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The American Dream or Just an Illusion? Understanding Land Contract Trends in the Midwest Pre- and Post-Crisis

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This paper was originally presented at a national **Symposium on Housing Tenure and Financial Security**, hosted by the Harvard Joint Center for Housing Studies and Fannie Mae in March 2019. A decade after the start of the foreclosure crisis, the symposium examined the state of homeownership in America, focusing on the evolving relationship between tenure choice, financial security, and residential stability.

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Abstract

This paper examines contract for deed activity across six Midwestern states to improve our understanding of this market and the places in which this activity occurs. Using contract for deed transaction data from ATTOM data solutions and block group level data from the Census, we examine neighborhood characteristics where contract for deed activity is prevalent and assess the differences between contract for deed sales and mortgaged sales on select transaction characteristics. We find contracts for deed tend to be more concentrated in neighborhoods with lower incomes, higher shares of non-white residents, higher rates of vacancy, and less access to traditional mortgage credit. When compared to mortgaged sales, contracts for deed are more likely to be entirely financed and have sales prices that fall below mortgaged sale prices. The strongest findings from this analysis indicate that contract for deed activity varies greatly by area and tends to concentrate in communities with weak housing market indicators.

Introduction

Access to purchase mortgage credit has remained limited in the wake of the Great Recession, particularly for communities of color, distressed local housing markets, and other underserved areas. In the near absence of traditional mortgage credit in certain markets, contract for deed activity has gained attention as an alternative means of financing home sales. Yet little is known about contract for deed activity beyond analyses focusing on smaller geographies and corporate sellers.

Lack of reliable data makes it difficult to analyze contract for deed activity. This data deficiency stems from the uneven reporting requirements and adherence to these requirements within and between states. National data were previously available through the census biennial American Housing Survey. Unfortunately, the survey eliminated this question after 2009. Thus, national data have been lacking for a decade, a period in which the housing market underwent massive fluctuations and restructuring.

Procuring disaggregated data previously required intensive data scraping or public records requests on a county-by-county basis, a process that made regional or national analysis burdensome. Thus, recent analysis of contract for deed sales have focused on small geographic areas in jurisdictions where recordation is required or on identifying properties owned by certain large-scale sellers such as Harbour Portfolio, a process that is complicated by the dozens of related entities under which these sellers operate. For example, the Wisconsin Attorney General identified 39 limited liability corporations associated with one corporate seller of contracts for deed, Vision Property Management.

With the acquisition of a new dataset containing over 420,000 land contracts recorded between 2004 and 2017, this paper builds on existing research by documenting neighborhood and contract characteristics of contract for deed activity across six contiguous Midwestern states that require or have a custom of contract for deed reporting, including Indiana, Iowa, Michigan, Minnesota, Ohio, and Wisconsin.

The scope of our research question is somewhat different from prior work on this topic. Previous studies have focused on contract for deed activity associated with institutional investors and corporate sellers, and have examined whether these institutions have exhibited predatory behavior towards African American communities. These studies have identified institutional investor names through news and legal sources and have flagged real estate transactions involving these entities as likely contract for deed property sales. In contrast, our study asks what demographic, socio-economic, and housing market

factors are associated with all contract for deed activity, the majority of which is non-institutional. While not all contract for deed activity is predatory in nature, there are negative implications for households regardless of who the seller is, such as the inability to accrue housing equity and the lack of consumer protections offered by a traditional mortgage. Therefore, it is crucial for policymakers to understand what factors are associated with contract for deed activity irrespective of whether institutional investors are involved.

The differences in our research question compared to prior literature are important to bear in mind when we interpret our results. Notably, we do not examine whether institutional contract for deed sales disproportionately affect African American communities or other vulnerable populations, a finding which is now well established, since our data includes mostly non-institutional sellers. However, we do examine whether contract for deed activity overall is more prevalent in communities of color, low income communities, and distressed housing markets.

Background

Contracts for deed are variously known as land contracts, installment contracts, lease contracts, sales contracts, bond for deed, bond for title, agreement for deed, and, colloquially, as a “poor man’s mortgage” (Carpenter, Lueders, & Thayer, 2017). Ta-Nehisi Coates described the practice as “...a predatory agreement that combined all the responsibilities of homeownership with all the disadvantages of renting—while offering the benefits of neither” (Coates, 2014).

Essentially, the contract for deed instrument is a private real estate contract between a buyer and seller. The parties agree to a transaction amount, down payment, and interest rate, similar to a traditional mortgage. The amortization period ranges, generally from five to 30 years, and may include one or more balloon payments. However, the deed to the property does not transfer to the buyer until the final payment has been made. In theory, this arrangement could be favorable to a buyer without a credit score sufficient to secure a mortgage or for buyers lacking access to formal financial services. Parties may also benefit from the speedier process, relative to a traditional mortgage. Yet, the contract for deed is unduly risky for the buyer, who builds no equity and has a higher risk of being forced out of their residence.

The contract itself may contain various terms for the use of the property during the period of repayment, many of which are particularly unfavorable for buyers. Contracts sold by corporate entities examined by journalists and advocates have noted several of these terms (Battle, Mancini, Saunders, & Williamson, 2016; Goldstein & Stevenson, 2016). A forfeiture clause is a common element, which allows the seller to take back the property for any breach of contract. In this scenario, the buyer loses any equity and investment made to improve the property as well as the property itself. The forfeiture scenario also allows the seller to avoid the purchaser’s equity of redemption, the foreclosure process, and other protections afforded by a traditional mortgage (Nelson, 1998).

Additionally, properties are also often sold as-is, without an inspection or appraisal. For example, the aforementioned corporate sellers bought many of their properties offered under contracts for deed from bulk foreclosure sales. Often, these properties were previously abandoned with untold condition issues that were not disclosed to the buyer. Certain corporate contracts require homebuyers to bring the property up to habitable condition within a given window of time, sometimes as little as a few months. Buyers are also responsible for insurance, property taxes, and all other maintenance expenses.

Contracts may stipulate that failure to improve the property condition or to cover these expenses results in forfeiture.

Finally, properties sold with a contract for deed may also be plagued by clouded title issues and tax and home equity liens, or rendered insecure by an existing mortgage on the property. In all such situations, the contract buyer's inferior claim on the property produces the risk of eviction or foreclosure, such as if the seller neglects to make payments on a mortgage.

Contracts for deed are disproportionately found in low-income communities where houses are older, in substandard condition, and access to mortgage credit is limited, as well as in low-income immigrant communities such as the Texas Colonias (Way, 2009). Historically, the practice gained notoriety in the 1960s and 1970s in Chicago, where redlining made contracts for deed the only alternative for many buyers of color in neighborhoods where property values had been deliberately depressed by block busting tactics (Satter, 2009). In Chicago communities like Lawndale, white sellers were convinced to sell their properties to avoid a price depreciation expected to accompany the arrival of African American families. Then, speculators would sell the homes at inflated prices with very high interest rates using installment purchase contracts (McPherson, 1972). The contracts were designed to fail, allowing the seller to reclaim the property, a form of equity stripping.

As noted above, many recent studies and articles have focused on corporate sellers using contracts for deed. Research focused on the reemergence of contracts for deed has established that properties offered by corporate sellers, specifically Harbour Portfolio in Atlanta, are disproportionately located in majority-African American neighborhoods (Battle et al., 2016), even when controlling for levels of foreclosures (and thus available housing stock for resale) by area (Immergluck, 2018). A recent analysis by Seymour and Akers (2019) found that among seven large-scale contract sellers that acquired properties from Fannie Mae bulk sales, there was a clear relationship between the concentration of properties and the percentage of African American residents at the regional level and, for the two largest sellers, at the census tract level.

In addition to the damages to individuals and families' finances and housing security, the practice of contract for deed sales has a destabilizing effect on communities. Neighborhoods that were hit hardest by the subprime lending and foreclosure crises are among those with the highest concentration of contract sales. Housing instability caused by the churn of mortgage and tax foreclosure, speculation, contract for deed sales, and failed contracts resulting in eviction has also been observed. In Detroit, this "accumulation by dispossession" continues to occur, virtually unchecked if not buttressed by local law and its selective enforcement (Akers & Seymour, 2018). In 2015, there were more contracts for deed than home mortgages in Detroit (Kurth, 2016).

Mortgage credit constraints have persisted into the economic recovery, particularly for low-cost properties priced \$70,000 or less, due in part to fixed origination costs and regulatory issues that make small dollar loans economically unappetizing to lenders, appraisal gap problems, and poor property conditions (McCargo, Bai, George, & Stochak, 2018). Recent research has also shown that corporate-owned contract for deed properties tend to be located in neighborhoods with lower than average numbers of bank branches per capita, indicating a potential lack of access to the formal financial system and to mortgage credit (Carpenter et al., 2017).

While a full scan of state laws pertaining to contracts for deed is beyond the scope of this paper, a Uniform Law Commission survey covering 25 states found that the majority of respondents (82 percent) stated that their home state has some form of remedy for default, including forfeiture (Higer, 2017). Most (61 percent) also require some type of disclosure on contract for deed sales. However, only 47 percent of respondents provide a right of redemption upon foreclosure or forfeiture and only 45 percent stated that contracts are recorded. Overall, only 35 percent felt that the law is functioning as intended and most respondents felt legal reform was necessary.

In states such as Florida, Maryland, and Oklahoma, buyers enjoy relatively strong protections equal to those of those with a traditional mortgages, such as the right to a foreclosure sale and receipt of surplus funds (Way, 2009). In states where foreclosure process are more costly, such as Illinois, Ohio, and Texas, such protections are deferred until a given percent of the property has been paid off (Way, 2009). However, protection varies by state and enforcement can be spotty. Furthermore, the onus is on the buyer to exercise his or her rights and many buyers may lack the resources or knowledge to seek recourse. Given the recent attention to contract for deed sales, legislative efforts to address the predatory aspects of contracts for deed have included a proposed bill in the Georgia House of Representatives meant to provide greater consumer protections (H.B. 456) and a proposed bill in the Ohio House of Representatives that would require properties be brought up to code and require an appraisal prior to sale (Wier, 2018).

The state of Texas is among a handful of states that have passed reforms to protect contract for deed buyers, including a reporting requirement to better track contract for deed sales. A comprehensive study focused on contract for deed sales in the Texas Colonias found that while legislative reforms have curbed these sales in Texas, it remains a common practice in low-income, predominately Hispanic border communities (Ward, Way, & Wood, 2012). The authors found that most contract for deed buyers did not have success in obtaining a deed (less than one-fifth of all contracts recorded between 1989 and 2012 obtained a deed). An alarming 45 percent were cancelled, signifying the likely loss of property and investment. In contrast, the peak foreclosure rate during this time was 6.4 percent nationwide and 11.9 percent for Hispanic homeowners. Based on survey data, many homesteaders (between 8 and 13.8 percent) in this area were found to have unrecorded contracts, generally because they were unaware of the reporting requirement in Texas.

At the local level, jurisdictions such as Toledo and Youngstown, Ohio have focused on the impacts of substandard housing and code violations, including not only harm to residents but also public expenses incurred for lawn maintenance, trash removal, and failure to pay taxes and fines. For instance, in 2015 Toledo passed an ordinance requiring properties to pass a city inspection (and obtain a Certificate of Property Code Compliance) as well as recordation of the contract (see Toledo Municipal Code Section 1765). Cincinnati adopted similar regulations requiring a certificate of occupancy and recordation in 2018 (see Cincinnati Municipal Code Chapter 870). Cincinnati also settled a lawsuit with both Harbour Portfolio and Vision Property Management over nuisance properties, the terms of which included fines, disclosures and code compliance prior to sale, and an agreement to rehabilitate or forfeit vacant properties (Leggate, 2018).

