

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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SENATE DRS75182-RO-9 (03/14)

Short Title: Revise Homeowner/Homebuyer Protection Act. (Public)

Sponsors: Senator Allran (Primary Sponsor).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT AMENDING THE HOMEOWNER AND HOMEBUYER PROTECTION ACT.
3 The General Assembly of North Carolina enacts:

4 **SECTION 1.** G.S. 47G-1 reads as rewritten:

5 "**§ 47G-1. Definitions.**

6 The following definitions apply in this Chapter:

7 (1) Covered lease ~~agreement or lease agreement.~~ – A residential lease agreement
8 ~~that is combined with, or is executed concurrently with, an option contract.~~
9 in which all or some portion of the rental payments made are applied to the
10 purchase price of the real property which is the subject of the covered lease
11 agreement and the covered option contract.

12 ...
13 (4) Option contract or contract. – An option contract for the purchase of
14 property that includes or is combined with, or is executed in conjunction
15 with, a covered lease agreement. The term does not include a contract which
16 obligates the buyer to purchase the property even though the obligation may
17 be subject to one or more contingencies or unilateral rights to terminate the
18 contract.

19 (5) Option fee. – Any payment, however denominated, made by the option
20 purchaser to the option seller that constitutes the price the option purchaser
21 pays for the right to buy the property at a specified price in the future. Such
22 payment applied at the closing of the property shall not constitute equity,
23 and such payment shall not in and of itself create a right of equitable
24 redemption.

25"

26 **SECTION 2.** G.S. 47G-7 reads as rewritten:

27 "**§ 47G-7. Remedies.**

28 ~~A violation of any provision of this Chapter constitutes an unfair trade practice under~~
29 ~~G.S. 75-1.1.~~ An option purchaser may bring an action for the recovery of damages, to void a
30 transaction executed in violation of this Chapter, as well as for declaratory or equitable relief
31 for a violation of this Chapter. The rights and remedies provided herein are cumulative to, and
32 not a limitation of, any other rights and remedies provided by law or equity. Nothing in this
33 Chapter shall be construed to subject an individual homeowner selling his or her primary
34 residence directly to an option purchaser to liability under G.S. 75-1.1."

35 **SECTION 3.** G.S. 47H-2 reads as rewritten:

36 "**§ 47H-2. Minimum contents for contracts for deed; recordation.**



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1 ...
2 (b) Contents. – A contract for deed contract shall contain at least all of the following:

3 ...
4 (14) ~~A description of conditions of the property that includes whether the~~
5 ~~property, including any structures thereon, has water, sewer, septic, and~~
6 ~~electricity service, whether the property is in a floodplain, whether anyone~~
7 ~~else has a legal interest in the property, and whether restrictive covenants~~
8 ~~prevent building or installing a dwelling. If restrictive covenants are in place~~
9 ~~that affect the property, a copy of the restrictive covenants shall be made~~
10 ~~available to the purchaser at or before the execution of the contract.~~

11 (14a) A completed residential property disclosure statement as provided in
12 Chapter 47E of the General Statutes.

13 ...
14 (16) ~~If the property being sold is encumbered by a deed of trust, mortgage, or~~
15 ~~other encumbrance evidencing or securing a monetary obligation which~~
16 ~~constitutes a lien on the property, and the seller is not a licensed general~~
17 ~~contractor within the meaning of Chapter 87 of the General Statutes, or a~~
18 ~~licensed manufactured home dealer within the meaning of Article 9A of~~
19 ~~Chapter 143 of the General Statutes, a statement of the amount of the lien,~~
20 ~~and the amount and due date, if any, of any periodic payments.~~

21"

22 SECTION 4. G.S. 47H-6 reads as rewritten:

23 "§ 47H-6. Title requirements.

24 (a) A seller may not execute a contract for deed with a purchaser if the seller does not
25 hold title to the property. If the title is not held in fee simple, free from any deeds of trust,
26 mortgages, or other encumbrances evidencing or securing a monetary obligation which
27 constitutes a lien on the property, the seller may execute a contract for deed only if the
28 mortgage or encumbrance is in the name of the seller and meets at least one of the following
29 conditions:

