

HOUSE RESEARCH

Bill Summary

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Subject: Contract for deed notice

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Overview

This bill creates a notice that is required to be provided to the purchaser in contract for deed sales five days prior to signing a contract for deed. It allows a prospective purchaser to cancel the purchase agreement within five days of receiving the notice if the notice is not timely delivered and the purchase agreement has not yet been signed. It also creates a private right of action against a seller who does not timely deliver the notice. It requires a seller in a contract for deed agreement to provide an accounting of what is paid under the contract if it is requested.

Section

- 1** **Penalty for failure to file.** Prevents a vendee from being responsible for filing the contract for deed if they are not provided a copy in a recordable form.
- 2** **Definition.** Provides definitions for terms used in Minnesota Statutes, section 595.202 including “multiple seller” which means someone who sells four or more contract for deeds for residential property in Minnesota in any calendar year.
- 3** **Contract for Deed; Notice.**
 - Subd. 1.** Requires a notice to be given by any multiple seller to the purchaser in a contract for a deed agreement at least five days before the contract for deed is executed and must be signed and dated by the purchaser.
 - Subd. 2.** Provides an exception that the notice does not apply if the purchaser is represented by an attorney or real estate agent.

Section

Subd. 3. Provides the contents of the notice which is designed to give the purchaser information about how a contract for deed works, what is required of them, and what happens if a contract for deed is cancelled or if they default on payments.

Subd. 4. Provides that a person can cancel a purchase agreement if the notice is not timely delivered and the contract for deed is not yet executed by all parties.

Subd. 5. Gives the purchaser a private right of action if the notice requirements are not followed which allows for a choice of actual damages or statutory damages of \$2,500 and reasonable attorney fees and court costs. If a multiple seller knowingly fails to deliver the notice then they are liable for triple the damages. The statute of limitations for an action under this section is four years from the date of the alleged violation.

Subd. 6. Allows the purchaser to request an accounting of payments made under the contract for deed every 12 months.

Effective Date. Section 4 applies to contracts for deed or purchase agreements for contracts for deed that are both executed on or after August 1, 2013.

- 4 Remedies additional.** Provides that the remedies in this bill are in addition to the ones already existing in law and that the enforcement of the contract and laws governing contracts for the purchase of real property are not altered by the effect of this bill.
- 5 Repealer.** Repeals section 507.235, subdivision 4, a criminal penalty for failing to record the contract for deed, and is effective the day following final enactment.

Effective Date. This bill applies to any actions brought after it has been enacted.