **April 26, 2019**, between **First Financial Group, LLC**, hereinafter called Optionor, and [redacted] as joint tenants with full rights of survivorship, and not as tenants in common, hereinafter called Optionee. The term of this Agreement shall be from **April 26, 2019** to **April 26, 2024**.

1. Optionor grants to Optionee an option to purchase the premises located at **2041 45th Street, Rock Island, IL 61201**, hereinafter referred to as the Property, for the Option Price of **$90,799.00** at any time during the term of this Option Agreement, provided Optionee shall have timely performed all the terms of this Option Agreement and of the Lease Agreement for said Property dated April 26, 2019. The Property is legally described as follows:

Lot Number One Hundred Thirty (130) in 2nd Garden Addition to the City of Rock Island, Illinois; situated in the County of Rock Island, in the State of Illinois

2. Optionee shall not be personally liable if they fail to comply with any of the following terms of this Option Agreement, however, if Optionee fails to pay any monthly option payment due hereunder, or if Optionee fails to comply with any other provision of this Agreement, or if Optionee fails to exercise the option to purchase and pay the full amount of the Option Price on or before April 26, 2024, then Optionee shall forfeit the option to purchase and all sums paid herein, in which case Optionee will no longer have the option to purchase the Property, nor have any rights, interests or claims to it. In such event, Optionor may record an Affidavit of Default as conclusive evidence that the option to purchase and any rights of possession have been terminated.

3. Optionee has paid to Optionor the sum of **$5,000.00** and shall also pay **$66.00** on or before the **26th** day of each month during the term of this Agreement commencing **May 26, 2019**, as consideration for granting the option to purchase, which shall be credited to the Option Price in the event Optionee exercises the option to purchase. Any excess payments shall also be credited to the Option Price. Such payments shall be made payable to **First Financial Group, LLC, 1987 Spruce Hills Dr, Bettendorf, IA 52722**. Optionee agrees that the option payments paid hereunder are non-refundable in the event that Optionee does not purchase the Property, and that said funds shall not be construed as a Security Deposit.

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NOTICE OF INTEREST IN REAL ESTATE

NOTICE IS HEREBY GIVEN that an agreement has been entered between the undersigned parties as follows:

DATE:	April 26, 2019
SELLER:	First Financial Group, LLC
BUYER(S):	[redacted]
ADDRESS OF PREMISES:	2041 45th Street, Rock Island, IL 61201
TAX PARCEL NUMBER:	SR-1658
PIN NO:	1706309081
LEGAL DESCRIPTION:	

Lot Number One Hundred Thirty (130) in 2nd Garden Addition to the City of Rock Island, Illinois; situated in the County of Rock Island, in the State of Illinois

SELLER

First Financial Group, LLC

By:____________________

Richard I. Vesole

BUYER(S)

____

[redacted]

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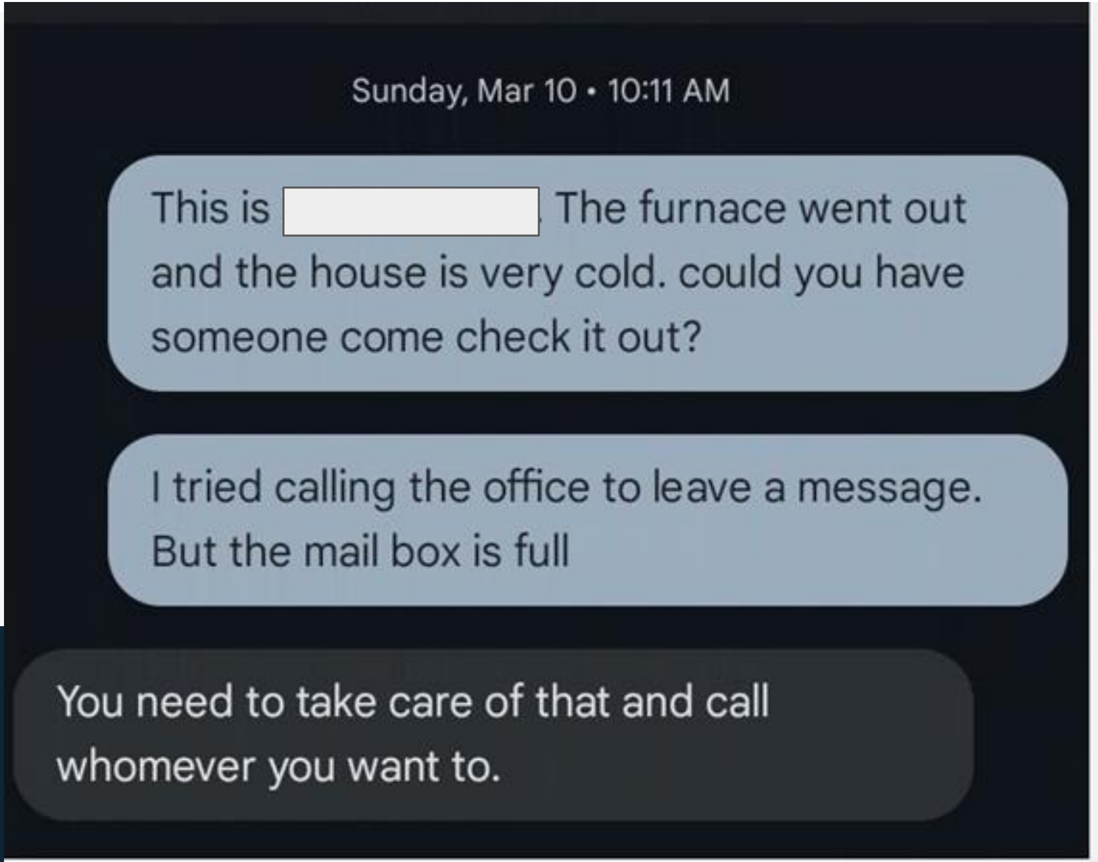

PSLS Litigation in Rock Island

- 5 plaintiffs (and counting)
- All were told they were buyers
  - Given documents calling them “buyers”
- Also given leases
- PSLS sued in June 2026
  - Consumer fraud
  - Unjust enrichment
  - Violation of Illinois Installment Sales Contract Act
  - Common law fraud

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HOPE's Investigation

Slow Flipping
Get rich quick, easier than being a landlord

1. Buy cheap houses (max $30k)
2. Increase the price (usually $60k-$90k)
3. Market on Facebook
4. Only application question is buyer's downpayment ($1k-$5k)
5. Require the buyer to make repairs while also making monthly payments
6. Evict as soon as any issues come up
7. Find a new buyer (downpayment, monthly payment, repairs, evict)
8. Keep churning through buyers until the house is fully renovated

The Handyman Special

Community Impact

- Artificially inflates housing prices
- Greater housing instability
- Primarily affecting families with children
- Blocks community level solutions
- Spreading rapidly

Call to Action

Complex problems require complex solutions.

- Housing counselors – risk warning and referral
- Lawyers and legal aid – pushback
- Community organizers – pushback
- Credit counselors – better opportunities
- Banks, IHDA, and CRA institutions – better opportunities
- Home improvement grants
- Developers
- Strengthen the law