As in Cincinnati, legal action has been taken in several municipalities and states against sellers such as Harbour Portfolio and Vision Property Management. For example, the Wisconsin Department of Justice's lawsuit against Vision Property Management for "misleading and deceiving business practices

to induce Wisconsin consumers to lease, rent, or purchase uninhabitable properties in violation of Wisconsin landlord-tenant and mortgage banking laws” (Schimel, 2017b). While a settlement is pending as of January 2019, a temporary injunction against Vision was obtained (Schimel, 2017a). In 2017, a group of plaintiffs filed suit against Harbour in Georgia alleging fair housing violations and unfair and deceptive practices (Horne et al. v. Harbour Portfolio). Similarly, plaintiffs in Mahoning County (Youngstown), Ohio filed suit against Vision Property Management in 2018 (Bracetty et al. v. Vision Property Management, LLC et al.). At the federal level, the Consumer Financial Protection Bureau subpoenaed Harbour Portfolio in 2016 to better understand its business practices. While many of these cases are pending, they demonstrate that some contract buyers have been empowered to seek recourse through the work of legal aid services and other advocates.

In light of the recent attention to the issue and the need to craft policies that protect home buyers and communities, we used newly available national data to examine patterns and trends in recent contract for deed sales in the Midwest.

Data Overview and Descriptive Statistics

In 2017, private real estate vendor ATTOM Data Solutions announced the creation of a national transaction-level database of contract for deed transactions spanning 2005 to 2016. Given the need for an understanding of contract for deed activity and the impact of contracts for deed on communities and families, the Federal Reserve Banks of Atlanta, Chicago, and Cleveland jointly acquired this database with the intent of performing a national analysis.

Overall, our ATTOM database included 407,237 transaction records on residential properties with around 200 individual fields associated with the grantee, grantor, and property. While contracts in the database were recorded in 45 out of 50 states, the majority of those records (282,360 records, or 69 percent) were found in six Midwestern states: Michigan (which entailed 25 percent of all records), Ohio (13 percent), Wisconsin (11 percent), Minnesota (8 percent), Iowa (7 percent), and Indiana (6 percent). These contiguous states are among a handful with a requirement that some type of legal record must be generated when a contract for deed is made: either the contract itself or a memorandum must be recorded or a transfer tax form or electronic certificate of real estate value must be filed. Given the low numbers of contracts reported elsewhere (possibly signifying weak adherence) as well as market differences between regions, we chose to focus on these six states. Illinois passed a similar law requiring recordation, but it was not implemented until 2018.

We geocoded each individual transaction record by the given property address. Of the 282,360 records in our six state study area, 210,728 (75 percent) were geocoded to at least street level. An additional 1,837 records were geocoded using other available fields. Finally, 592 of the total records were removed due to unusual land use codes such as hotels and group homes. Thus, we were able to analyze 211,973 (75 percent) total transactions over a six-state area. We merged these records with CoreLogic Real Estate data at the property level to provide additional property and transaction characteristics as well as tax assessment information.

The number of sales by county ranged from 0 to 23,338. It was clear from our geocoding that county-level adherence to reporting requirements was uneven as well, as the function is the responsibility of the local registrar of deeds. In order to ensure our analysis included counties with reasonably sound enforcement and a level of activity sufficient to inform our analysis, we selected only those counties

with at least 500 contracts recorded from 2005 to 2016 for further analysis including neighborhood characteristics. This included 99 counties total (see Figure 1 below). A full list can be found in the appendix.

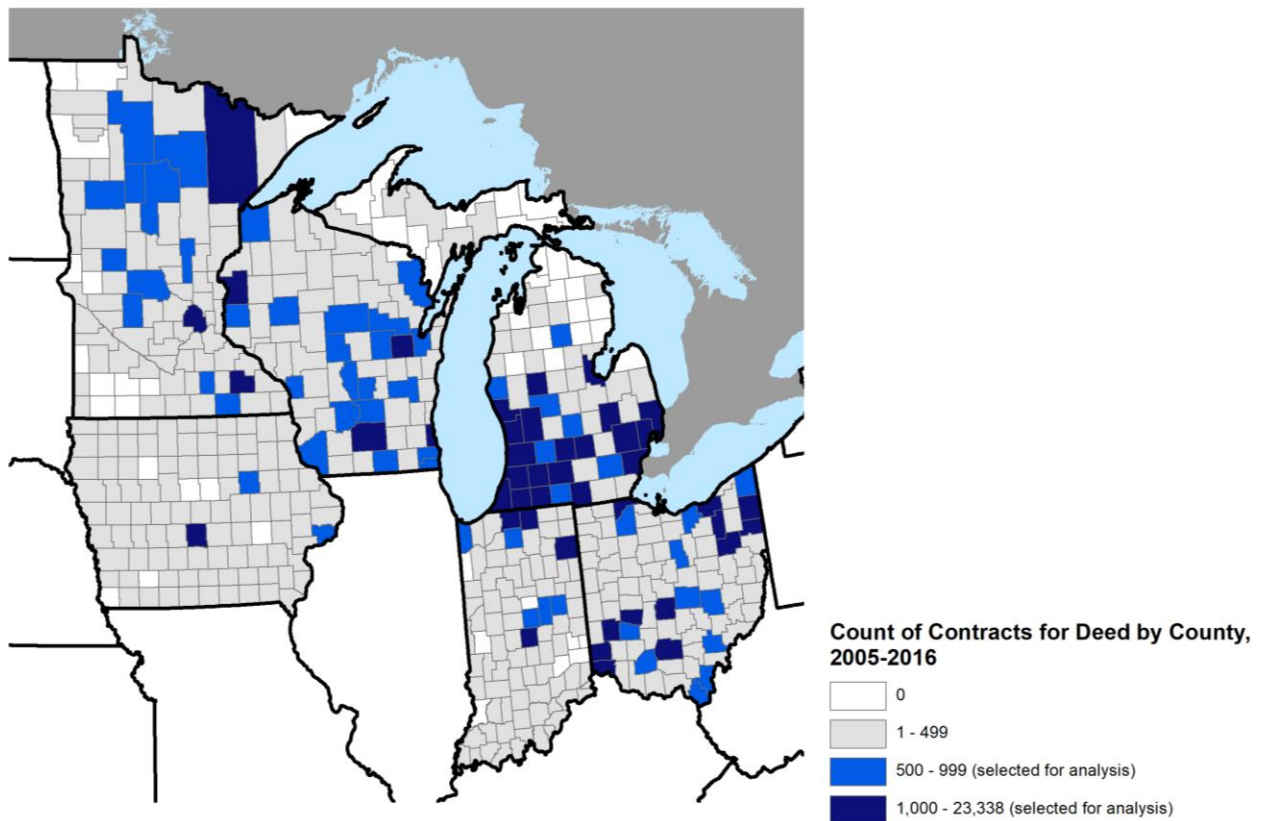


Figure 1: Count of Contract for Deed Transactions by County in Six State Study Area

In this section, we provide descriptive statistics where our data includes a sufficient number of contract for deed records for analysis. In the following section, where sufficient data exist, we constructed a predictive model to examine potential drivers of contract for deed activity and impacts on communities.

It should be noted that local experts, such as legal aid representatives, believe that only around one-fourth to one-fifth of all contracts are recorded. We thus believe that our data represent only a subset of all contract for deed transactions. However, the ATTOM dataset is the only available data at such a large scale that includes both small, individual sellers as well as corporate sellers. Therefore, we feel that these data are uniquely able to provide a broader picture of which communities are most likely to produce contract for deed sales and what the potential impacts are.

Descriptive Data for All Transactions, Six State Study Area

One benefit of the ATTOM dataset is the ability to examine components of individual contracts, such as the interest rate and sales amount. Unfortunately, for many fields, data were missing or appeared to have input errors. We were able to supplement missing information by matching 36 percent of the ATTOM transactions to a second data source, parcel-level CoreLogic real estate deed records, by transaction date and amount, which provided additional interest rate and mortgage term information. Despite the suspected noise, we were able to use these data fields to better understand trends across

the 282,360 transactions in the six state area for several characteristics of the contracts for deed created between 2005 and 2016.

All transactions included a valid transaction date, including year. The median and mean year of all contracts in the data set was 2010. A small number of transactions (7,723, or 3 percent) were outside of the period of data shown in Figure 2. The number of contract for deed transactions peaked in 2010 and remained relatively high through 2012, after which it has steadily declined. Given the high number of transactions in 2005, an even larger volume prior to the data collection period is possible, although we cannot know from the ATTOM dataset.

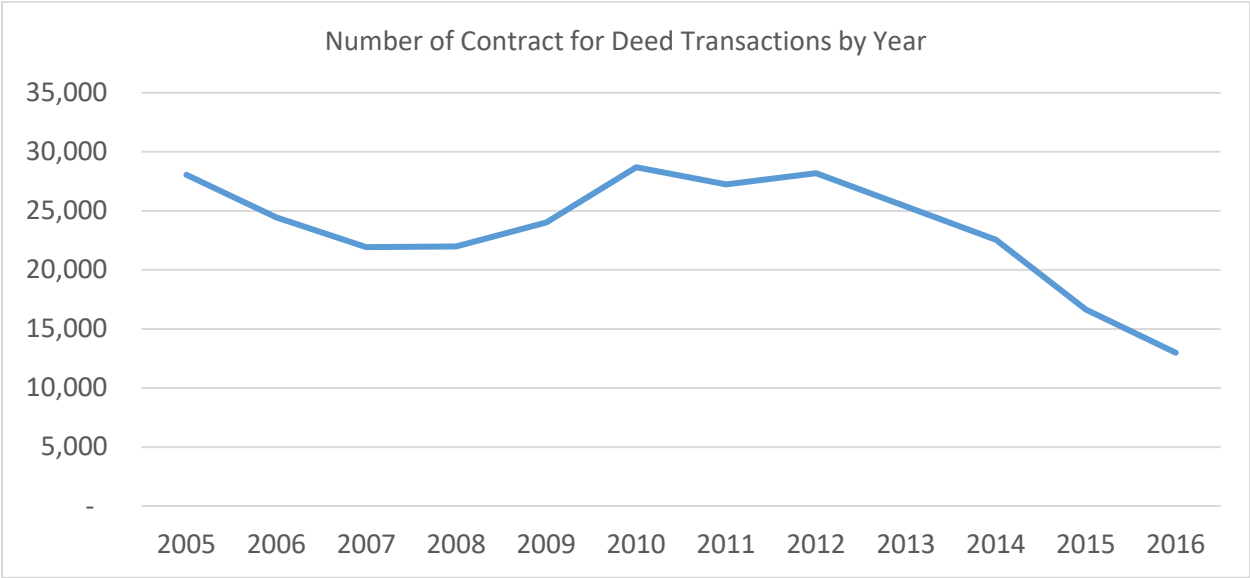


Figure 2: Number of Contract for Deed Transactions by Year in Six State Study Area

As previously noted, much of the literature on contracts for deed focuses on the large sellers of contracts for deed such Harbour Portfolio and Vision Properties among others. Carpenter et al. (2017) found that these companies also sold properties in Jefferson County, Alabama but unlike the previous studies the majority of contracts for deed sellers in their analysis sold one property. After removing 339 records without a seller name, we also find that the majority of the contract for deed sellers sold just one property across the across the six states we examined (Figure 3). There were 124,139 one-time sellers of contracts for deed, comprising about 59 percent of all contract for deed sales and over 15,000 sellers who sold two properties (comprising almost 15 percent of all sales). There were 885 sellers who sold at least 10 properties from 2005 through 2016, accounting for 12 percent of all contract for deed sales.¹

¹ We standardized seller names by removing extraneous punctuation and correcting known name misspellings, particularly of corporate sellers, before grouping sellers by the number of sales.

