

1 2	(New Draft of H.P. 853, L.D. 1103) (New Title)
3 4	FIRST REGULAR SESSION
5 6	ONE HUNDRED AND ELEVENTH LEGISLATURE
7 8	Legislative Document No. 1609
9	H.P. 1213 House of Representatives, May 16, 1983
10 11 . 12	Reported by Representative Brannigan from the Committee on Business Legislation and printed under Joint Rule 2. Original bill presented by Representative Thompson of So. Portland. Cosponsored by Representative Telow of Lewiston, Senator Bustin of Kennebec and Representative MacBride of Presque Isle.
	EDWIN H. PERT, Clerk
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14 15	STATE OF MAINE
16 17 18	IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-THREE
19 20 21 22 23	AN ACT to Require Certain Disclosures in Land Installment Contracts for Improved Residential Property and to Provide for Recordation of those Contracts.
24 25	Be it enacted by the People of the State of Maine as follows:
* 26	33 MRSA c. 8 is enacted to read:
27	CHAPTER 8
28	LAND INSTALLMENT CONTRACTS
29	§481. Definitions
30 31 32	As used in this chapter, unless the context indi- cates otherwise, the following terms have the follow- ing meanings.

1	1. Down payment. "Down payment" means the pay-
2	ment made by the purchaser to the vendor on account
3	of the purchase price at or before the time of the
4	execution of a land installment contract.
5	2. Land installment contract. "Land installment
6	contract" means an agreement under which the vendor
7	agrees to sell an interest in property to the pur-
8	chaser and the purchaser agrees to pay the purchase
9	price in 5 or more subsequent payments exclusive of
10	the down payment, if any, and the vendor retains
11	title to the property of fourity for the purchasen's
12	title to the property as security for the purchaser's
	obligation under the agreement. Land installment
13	contracts do not include option contracts for the
14	purchase of real property or purchase and sale agree-
15	ments entered into with the good faith expectation of
16	a separate transaction in which a 3rd party or the
17	seller agrees to finance the purchase price in a sin-
18	gle installment.
19	3. Property. "Property" means improved real
20	property located in this State, sold to be occupied
21	as a dwelling.
22	4. Purchaser. "Purchaser" means an individual
22 23	4. Purchaser. "Purchaser" means an individual who purchases property subject to a land installment
	who purchases property subject to a land installment
23	who purchases property subject to a land installment contract, or any legal successor in interest to him,
23 24	who purchases property subject to a land installment contract, or any legal successor in interest to him, regardless of whether the individual has entered into
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23 24 25	<pre>who purchases property subject to a land installment contract, or any legal successor in interest to him, regardless of whether the individual has entered into an agreement as to extension, default or refund. 5. Vendor. "Vendor" means a person who makes a</pre>
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23 24 25 26 27 28 29 30 31 32 33 34	<pre>who purchases property subject to a land installment contract, or any legal successor in interest to him, regardless of whether the individual has entered into an agreement as to extension, default or refund. 5. Vendor. "Vendor" means a person who makes a sale of property by means of a land installment con- tract or his successor in interest. §482. Minimum contents of land installment con- tracts; recordation 1. Contents. A land installment contract shall be executed in duplicate and a copy of the contract shall be provided to the vendor and the purchaser.</pre>
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23 24 25 26 27 28 29 30 31 32 33 34 35 36 37	<pre>who purchases property subject to a land installment contract, or any legal successor in interest to him, regardless of whether the individual has entered into an agreement as to extension, default or refund. 5. Vendor. "Vendor" means a person who makes a sale of property by means of a land installment con- tract or his successor in interest. §482. Minimum contents of land installment con- tracts; recordation 1. Contents. A land installment contract shall be executed in duplicate and a copy of the contract shall be provided to the vendor and the purchaser. The contract shall contain at least the following provisions: A. The full names and post-office addresses of</pre>

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1	C. A legal description of the property conveyed;
2	D. The sales price of the property conveyed;
3 4	E. Any charges or fees for services included in the contract separate from the sales price;
5	F. The amount of the purchaser's down payment;
6	G. The principal balance owed by the purchaser,
7	which is the sum of the amounts described in
8	paragraphs D and E, less the amount described in
9	paragraph F;
10	H. The amount and due date of each installment
11	payment and the total number of installment pay-
12	ments;
13 14	I. The interest rate on the unpaid balance and the method of determining the interest rate;
15	J. A conspicuous statement of any encumbrances
16	against the property, including a statement of
17	any pending order of any public agency or other
18	matters of public record affecting the property;
19	K. A statement which explains that the contract
20	is not a mortgage and that the purchaser does not
21	obtain title to the property until the purchase
22	price is paid in full;
23 24	L. A statement of the rights of the buyer to cure a default by the buyer;
25	M. A provision that the vendor provide evidence
26	of title by copy of deed, or otherwise, at the
27	time of the execution of the agreement and, if
28	the vendor is not prepared to deliver a full war-
29	ranty deed on completion of the contract, a de-
30	scription of the deed which the vendor will
31	deliver on completion;
32	N. A provision that, if the vendor defaults on
33	any mortgage on the property, the purchaser may
34	pay on the mortgage and receive credit on the
35	land installment contract;

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- 1 0. A requirement that the purchaser shall be 2 responsible for the payment of taxes, assessments 3 and other charges against the property from the 4 date of the contract, unless agreed to the con-5 trary;
- P. A provision that the purchaser has the right
 to accelerate or prepay any installment payments
 without penalty, unless agreed to the contrary;
 and
- 10Q. A clear and conspicuous provision above the11place for the signature of the purchaser which12acknowledges receipt by the purchaser of a copy13of the land installment contract signed by the14vendor.
- 15 Recordation. Within 20 days after the con-2. tract has been signed by both the vendor and the pur-16 17 chaser, the vendor shall cause a copy of the contract 18 or a memorandum of the contract to be recorded at the purchaser's expense in the registry of deeds in the 19 20 county where the property sold under the contract is located. If a memorandum of the contract is recorded, it shall be entitled "Memorandum of a Land Installment Contract" and shall contain, as a mini-21 22 23 mum, the names of the parties, the signatures of the parties, a description of the property and applicable 24 25 26 time periods. A person other than a vendor and pur-27 chaser may rely on the recorded materials in deter-28 mining whether the requirements of this subsection 29 have been met.
- 30 3. Other disclosures. Disclosures made by the
 31 vendor pursuant to Title 9-A, Article VIII, Truth 32 in-Lending, shall be deemed to comply with subsection
 33 1, paragraphs D to I.

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STATEMENT OF FACT

This new draft limits the scope of the proposed law to disclosure and requires the recordation of land installment contracts. The purpose of the disclosure requirements is to assure that both parties to the transaction are aware of their basic rights and obligations under the contract.

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The land installment contract has been designed 1 2 as a mechanism which is distinct from the typical mortgage. As such, it engenders different risks and 3 4 rights than the parties would undertake through a 5 purchase money mortgage. This new draft would re-6 quire some of these differences to be addressed in the contract itself, so that the parties are better 7 8 able to assess the impact of using this alternative. 9 At the same time, the new draft rejects an approach which would substantially transform the nature of the 10 transaction, which was created by contract, by opera-11 12 tion of statute.

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