






North Carolina homeowners need stronger protections now

For people who own or are buying a home, Senate Bill 1015 is a reasonable way to prevent abuses and strengthen our communities

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EXECUTIVE SUMMARY:

-  Senate Bill 1015 would protect homeowners and homebuyers from unscrupulous practices like foreclosure rescue scams, and abusive lease option agreements and contracts for deeds
-  The bill's protections are reasonable and fair – after negotiation with stakeholders there is no opposition to the bill
-  Helping working families realize the dream of homeownership is a step toward prosperity for all. Common-sense protections that prevent hard-earned wealth from being siphoned away in scams are needed now, especially with the economic crisis.

BUYING A HOME IS THE MOST IMPORTANT INVESTMENT MANY NORTH CAROLINIANS WILL EVER MAKE – in themselves and in their communities. Encouraging affordable homeownership encourages economic growth, strong communities and prosperity.

That's why it is so important to protect homeowners and homebuyers from a range of predatory practices, including foreclosure rescue scams, abusive lease option agreements, and abusive contracts for deed.

North Carolina lawmakers have an opportunity to put strong, reasonable rules in place now. Senate Bill 1015, the Homeowner and Homebuyer Protection Act, is a wise and practical way to protect people who own or are looking to purchase a home.

The bill would offer valuable safeguards against unethical and abusive practices. After careful negotiations with all interested parties there is no opposition to the bill, and lawmakers should resist any efforts to weaken the protections SB 1015 would offer.

Currently, North Carolina lacks even basic regulation on issues like foreclosure rescue scams, lease option contracts and contracts for deeds. Without legal guidelines on these practices, consumers can be manipulated into bad deals that devastate families and undermine the economic well-being of all North Carolinians.

In 2009, there were over 63,000 foreclosure filings in NC and data from this year indicates that in 2010 there will be even more. This has led to an increase in scam artists that approach homeowners at risk of foreclosure with the promise of enabling the homeowner to keep the home.

These scams are designed to rob homeowners of any equity remaining in the home and transfer ownership of the home to the scam artist, resulting in homelessness. At least 21 states have adopted legislation that prohibits or effectively regulates these abusive practices and its time for North Carolina to do the same.

Another abusive practice is to target would be home buyers with “lease option” contracts and “contract for deed” purchase agreements. In a lease option agreement, homeowners lease the property and pay for the option to buy the property at a later date.

While these transactions can sometimes be legitimate, too often the “seller” knows the buyer will never qualify to buy the home and the seller is just milking the buyer for the payment of the option.

The “contract for deed” transactions can also be very abusive with homebuyers being told to pay a down payment and then monthly payments for 30 years at which time they will be given the deed to the property. Too often the deed is never delivered after the buyer has paid thousands of dollars. Seven states have already recognized how harmful these transactions can be and have adopted regulations to stop these abuses.

As a state, it’s in our best interests to help keep people in their houses or help homeowners buy affordable homes through honest transactions. We all benefit when people purchase homes, stimulate the economy, and build strong communities. If we want to encourage homeownership – and encourage the economic growth it represents – we need to crack down on misleading and dangerous practices.

Senate Bill 1015 would do just that.

We need a strong, well-considered bill like SB 1015. There may be efforts to weaken this bill with amendments, undermining vital portions of the legislation. To do so would serve no useful purpose, but would leave North Carolina’s families vulnerable to exploitation – and our economy at risk, too.

The bill, sponsored by Sen. Josh Stein, would offer valuable safeguards to homeowners and homebuyers. It would create reasonable standards and protections for “lease option” agreements and “contracts for deed”. It would also prohibit foreclosure rescue scams that gouge struggling families.

Most importantly, it would protect the people of North Carolina who are investing in our common future by trying to secure the American Dream.