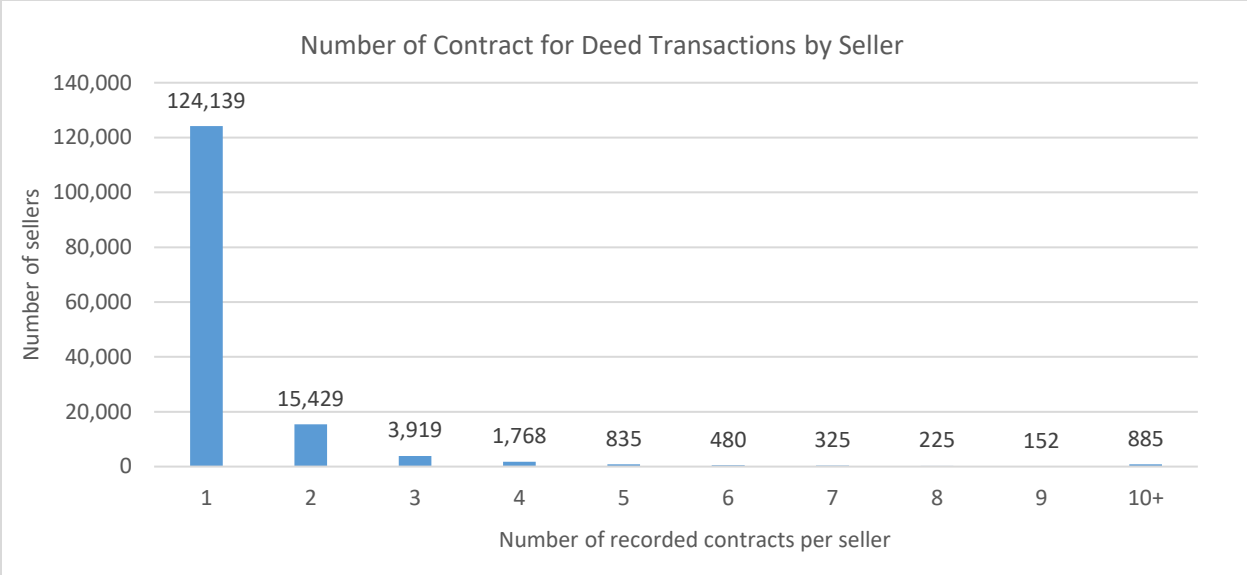


Figure 3: Number of Recorded Contract for Deed Sales per Seller

Transaction amount, or home price, data were available for 208,252 records (74 percent). The transaction amount varied between 0 and several million dollars. The median amount was \$74,900 and the mean was \$147,139. The majority of sales (70 percent) were less than \$100,000 in value. A large share of sales (22 percent) were between \$50,000 and \$100,000. A total of 39 transactions were greater than \$10 million and 2,408 transactions were over \$1 million. Many of these very-high-value transactions are believed to be input errors and are indicative of the noisiness of these data. The contract documents for several transactions were purchased from a vendor and spot-checked. These contracts were all found to be valid, although this exercise was not exhaustive therefore invalid transaction amounts may be present.

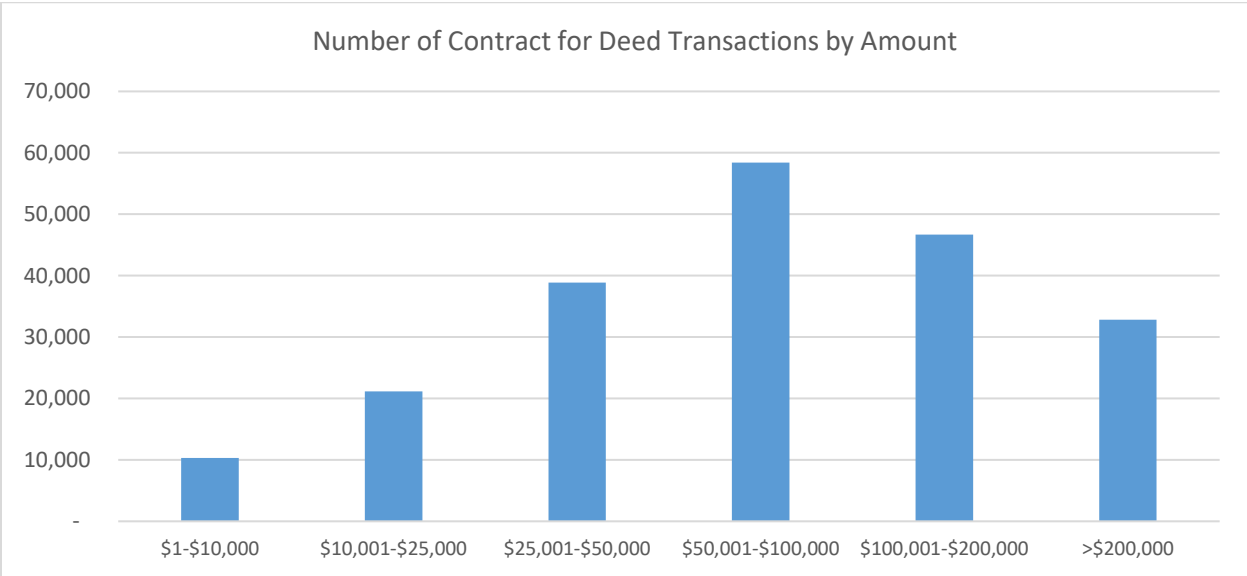


Figure 4: Number of Contract for Deed Transactions by Amount in Six State Study Area

Interest rates were only available for 24,187 records (8 percent of total). Therefore, it is difficult to know if the values reported are representative. However, we are not aware of any other data source that provides this information in a standardized format, making this the most complete analysis of contract terms available. Interest rate information was found in records from within 91 out of 99 counties and from within all six states. Based on these data, the median interest rate was 6.0 percent and the mean was 6.3 percent. Interest rates varied between 0 and 50 percent, with the largest share (49 percent) between 5 and 7.5 percent. The majority (63 percent) were above the current prime mortgage rate of 5.25 percent. This is a conservative figure, given increases in the prime rate during the period observed, therefore a larger share of contracts over the time period carried interest rates above the prime rate. Next, we compared interest rates with the transaction amounts in an effort to better understand the relationship between these two contract characteristics. We found that as interest rates declined transaction amounts increased but this relationship was relatively weak (correlation coefficient of -0.21).

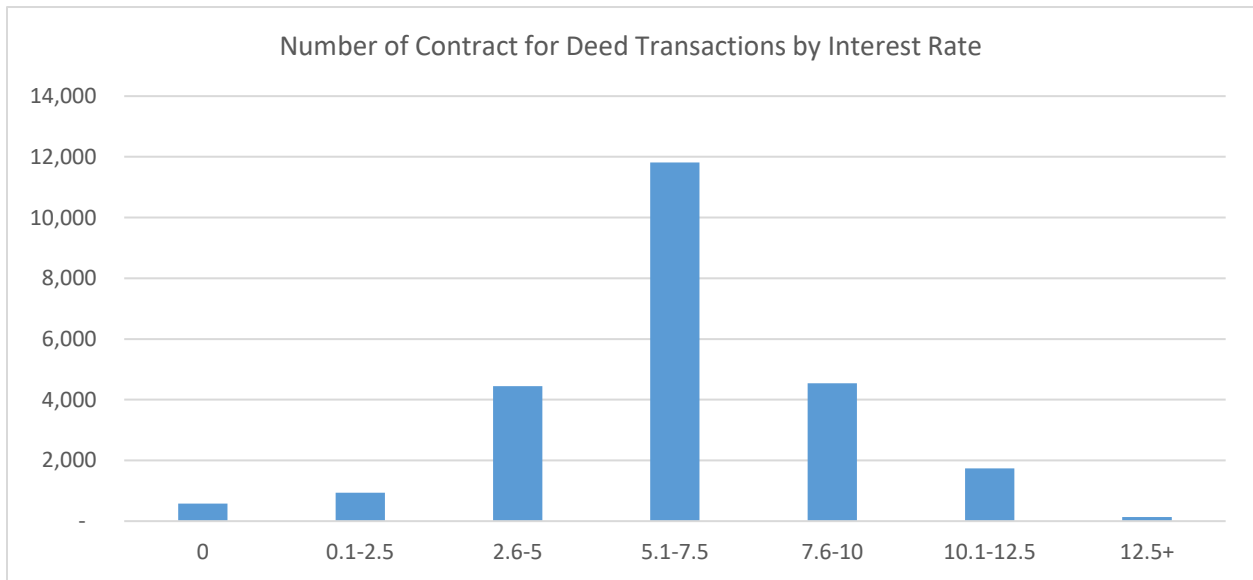


Figure 5: Number of Contract for Deed Transactions by Interest Rate in Six State Study Area

Similar to the interest rate data, values for the mortgage term were only available for 27,959 records (10 percent). Term information was found in records from within 88 out of 99 counties and from within all six states. The median term was 5 years and the mean was 7.8 years. Mortgage terms varied between 0 and 1,224 months, with the largest share (29 percent) between 61 and 120 months. Most (73 percent) contracts were signed for terms of 10 years or less, although fairly sizable numbers of 15 and 30 year terms were also recorded. When assessing the relationship between the lengths of the mortgage terms and the size of the transactions we found a positive but weak relationship between these two characteristics (correlation coefficient of 0.13).

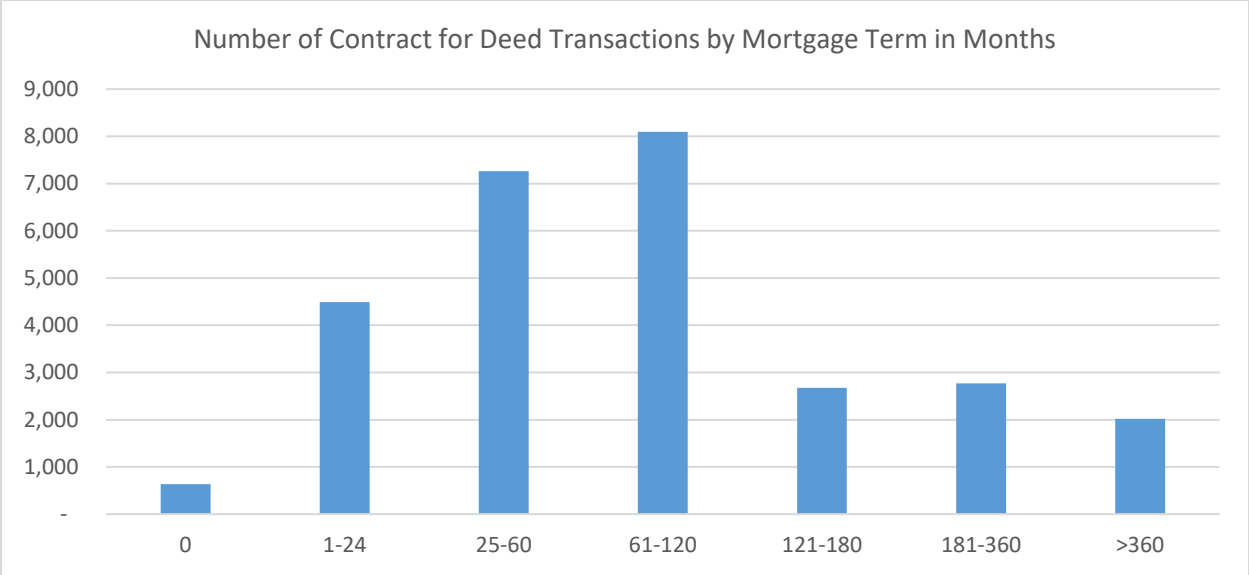


Figure 6: Number of Contract for Deed Transactions by Mortgage Term in Months in Six State Study Area

Values for the down payment were only available for 14,828 records (7 percent). Down payment information was found in records from within 79 out of 99 counties and from within all six states. To calculate a down payment percent, we divided the down payment amount by the transaction amount. Down payment percent ranged from a low of zero percent to a high of 99 percent with a median of 10 percent down and an average down payment of 17 percent. The majority of the contract for deed buyers (56 percent) provided a down payment of 10 percent or less with over 26 percent of the buyers putting less than five percent down. There was a weak, positive relationship between the percent down and the transaction amount (correlation of 0.09).