30 ...
31 (3) It was placed on the property by the seller prior to the execution of the
32 contract for deed, if the seller is not a licensed general contractor within the
33 meaning of Chapter 87 of the General Statutes, a licensed manufactured
34 home dealer within the meaning of Article 9A of Chapter 143 of the General
35 Statutes, or a licensed real estate broker within the meaning of Chapter 93A
36 of the General Statutes, ~~if the lien is attached only to the property sold to the~~
37 ~~purchaser under the contract for deed, Statutes,~~ and the seller continues to
38 make timely payments on the outstanding mortgage or ~~encumbrance.~~
39 ~~encumbrances and notifies the purchaser in a separate written disclosure,~~
40 ~~provided at or before the execution of the contract, in 14-point type,~~
41 ~~boldface, capital letters, the following statement: THIS PROPERTY HAS~~
42 ~~EXISTING LIENS ON IT. IF THE SELLER FAILS TO MAKE~~
43 ~~TIMELY PAYMENTS TO THE LIEN HOLDER, THE LIEN~~
44 ~~HOLDER MAY FORECLOSE ON THE PROPERTY, EVEN IF YOU~~
45 ~~HAVE MADE ALL YOUR PAYMENTS.~~

46 (b) ~~If the property being sold is encumbered by one or more deeds of trust, mortgages,~~
47 ~~or other encumbrances evidencing or securing a monetary obligation which constitutes a lien~~
48 ~~on the property, the seller must notify the purchaser in a separate written disclosure, provided at~~
49 ~~or before the execution of the contract, in 14 point type, boldface, capital letters, the following~~
50 ~~statement: THIS PROPERTY HAS EXISTING LIENS ON IT. IF THE SELLER FAILS~~
51 ~~TO MAKE TIMELY PAYMENTS TO THE LIEN HOLDER, THE LIEN HOLDER~~

1 ~~MAY FORECLOSE ON THE PROPERTY, EVEN IF YOU HAVE MADE ALL YOUR~~
2 ~~PAYMENTS.~~

3"

4 SECTION 5. G.S. 47H-8 reads as rewritten:

5 "§ 47H-8. Remedies.

6 ~~A violation of any provision of this Chapter constitutes an unfair trade practice under~~
7 ~~G.S. 75-1.1.~~ A purchaser may bring an action for the recovery of damages, to rescind a
8 transaction, as well as for declaratory or equitable relief, for a violation of this Chapter. The
9 rights and remedies provided herein are cumulative to, and not a limitation of, any other rights
10 and remedies provided by law or equity. Nothing in this Chapter shall be construed to subject
11 an individual homeowner selling his or her primary residence directly to a buyer to liability
12 under G.S. 75-1.1."

13 SECTION 6. G.S. 75-120 reads as rewritten:

14 "§ 75-120. Definitions.

15 The following definitions shall apply in this Article:

16 (1) Default. – ~~Whenever a property owner is more than 60 days delinquent a~~
17 notice of default is filed in the county where the property is located on any
18 loan or debt that is secured by the property, including real estate taxes.

19 ...

20 (3) Foreclosure rescue transaction. – A transfer of residential real property,
21 including a manufactured home that is permanently attached to the real
22 property, which includes all of the following features:

- 23 a. The real property is the principal residence of the transferor.
24 b. The transferor is in default or legal proceedings have been initiated to
25 foreclose on the transferor's property.
26 c. The transferee, an agent of the transferee, or others acting in concert
27 with the transferee make representations that the transfer of the
28 residential property will enable the transferor to prevent, postpone, or
29 reverse the effect of foreclosure and to remain in the residence.
30 d. The transferor retains ~~an interest in the property conveyed, including~~
31 a tenancy interest, an interest under a lease purchase agreement,
32 an lease with option to purchase agreement, or an option to reacquire
33 the property, or any other legal, equitable, or possessory interest in
34 the property conveyed property.

35"

36 SECTION 7. G.S. 75-121 reads as rewritten:

37 "§ 75-121. Foreclosure rescue transactions prohibited; exceptions; violation.

38 (a) It is unlawful for a person or entity other than the transferor to engage in, promise to
39 engage in, arrange, offer, promote, solicit, assist with, or carry out a foreclosure rescue
40 transaction for financial gain or with the expectation of financial gain, unless prior to or at the
41 time of transfer, the transferee pays the transferor at least fifty percent (50%) of the fair market
42 value of the property as determined by a licensed appraiser. An appraisal to determine the fair
43 market value of the property must be performed no more than 90 days prior to the transfer. ~~The~~
44 ~~appraisal shall be delivered to the transferor no more than three days after the appraisal is~~
45 ~~performed and no less than seven days prior to the transfer of the property. This section does~~
46 ~~not apply to exempt transactions.~~

47"

48 SECTION 8. This act becomes effective October 1, 2013, and applies to
49 transactions entered on or after that date.