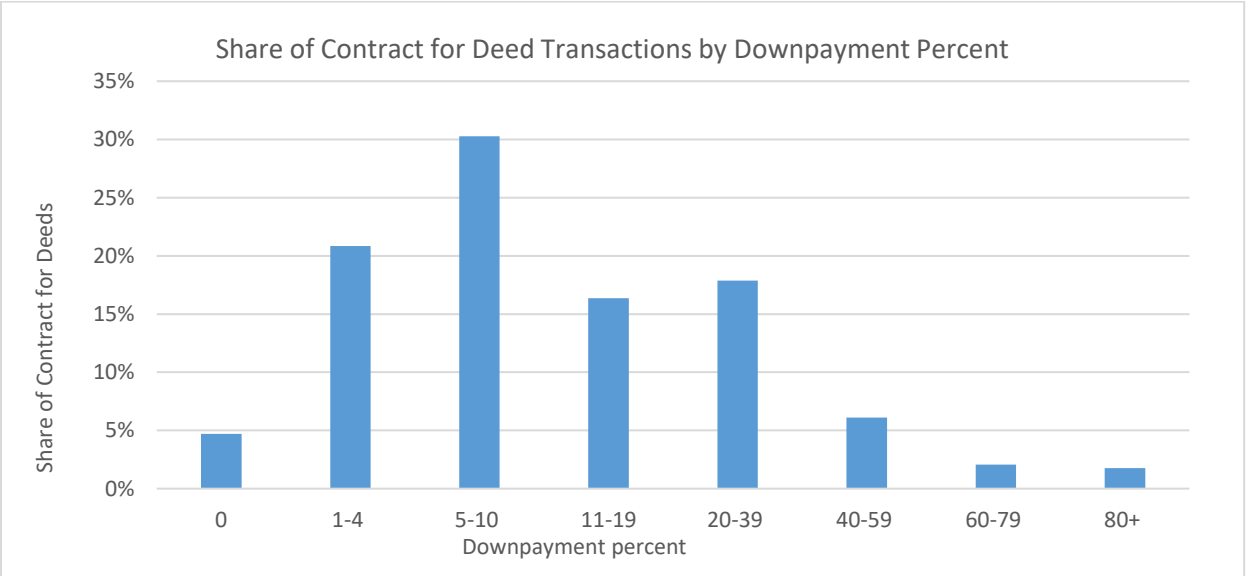


Figure 7: Share of Contract for Deed Transactions by Down Payment Percent in Six State Study Area

Comparison of Contract for Deed Sales to Other Sales Transactions on Select Loan Characteristics

To get a sense of how contract for deed sales compare to other sales transactions, we examined select loan characteristics across these two groups. To identify our comparison group, we merged the contract for deed sales to CoreLogic real estate deed records by parcel number and transaction date.² Properties from the CoreLogic data that were not matched served as our comparison group. This analysis is limited to the aforementioned 99 counties with at least 500 contracts recorded from 2005 to 2016. However, our comparative analysis covers 2005 to 2015, as 2016 CoreLogic deeds data not available. There were 148,695 geocoded contract for deed records in the years 2005 through 2015. Non-zero mortgage amounts were available for 29,214 contract for deed records (20 percent) and used to calculate loan-to-value rates.

Comparison of Loan-to-Value (LTV) Ratios

One assumed advantage of a contract for deed is the ability to finance a transaction at a very high loan-to-value (LTV) rate. In order to validate this assumption, we looked at the differences in the LTV ratios between contract for deed sales and mortgaged sales. We calculated the LTV by dividing the mortgage amount by the sales price. As illustrated in Figure 8, contract for deed sales had higher LTVs when compared to all other mortgaged homes. The majority of contract for deed sales (69 percent) had LTVs at or above 90 percent with about 36 percent entirely financed by the borrower. By comparison, only 13 percent of the other mortgaged homes were wholly financed by the borrower with 51 percent of them with LTVs that equaled or exceeded 90 percent.

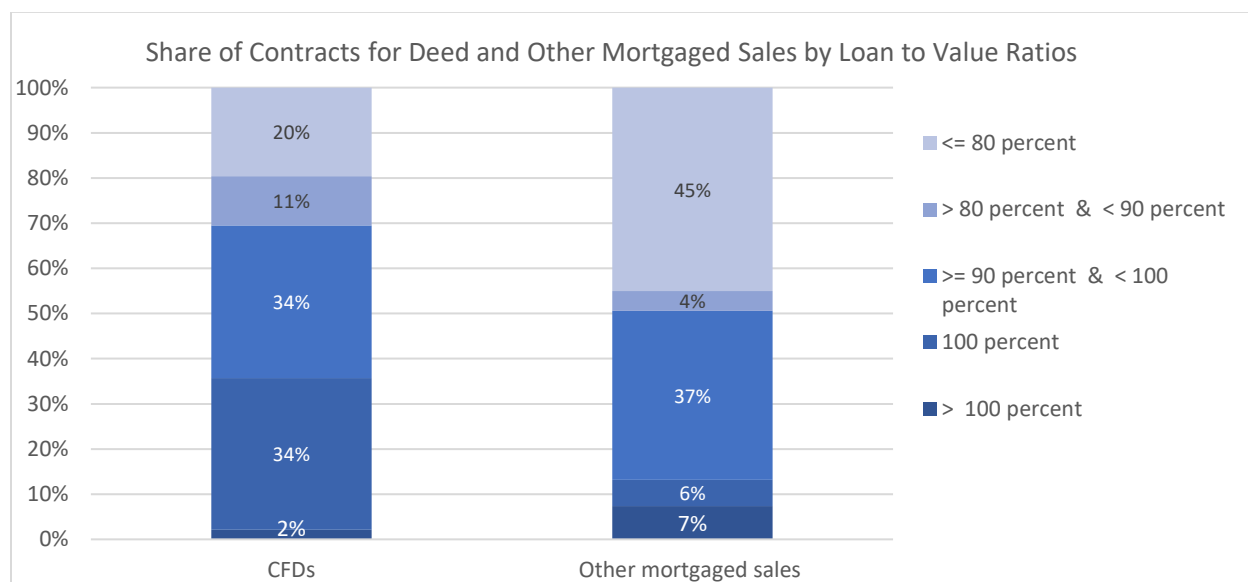


Figure 8: Share of Contracts for Deed and Other Mortgaged Sales by Loan to Value Ratio in 99 County Study Area

² CoreLogic Real Estate data were not available for all counties in all years and were only available through 2015. Of the 99 counties included in our analysis, CoreLogic data coverage existed for 79 counties in 2005, 83 in 2006, 86 in 2007, 88 in 2010, 91 in 2011, 93 in 2012, 93 in 2013, 91 in 2014, and 96 in 2015. Thirty-six percent of the ATTOM contract for deed transactions were successfully matched to the CoreLogic data by transaction date and amount in the six states.

Comparison of Contract for Deed Sale Prices to Sale Prices of Other Home Sales

Another presumed reason for entering into a contract for deed is the low value of the property and consequent difficulty securing an appraisal for mortgage financing. Therefore, we examined the differences in sale prices between contracts for deed and all other home sales. Within the latter group, we identified mortgaged home sales and cash home sales for each county and year. To look at the differences in contracts for deed and these two other types of sales, we calculated a ratio of the individual contract for deed sale price in a given county and year over the median price of the other home sales in that same county and year. We grouped the ratios into four categories: very low value (less than or equal to 50 percent of county median); low value (between 50 and 75 percent of county median); moderate value (between 75 and 100 percent of county median); and high comparative value (greater than 100 percent of county median). We compared these ratios across the pre-recession (2005 to 2007) and post-recession (2010 to 2015) periods.

We found that the largest share of contract for deed sales fell into the very low value category in both periods (Figure 9). In post-recession period, 45 percent of contract for deed sales were less than half the typical sales price of mortgaged homes; an increase of 10 percentage points in the share of very low value contract for deed home sales compared to the pre-recession period. Nonetheless, as depicted in Figure 9, 25 percent of contract for deed sales prices exceeded the typical sale price of other mortgaged homes in the post-recession period (down from 31 percent in the pre-recession period).

Looking at the sale price ratios between contract for deed sales and cash home sales, we again saw distinct differences. Here, we found the majority of the contracts for deed had sale prices that exceeded the typical sale price of home cash sales in both time periods. Over 65 percent of all contract for deed sale prices exceeded the home cash sales prices in the post-recession years, up from 58 percent in pre-recession years.

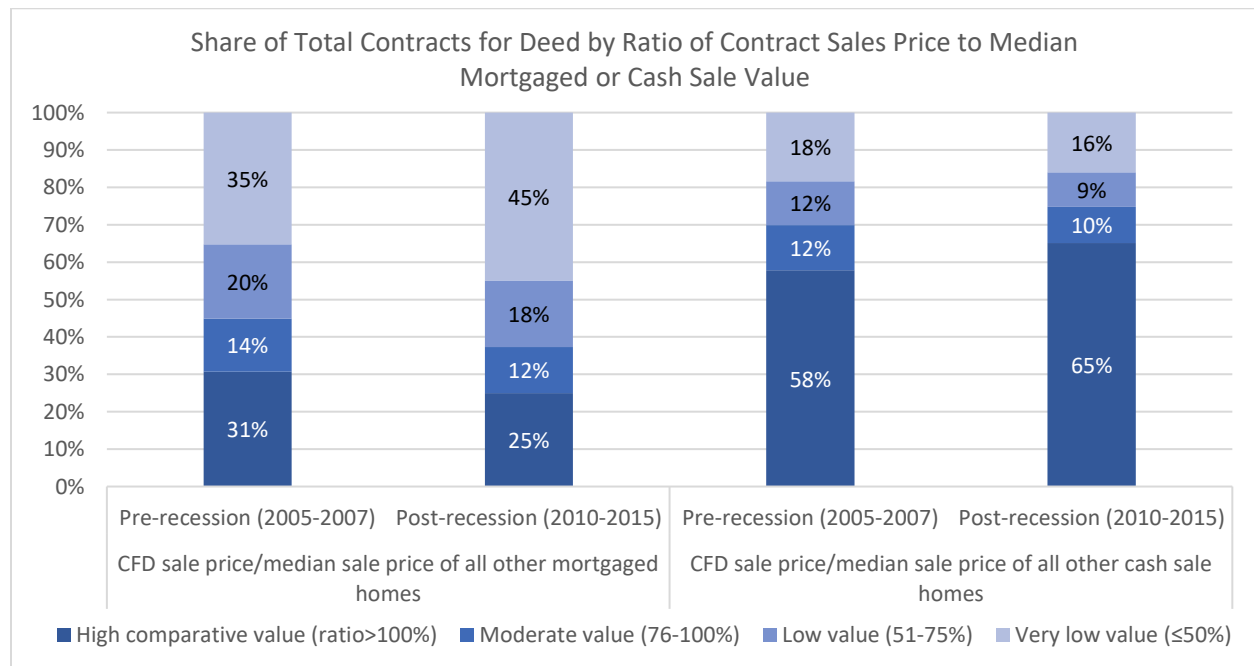


Figure 9: Share of Contracts for Deed by Ratio of Contract Sales Price to Median Mortgaged or Cash Sale Value (99 Counties)

Comparison of Contract for Deed Sale Prices and HMDA Loan Amounts

As noted earlier in the paper, the difficulty in obtaining traditional mortgage credit for lower-cost properties has been documented in previous research. To gauge the extent to which credit accessibility based on sale price may be a factor for contract for deed sales, we compared contract for deed sale prices to HMDA home purchase loan amounts, focusing on the overlap between contract for deed sale price and the HMDA loan amounts by year and county.³ Using histograms of Wayne County, Michigan in 2005 and 2016 as examples of this exercise, we find that there is little overlap at lower sale prices, particularly below the fifth percentile of HMDA loan amounts, highlighting the lack of mortgage activity among lower-cost properties. For example, nearly 49 percent of the contracts for deed in Wayne County sold at or below \$53,000 in 2005 (Figure 10) and this increased to 57 percent by 2016 (Figure 11).

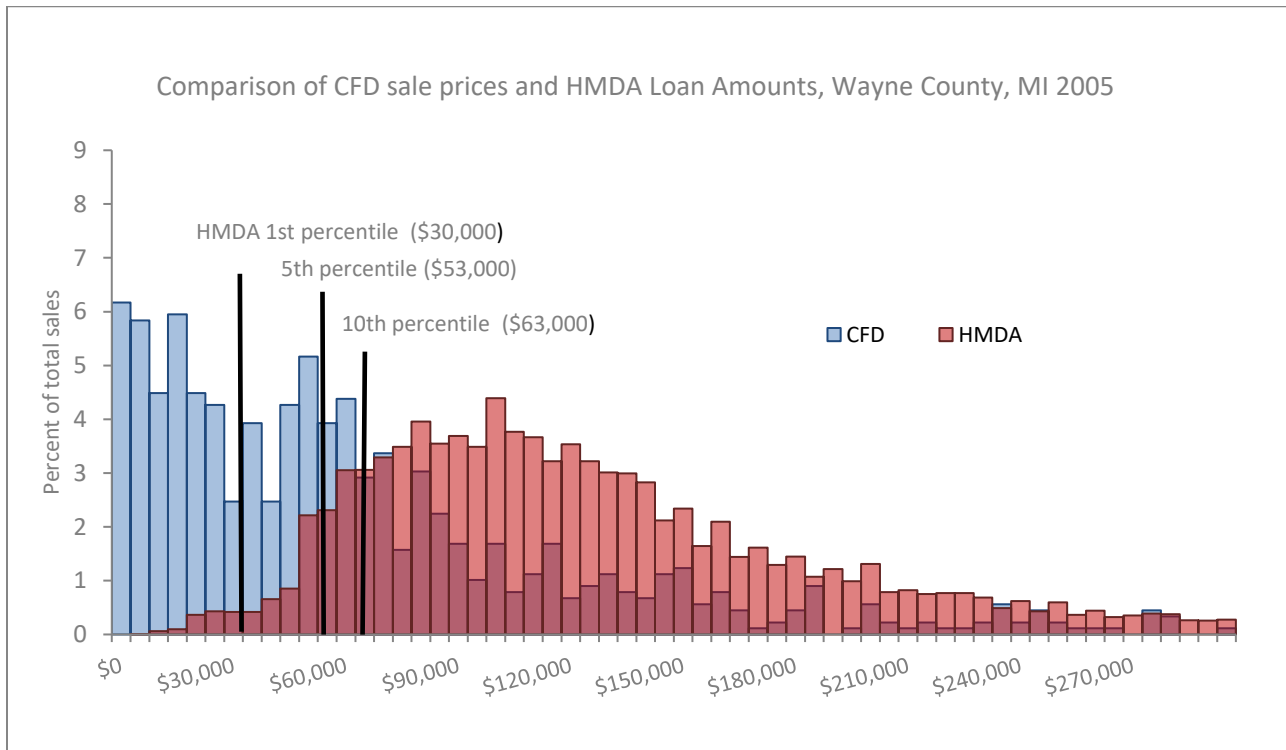


Figure 10: Comparison of Contract for Deed Sale Prices and HMDA Loan Amounts, Wayne County, Michigan, 2005

³ The comparison between contract for deed sale prices and HMDA loan amounts is an imperfect proxy, as HMDA data is based on the loan amount and not necessarily the sale price. If the actual sale price were available in HMDA, we would likely observe a shift further to the right in this histogram.

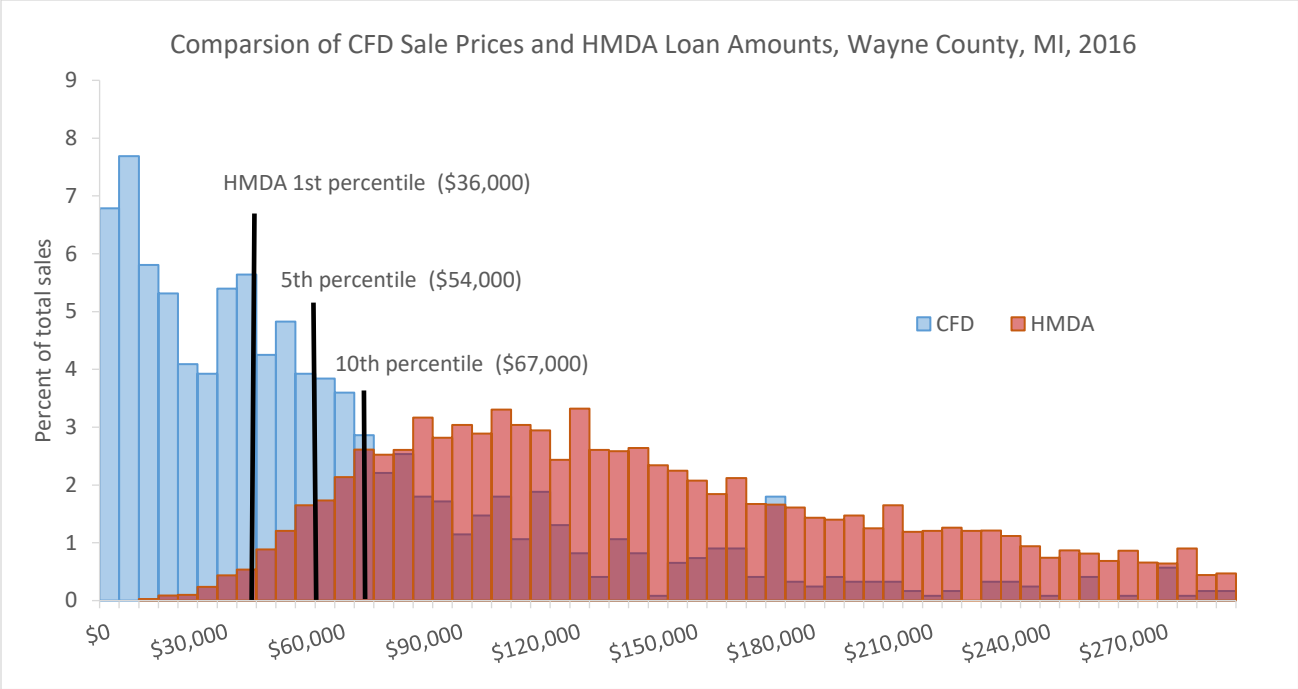


Figure 11: Comparison of Contract for Deed Sale Prices and HMDA Loan Amounts, Wayne County, Michigan, 2016

We replicated the Wayne County analysis for each of the 99 counties in our study area. Accordingly, for each county and year we calculated the share of contracts for deed above the HMDA values at the first, fifth and tenth percentiles. We then aggregated the shares of contracts for deed in each of these percentiles across all 99 counties by year (Figure 12). Starting in 2011, we saw a continual increase in the share of contracts for deed with sale prices that fell below the fifth percentile of HMDA loan values (amounts just above \$50,000, a level at which traditional mortgage lending has been declining).

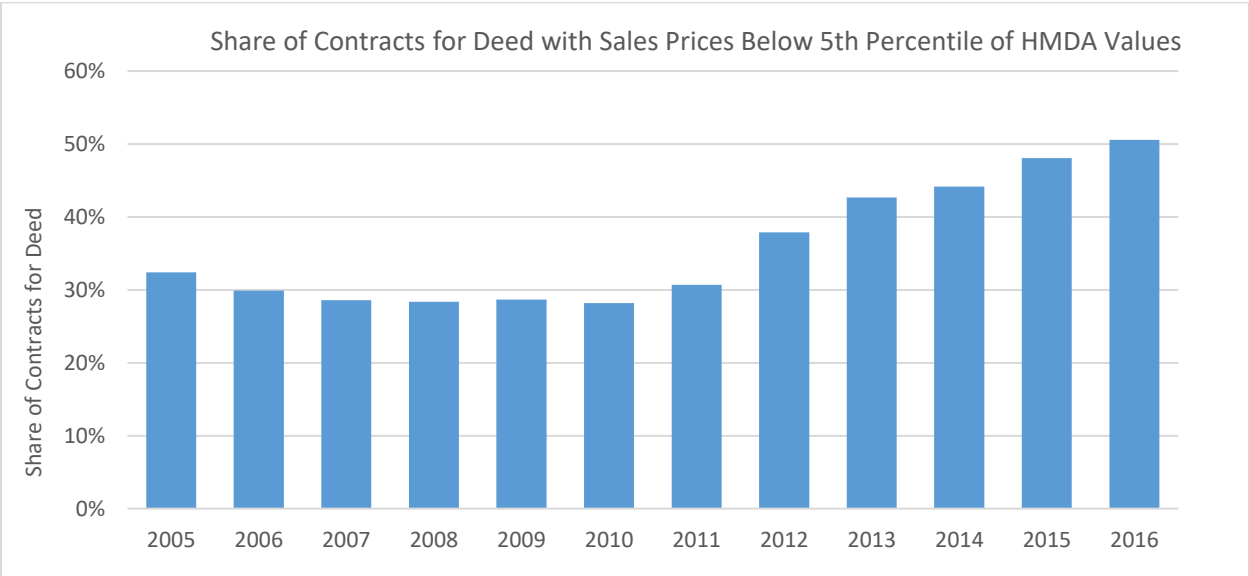


Figure 12: Share of Contracts for Deed with Sales Prices Below the Fifth Percentile of HMDA Values in 99 Counties

Analytic Approach – Neighborhood Characteristics

In addition to describing transaction characteristics, we also examine differences in neighborhood characteristics between areas with relatively high contract for deed activity and areas with relatively low activity. We first assess the relationships between contract for deed activity and neighborhood socio-economic and housing attributes at the census block group-level. We used block group level data in order to capture neighborhood-level impacts at the smallest level observable. Block groups within the 99 counties in the analysis area were ranked by the number of contract for deeds as a share of all owner-occupied housing units and classified into quartiles, and block groups in the top 10 percentile of contracts for deed concentration were additionally flagged. Median values of each independent variable were calculated for each quartile of block groups, the top 10 percentile, and for the full sample of block groups.

In order to test the strength of the relationship between the community characteristics and rates of contracts for deed, we employed a cross-sectional multivariate linear regression model using block groups in the selected 99 counties as the units of analysis. We used a stepwise Ordinary Least Squares (OLS) regression model, with demographic and socioeconomic factors included in step one and housing and neighborhood factors added to the step one variables in step two in order to disentangle the differences in the relationship between rates of contracts for deed and resident population characteristics and housing market conditions.

There were 19,134 block groups found in the 99 counties with 500 or more contract for deed records (see Figure 1 for a map of counties). We removed block groups with a population of 50 or less, null median household income or home value, or zero HMDA purchase mortgage originations in the corresponding census tract between 2012 and 2016. Null values are reported by the census when there are too few sample observations to compute an estimate or the median estimate falls in the lowest or highest interval of an open-ended distribution. The total number of block groups included in our descriptive and regression analyses was thus 17,731. Block groups generally have between 600 and 3,000 people but can vary greatly in terms of housing tenure and physical size.

Dependent Variable

While we used 2012-2016 cross-sectional data for all other variables, the dependent variable used was the number of contract for deed sales between 2005 and 2016 as a share of all owner occupied housing units.⁴ The number of contract for deed sales was derived from the ATTOM database and the number of owner occupied housing units from 2016 census American Community Survey (ACS) five-year estimates. This ratio represents an estimate of homes potentially financed with a contract for deed as a percentage of all owner-occupied homes in each geography. The estimate of potential contracts for deed is the sum of all contracts by area over this 11-year period. This figure naturally does not include contracts signed prior to this period and still in repayment and may over-count contracts that have been paid off; however, it is the best representation possible of the number of homes financed by contract for deed at

⁴ To test whether the varying time periods in the upper and lower half of the dependent variable ratio skewed our results, we created a separate dependent variable using only 2011-2016 contract for deed transaction data, more closely mimicking the ACS 2012-2016 estimate window, rather than the full 2005-2016 transaction data. We found very similar results. We use the 2005-2016 transaction data in order to capture a greater number of homes with a potential contract currently in payment.

this scale of analysis. Considering that the median term of contracts in the data base was five years, a majority of properties with recorded contracts are likely to be included.

Other metrics used in the literature were considered, such as land contracts as a percentage of all sales and land contracts as a percentage of all housing units, although model results did not differ significantly using these alternative measures. While each of the 99 counties selected for analysis each had 500 or more contract reported in the database, individual block groups ranged from 0 to 265 contracts recorded between 2005 and 2016. A map depicting the dependent variable metric is shown in Figure 13 below.

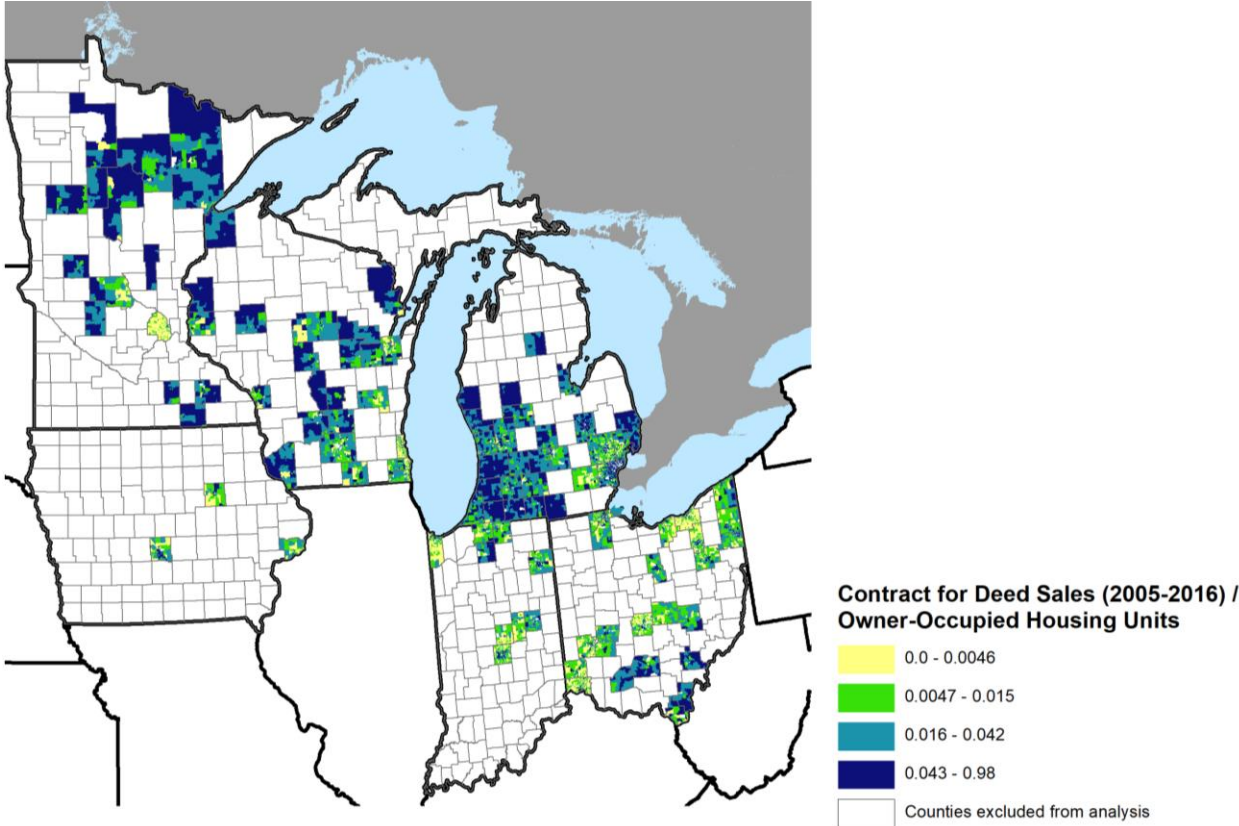


Figure 13: Contract for Deed Sales as a Share of Owner-Occupied Housing Units by Block Group, 99 Counties Selected for Analysis

Of the contract for deed records included in our neighborhood analysis and model, just over half are in the state of Michigan, with the next highest concentrations in Ohio and Wisconsin. Iowa, Indiana, and Minnesota each account for less than 10 percent of the remaining records. We created individual models for each state and found little difference in the model results between states. Therefore, our model results contain all observations across these six states.

Table 1: Contract for Deed Records by State, 99 Counties Selected for Analysis

State	Count	Share
Iowa	5,146	3%
Indiana	10,746	7%
Michigan	80,150	52%
Minnesota	12,508	8%
Ohio	27,208	18%
Wisconsin	18,096	12%
All	153,854	100%

Measures of Demographic, Socioeconomic, and Housing Characteristics

Seven independent variables were chosen to represent demographic and socioeconomic characteristics of block groups. Based on the literature, contract for deed activity tends to concentrate in lower-income and lower-wealth communities, communities with higher concentrations of racial and ethnic minority households, and communities with lower educational attainment. Independent variables included median household income, race and ethnicity variables including the percent of the population that is African American, Hispanic or Latinx, Asian or Pacific Islander, American Indian, and the percent of the population that is some other race or two or more races combined. Educational attainment was measured by the percent of the population with a four-year college degree. All variables were derived from 2016 census ACS five-year estimates.

Five independent variables were chosen to represent housing conditions of block groups. These included the percent of households that are owner occupied, the number of originations in the Home Mortgage Disclosure Act (HMDA) database as a percent of owner occupied housing units, the median age of the housing stock, the median value of the housing stock, and the percent of housing units that are vacant. All variables were derived from 2016 census ACS five-year estimates and 2012 to 2016 HMDA data. These measures speak to type of housing tenure, characteristics of housing stock, signs of strength or distress in the housing market, and the demand and availability of purchase mortgage credit.

Descriptive Analysis

To show how contracts for deed were distributed across these groups, we included the median, total, and share of contracts for deed in each quartile. This approach effectively distinguished high contract-for-deed activity areas from low activity areas. The median block group in the sample had four contract for deed records, while the median of quartile 1 was zero records and the median for quartile 4 was 17 records. Sixty-three percent of the contract for deed records were concentrated in quartile 4 block groups, and 36 percent were in the top 10 percentile block groups. In this top ten percentile group, the median value of the dependent variable (contract for deed sales as a share of owner-occupied properties) was 0.14, meaning that for every 100 owner-occupied households in a typical block group, there were 14 contract for deed records from 2005 to 2016.

Sharp differences emerged in neighborhood characteristics between high and low contract for deed activity areas. High contract for deed areas had lower population and household counts. The highest activity group (the top 10 percentile block groups) had higher population density than block groups overall, suggesting that these places may be more urban than the sample on average.

Furthermore, the highest activity group has notable demographic differences from low activity areas, and from the sample overall. The highest activity group is 12.8 percent African American, compared to 4 percent in the sample overall, and has a slightly higher Latinx population share of 3 percent, versus 2 percent overall. Notably, the percent of the block group that is African American did not increase linearly across the quartiles as the contract for deed activity increased. The percent African American in quartiles 1, 2, and 3 was about 3 percent, while block groups in quartile 4 had a typical percent African American of 7.2 percent, and 12.8 percent in the top 10 percentile block groups.

High contract for deed activity block groups also exhibited sharply lower educational attainment, with only 11 percent of adults having a Bachelor's degree or higher in the top 10 percentile block groups, versus 38 percent in the low activity group and 23 percent overall. Given the large differences in educational attainment, it was not surprising that these groups also varied considerably in household income and poverty rate. The top 10 percentile group median household income of \$31,736 was 52 percent lower than the median household income of the first quartile, at \$66,042, and the poverty rate of the top ten percentile group was four times that of the first quartile, indicating that economic distress is much higher in places where contract for deed activity is relatively common.

There were also noteworthy differences in housing market characteristics when comparing areas with high rates of contract for deed activity to low activity areas. High activity areas tended to have older housing stock, higher vacancy rates, lower homeownership rates, lower home values, and less mortgage origination activity. Comparing the top 10 percentile to quartile 1, the median age of the housing stock was 17 years older (67 years versus 50 years), the vacancy rate was over three times higher (17.5 percent versus 4.8 percent), and the homeownership rate was 28 percentage points lower (52 percent versus 80 percent). The median home value was 63 percent lower in the top 10 percentile neighborhoods than the first quartile (\$62,800 versus \$168,000), and the frequency of new purchase mortgage originations was less than half of the frequency in first quartile neighborhoods (four new mortgages per 100 households versus 10 new mortgages per 100 households).

Table 2: Neighborhood Characteristics by Contract for Deed Presence (Neighborhoods Ranked by Ratio of Contract for Deed to Owner-Occupied Households)

	All	Quartile 1	Quartile 2	Quartile 3	Quartile 4	Top 10 percentile
Contract for deed activity						
Median number of CFDs	4	0	3	7	17	25
Total number of CFDs	153,854	3,240	16,005	36,925	97,684	55,948
Share of CFDs	100%	2%	10%	24%	63%	36%
CFDs per 100 owner-occupied households	1.5	0	0.9	2.4	7.6	13.9
Demographic and socioeconomic characteristics						
Households	443	494	490	444	370	343
Percent African American	3.7	3.2	3.4	2.7	7.2	12.8
Percent Latinx	2.2	2.3	2.1	2.1	2.6	3.1
Percent Asian or Pacific Islander	0.0	1.3	0.6	0.0	0.0	0.0
Percent American Indian	0.0	0.0	0.0	0.0	0.0	0.0
Percent other	2.5	2.4	2.5	2.3	3.1	3.8
Percent with a Bachelor's degree or higher	22.5	37.9	27.6	20.1	12.9	10.6
Median household income	51,353	66,042	56,944	49,688	37,115	31,736
Housing characteristics						
Age of housing stock (years)	55	50	52	55	64	67
Percent vacant	7.7	4.8	6.2	8.3	13.9	17.5
Percent owner households	72.0	80.0	75.4	72.8	59.3	52.0
Percent mortgage households	65.2	68.8	67.1	64.8	58.8	55.6
Median home value	122,600	168,000	138,000	113,700	76,900	62,800
HMDA originations per 100 owner-occupied households	8	10	9	8	5	4

Sources: American Community Survey 2012-2016 averages, Home Mortgage Disclosure Act 2012-2016 records, and ATTOM data.

Regression Analysis

In order to tease out the association between the community characteristics and rate of contracts for deed, we created a regression model to identify those characteristics that are most strongly correlated with elevated rates of contracts for deed. This was an important exercise given the relationships that exist between the community characteristics themselves. Some of the relationships that were apparent in the descriptive analysis may in fact be explained by variation of other factors that can be controlled for in a multivariate analysis. A control variable of all owner-occupied housing units was used in the model to account for differences in block group composition. Due to a skewed distribution, a logarithmic transformation was used for the income variable and median housing value variable.

In addition to the variables mentioned above, local fixed effects were represented by dummy variables for all 99 counties to account for differences in local housing markets as well as state and county level differences in regulation and enforcement. Of the 99 counties, Wayne County had the largest number of observations and was the reference county in the model.

The model in equation format is shown below:

$$\text{Step 1: } Cfd_share_ownocc = \alpha + \beta_1 socecon + \gamma_{cty} + \varepsilon$$

$$\text{Step 2: } Cfd_share_ownocc = \alpha + \beta_1 socecon + \beta_2 housing + \gamma_{cty} + \varepsilon$$

The results are shown in the table below. While both models displayed good explanatory power, the second model, which included both demographic and housing market characteristics, performed better based on adjusted r-square values. While collinearity was a concern, Variance Inflation Factor (VIF) collinearity statistics were generally low, with a high of 5.2 for the income variable in the second model.

Table 3: OLS Model Results, Dependent Variable is Contract for Deed Sales Between 2005 and 2016 as a Share of All Owner Occupied Housing Units

	Model 1			Model 2		
	Coefficient	Std. Error	Standardized coefficient	Coefficient	Std. Error	Standardized coefficient
(Constant)	0.365***	0.014		0.274***	0.018	
Owner occupied units	-3.092E-5***	0	-0.117	-9.405E-6***	0	-0.036
Log(Median household income)	-0.027***	0.001	-0.22	0.003	0.002	0.021
Percent African-American	0.008***	0.002	0.036	-0.021***	0.002	-0.091
Percent Latinx	0.050***	0.006	0.084	0.029***	0.005	0.049
Percent Asian/Pacific Islander	0.006	0.008	0.005	-0.013*	0.008	-0.011
Percent American Indian	0.014	0.02	0.005	-0.01	0.019	-0.003
Percent other race	0.032***	0.008	0.034	0.017**	0.008	0.018
Percent with a bachelor's degree	-0.011***	0.003	-0.035	0.01***	0.003	0.031
Percent owner-occupied	--	--	--	-0.052***	0.003	-0.198
Originations per owner-occupied unit	--	--	--	-0.221***	0.019	-0.145
Mean housing age	--	--	--	0.0002826***	3.06E-05	0.08
Log of median home value	--	--	--	-0.017***	0.001	-0.168
Vacancy rate	--	--	--	0.08***	0.004	0.146

Notes: Spatial fixed effect coefficients for 98 county-level dummies not shown.
 *** significant at 1%, ** significant at 5%, *significant at 10% confidence interval
 R2 model 1 = 0.325; R2 model 2 = 0.365
 Adjusted R2 model 1 = 0.321; Adjusted R2 model 2 = 0.361
 N= 17,730

The model results point to strong association between housing market characteristics and contract for deed activity. Though some of the demographic relationships uncovered by the models were unexpected based on the literature, it is important to note the relative strength of the relationship between the dependent variable and housing market variables versus demographic and socioeconomic variables. To assess the relative strength of these relationships, we used the standardized coefficients, which scales the coefficients in terms of the standard deviation of the dependent and independent variables, and allows for the comparison of variables at differing scales. In other words, an independent variable with a standardized coefficient of 1 that is statistically significant indicates that a 1 standard deviation increase in that variable is associated with a 1 standard deviation increase in the dependent variable. In model 1, the first iteration with only demographic and socioeconomic variables included, the most significant variables in terms of magnitude of effect in the model were income (associated with a strong negative impact on contract for deed activity) and percent Latinx (which had a strong positive impact). A one standard deviation decrease in the natural log of median income (a decrease of \$32,150 dollars) was associated with a 22 percent standard deviation increase in contracts for deed as a share of owner occupied units (or 1.4 additional contract per 100 owner-occupied housing units). Given that the mean number of contracts for deed per 100 owner-occupied housing units was 3.6, this is a material

increase. Percent African American also had a positive impact, with a one standard deviation increase in percent African American (27 percent) associated with an additional 0.22 contracts per 100 owner occupied housing units. Similarly, percent of the population of other races had a significant positive impact. Percent with a college degree had a significant negative impact. The effects of percent Asian or Pacific Islander and percent Native American were not significant. These impacts are largely in line with the literature, which suggests that lower-income, African American, Latinx, and lower-educational attainment populations are more likely to purchase a home with a contract for deed.

When housing market indicators are added to the model (model 2), these effects are quite different. Income has no statistically significant effect while percent African American has a small but significant negative relationship and percent with a college degree a significant positive relationship, unexpectedly. The magnitude of these relationships is relatively weak when compared with several housing market variables, including the percent of owner-occupied households, higher rates of HMDA lending, and higher median housing values, which had large negative effects on contract for deed activity. The effect of percent African American becomes statistically insignificant when the rate of HMDA lending variable is omitted, and the two variables are correlated at a level of -0.51. This suggests that the addition of the HMDA lending variable may be mediating the relationship between race and contract for deed activity, with African American neighborhoods experiencing higher contract for deed activity due to lower traditional mortgage credit. The percent of vacant housing units had a strong positive impact on contract for deed activity. The median age of the housing stock was also positively and significantly associated with contract for deed activity. These relationships were not surprising, given past findings. Most significant in the model was the impact of homeownership rate. A one standard deviation increase in the percent of households that own their home (24 percent increase) was associated with 1.2 fewer contracts per 100 owner-occupied housing units.

Statistically significant local fixed effects ranged from a standardized coefficient of -0.2 to 0.1 when compared with the excluded county dummy variable representing Wayne County, Michigan. The nine counties with the strongest negative relationship to contract for deed sales as a share of owner occupied housing were all in Indiana, while the 22 with the strongest positive relationship were all in Ohio, indicating potential statewide differences in housing markets or reporting adherence.

It should be noted that an additional analysis in which the dependent variable included only those contract for deed sales less than \$75,000 was conducted in order to determine whether higher-value transactions are skewing these results. However, the model effects displayed a strikingly similar pattern.

While this analysis provides a novel look at contracts for deed at a broader scale than has previously been examined for six states in the Midwest, results are limited by the data itself. This is partly due to the limited number of years available, but also likely due to known underreporting and lack of adherence where reporting is required. It is impossible to know whether the ATTOM data are a representative sample or if data are systematically underreported by certain sellers or in certain geographies.

We also lack information about buyers, and we cannot assess how representative the block group level demographic and housing data is of contract buyers within those block groups. For instance, the share of contract buyers that are African American might be higher than the total share of African American households in the block group. Therefore, while model and descriptive results are inconclusive where race is concerned, it is not possible to determine with certainty from these results whether African

American buyers have been targeted by contract for deed sellers. Given the results of our first model, as well as previous research focused on corporate sellers and recent law suits, there is evidence that this is an area of concern that requires further inquiry. The strongest findings from this analysis indicate that contract for deed activity varies greatly by area and tends to concentrate in communities with weak housing market indicators, based on homeownership, home values, vacancy rates, and levels of mortgage lending. Therefore, as others have noted, distressed communities and those hit hardest by the foreclosure crisis are at risk of greater housing instability, from a standpoint of resident's physical, social, and financial security.

Discussion

Contracts for deed have garnered considerable attention in recent years. Concerns regarding the predatory nature of these contracts, their concentration in predominately African American neighborhoods and in communities hardest hit by the foreclosure crisis is a focus of recent articles (Immergluck 2018; Seymour, et. al 2019). Particular attention is given to contracts for deed sold by large corporate sellers such as Harbour Portfolio and Vision Properties which have been sued by a number of local jurisdictions for deceptive business practices and selling properties in severe disrepair. Looking beyond a subset of corporate sellers, this research seeks to shed light on the contract for deed activity across a range of communities in the Midwest.

Similar to previous analyses, we find that contracts for deed tend to be more prevalent in lower-income neighborhoods with higher vacancy rates, lower homeownership rates, older housing stock, lower home values, and lower rates of mortgage lending. We also find that block groups with the highest rates of contracts for deed tend to have the highest shares of African American residents, based on descriptive (quantile) data. Our first model of socioeconomic and demographic indicators also showed a positive relationship to percent African American residents and a negative relationship with median income and percent with a Bachelor's degree. However, when controlling for a number of housing variables, the percent African American coefficient was negative and significant while educational attainment was positive and income was insignificant, which is surprising given the previous literature. This is likely due to the wide array of income and demographic characteristics found in the 99 counties selected for analysis. The sample was roughly half metropolitan and half non-metropolitan based on U.S. Department of Agriculture Rural-Urban Continuum Codes. While metropolitan markets have been better represented in the literature, smaller cities and rural areas have been somewhat overlooked. Given the loss of rural bank branches, future inquiry may examine contract for deed activity, which may not be limited to lower-income buyers.

Another potential explanation is a non-linear relationship between percent African American and number of contracts for deed. Our descriptive analysis shows that the percent African American population is roughly equal for quartiles 1, 2, and 3 in the distribution of census blocks by number of contracts for deed, and increases in quartile 4 and the top 10 percentile block groups.

Furthermore, our sample of contracts for deed is distinct from prior literature, which largely identifies contract for deed activity by flagging real estate transactions to which known corporate sellers are a party. In contrast, our dataset of contract for deed sales was constructed without regard to the identity of the buyer or seller. Fifty-nine percent of the contract for deed records in our dataset corresponded to a unique seller, and another 15 percent of records pertained to a seller that sold two contracts for deed.

In other words, while our analysis likely includes some institutional investor activity, the majority of our contract for deed records are not associated with an institutional investor.

Despite their pitfalls, contracts for deed appear to be one of the few options for purchasing lower-cost properties given that traditional mortgage credit is hard to come by for many of these properties. This is certainly evidenced by the near lack of HMDA loan originations in the price range of lower-priced contracts for deed. We find that the ratio of new mortgage originations to households is one of the strongest predictors of contract for deed activity. A number of factors are likely contributing to a lack of traditional mortgage credit in neighborhoods with high concentrations of contracts for deed. Buyers who cannot pay a down payment cannot qualify for most mortgage products, whereas 36 percent of contract for deed sales in which LTV was reported had an LTV of 100 percent or higher. Appraisal gaps and the condition of properties, particularly in places still recovering from the housing crisis, can also impact credit access in the traditional mortgage market. These and other market factors can depress home prices to a point that lenders are not able to profitably make loans given the small balances, fixed origination costs, and loan officer incentive structures. Although, we do not have information about the contract buyers, the creditworthiness of the buyers may be inhibiting their ability to acquire a loan through a financial institution.

While there is an apparent market for lower-value, seller-financed housing, there are better alternatives such as responsible lease-purchase programs initiated by nonprofit intermediaries, which provide both housing counseling and underwriting (Schaeffing & Immergluck, 2010). For seller financing to be a viable path to homeownership, state laws surrounding these contracts should provide protections similar to those afforded to those in the traditional mortgage market. The recording of these deeds, while required by law in a number of states, is not always adhered to nor enforced and leaves the buyer at risk of losing the home, if one payment is missed, the seller fails to pay taxes or sells the home to someone else (Battle, et. al 2016). Recording the deed in a timely manner after the execution of the contract is important to ensuring buyer protections. The National Consumer Law Center (NCLC) suggests the deed be recorded within 90 days (Battle, et. al 2016). In addition to buyer protections, recordation of these deeds increases what we know about this financing instrument, by capturing information about these deeds including the interest rates, loan terms, and sales prices. Other recommended protections include requiring transfer of legal title at the outset of installment contract transaction, at which time sellers can secure equitable interest in the property with a seller-financed mortgage or deed of trust, a process more likely in states with streamlined foreclosure processes (Mancini & Saunders, 2017; Way, 2009).

Properties may also be sold as contracts for deed due to condition issues that limit the ability to secure traditional financing. However, numerous depositions in recent court filings point to deeply concealed damage and even obfuscation by contract sellers, such as limiting access to the home. Other regulations that should be considered at the state level include a required inspection and disclosure document for buyers to fairly represent needed repairs. There should also be a third party appraisal to ensure that the property is sold at fair market value. Protections at the local level should also be considered, such as the requirement for a certificate of occupancy enacted in Toledo, Ohio.

Numerous examples of contract buyers unknowingly purchasing homes straddled with delinquent taxes and in dire need of significant structural repairs recently led Ohio lawmakers to draft legislation requiring the seller to take care of outstanding taxes and property repairs prior to the execution of the

contract. The bipartisan legislation, to be introduced in the spring of 2019, also requires an inspection be completed to ensure the property meets the local jurisdiction's building codes. In addition, a property appraisal is required and must be provided to the buyer in advance of executing the land contract. Even with these safeguards in place, some advocates argue that the forfeiture clause, in itself, is reason enough to discourage the use of the land contracts since it may deprive the buyer of equity built up in the home (Mancini & Saunders, 2017).

Homeownership is still the "American Dream" for many families and the most typical path to building and transferring wealth, despite risks for lower-income and ethnic and racial minority buyers (Herbert, McCue, & Sanchez-Moyano, 2016). As noted in our analysis, mortgage lending for low-value properties is limited and contract for deed sales seem to supplant mortgaged sales in distressed markets. Therefore, programs that provide a secure and affordable path to homeownership are necessary to provide opportunities for wealth building in all communities. Down payment assistance, credit and housing counseling, and greater capitalization of Community Development Financial Institutions (CDFIs) and other community based lenders may help these markets. For buyers currently in a contract, conversion to a mortgage and legal aid assistance for recourse should also be made available.

This work helps understand the varied landscape of contract for deed lending and poses additional questions for analysis. While we achieved mixed results when examining the effects of socioeconomic and demographic variables such as race and ethnicity, income, and educational attainment on contracts for deed, our descriptive analysis and partial model results indicate there is still concern for negative outcomes for disadvantaged and underrepresented communities and more inquiry is needed. The results unquestionably support the notion that contract for deed activity is disproportionately associated with distressed housing markets and markets with lower rates of mortgage lending. In short, this analysis supports the need for greater purchaser protections for a potentially very diverse array of buyers nationwide and stronger regulations and enforcement at the local and state level to prevent the further destabilization of communities that were hit hardest by the foreclosure crisis and have recovered most slowly. At a minimum, mandatory reporting should be instituted by every state in order to fully understand the impacts of contracts for deed.

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Appendix

Table 4: List of Counties Chosen for Analysis

County	State	Contract for Deed Count, 2005-2016	Housing Units (2016)	Owner Occupied Housing Units (2016)	Owner Occupied Housing Units with a Mortgage (2016)
Allen	Indiana	2,300	154,525	96,795	64,677
Delaware	Indiana	843	52,406	29,461	18,336
Elkhart	Indiana	1,242	77,932	48,680	32,405
Hamilton	Indiana	559	116,900	86,624	69,274
Lake	Indiana	828	210,391	126,609	83,465
Madison	Indiana	513	58,808	35,677	22,823
Marion	Indiana	3,171	419,514	195,824	141,699
Marshall	Indiana	546	19,952	12,964	8,070
St. Joseph	Indiana	1,108	115,569	68,638	44,100
Black Hawk	Iowa	635	56,804	35,004	22,110
Polk	Iowa	4,013	190,705	119,927	85,917
Scott	Iowa	664	73,064	46,252	31,635
Allegan	Michigan	2,191	49,841	34,161	20,513
Barry	Michigan	782	27,071	18,557	11,701
Bay	Michigan	1,482	48,038	34,047	18,387
Berrien	Michigan	2,070	76,842	43,542	26,619
Branch	Michigan	842	20,625	12,381	7,422
Calhoun	Michigan	1,396	60,667	36,955	22,026
Cass	Michigan	1,237	25,921	16,417	9,703
Clinton	Michigan	897	30,974	23,083	14,802
Eaton	Michigan	1,200	47,057	31,195	20,604
Genesee	Michigan	10,358	191,033	115,243	68,758
Hillsdale	Michigan	1,185	21,686	13,710	8,003
Ingham	Michigan	2,484	121,962	64,169	42,879
Kalamazoo	Michigan	2,606	110,622	64,827	42,002
Kent	Michigan	6,028	249,029	161,125	107,181
Macomb	Michigan	4,678	361,158	247,442	160,089
Mecosta	Michigan	1,239	21,105	11,345	6,308
Montcalm	Michigan	792	28,113	18,057	10,933
Muskegon	Michigan	3,577	73,385	48,072	28,580
Oakland	Michigan	6,683	533,097	348,976	240,493
Oceana	Michigan	936	15,945	8,029	4,165
Ottawa	Michigan	2,511	104,755	75,408	48,971
Roscommon	Michigan	607	24,370	9,165	4,772
St. Clair	Michigan	3,005	71,874	48,786	31,144
St. Joseph	Michigan	1,473	27,638	17,027	10,329
Van Buren	Michigan	1,840	36,700	22,192	13,129
Washtenaw	Michigan	915	149,284	82,693	56,825
Wayne	Michigan	23,338	816,398	415,477	232,105
Becker	Minnesota	801	19,117	10,662	6,138
Beltrami	Minnesota	839	20,834	11,647	6,577
Cass	Minnesota	920	25,106	10,334	5,730
Douglas	Minnesota	676	20,514	12,080	7,565
Hennepin	Minnesota	1,040	520,683	307,266	221,614
Hubbard	Minnesota	576	14,616	7,129	4,197
Itasca	Minnesota	724	27,224	15,337	8,877
Kandiyohi	Minnesota	573	19,621	12,152	7,613
Mille Lacs	Minnesota	596	12,717	7,418	4,778

County	State	Contract for Deed Count, 2005-2016	Housing Units (2016)	Owner Occupied Housing Units (2016)	Owner Occupied Housing Units with a Mortgage (2016)
Mower	Minnesota	700	16,993	11,216	6,558
Olmsted	Minnesota	1,947	62,046	43,310	29,693
St. Louis	Minnesota	2,147	103,357	60,174	35,293
Stearns	Minnesota	528	62,911	39,719	25,234
Steele	Minnesota	619	15,411	10,916	7,022
Ashtabula	Ohio	644	45,850	27,737	16,278
Athens	Ohio	814	26,370	12,516	6,631
Butler	Ohio	1,166	149,418	92,855	65,677
Clark	Ohio	1,142	61,143	35,768	21,501
Cuyahoga	Ohio	1,763	618,673	315,085	201,021
Franklin	Ohio	2,383	540,779	260,835	193,178
Gallia	Ohio	636	13,727	8,598	3,768
Greene	Ohio	592	69,139	42,968	28,718
Hamilton	Ohio	1,579	377,268	193,350	134,876
Highland	Ohio	894	19,167	11,702	7,295
Lawrence	Ohio	627	27,313	17,109	8,502
Licking	Ohio	587	69,927	45,865	31,775
Lorain	Ohio	945	128,766	83,884	54,150
Lucas	Ohio	1,954	202,307	107,459	69,345
Mahoning	Ohio	1,636	111,275	66,569	37,885
Montgomery	Ohio	1,733	254,383	135,392	87,670
Muskingum	Ohio	651	37,774	22,913	13,603
Richland	Ohio	928	54,210	32,518	18,551
Ross	Ohio	1,124	31,807	20,068	11,657
Stark	Ohio	2,314	165,524	103,854	66,363
Summit	Ohio	2,255	245,164	145,616	95,530
Trumbull	Ohio	1,772	95,466	60,787	33,451
Wood	Ohio	501	53,406	33,290	21,662
Adams	Wisconsin	540	17,419	6,806	3,491
Brown	Wisconsin	777	107,224	66,424	45,537
Chippewa	Wisconsin	964	27,689	18,100	10,937
Columbia	Wisconsin	554	26,256	17,179	11,777
Dane	Wisconsin	1,949	222,808	124,505	89,982
Douglas	Wisconsin	561	22,901	12,527	7,565
Fond du Lac	Wisconsin	533	44,505	29,416	18,662
Grant	Wisconsin	588	21,783	13,654	7,578
Kenosha	Wisconsin	552	69,627	41,316	27,900
La Crosse	Wisconsin	647	49,247	30,048	18,976
Marathon	Wisconsin	898	58,358	39,239	24,106
Marinette	Wisconsin	824	30,384	13,794	7,565
Marquette	Wisconsin	511	9,866	5,075	2,885
Milwaukee	Wisconsin	1,342	417,371	189,161	128,168
Outagamie	Wisconsin	1,208	75,136	50,480	33,771
Polk	Wisconsin	1,064	24,283	14,141	9,206
Racine	Wisconsin	640	82,333	52,065	34,810
Rock	Wisconsin	783	68,463	44,028	29,543
Sauk	Wisconsin	844	29,864	17,321	11,058
Shawano	Wisconsin	622	20,714	12,853	7,266
St. Croix	Wisconsin	551	34,695	24,830	18,475
Waupaca	Wisconsin	747	25,456	16,073	10,236
Wood	Wisconsin	912	34,413	23,456	13,769

Table 5: Table of Means

Label	Mean	Median	Std Dev	Minimum	Maximum	Sum
CFD to owner-occupied household ratio	0.04	0.01	0.06	0	1.36	633
Population	1,289	1,114	755	106	17,906	22,862,744
Households	512	443	283	18	5,670	9,074,992
Percent African American	0.17	0.04	0.27	0	1.00	2,943
Percent Latinx	0.06	0.02	0.10	0	0.94	1,036
Percent Asian or Pacific Islander	0.02	0.00	0.05	0	0.97	439
Percent American Indian	0.00	0.00	0.02	0	0.66	81
Percent other	0.05	0.02	0.07	0	0.79	813
Percent with a Bachelor's degree or higher	0.28	0.23	0.20	0	1.00	4,933
Median household income	55,878	51,353	28,061	4,621	247,500	990,774,150
Age of housing	54.27	55	17.56	8	79	960,306
Percent vacant	0.11	0.08	0.11	0	0.83	1,890
Percent owner households	0.67	0.72	0.24	0.03	1	11,948
Median home value	140,793	122,600	90,038	10,200	1,078,700	2,496,392,600
CFD count	8.68	4.00	13.09	0	265	153,854
HMDA originations per owner-occupied household	0.08	0.08	0.04	0.00	0.44	1,399