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News from the New York Attorney General's Office

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**A.G. UNDERWOOD ANNOUNCES MAJOR SETTLEMENT WITH
MANUFACTURED HOME PARK OWNERS TO REFORM RENT-TO-
OWN PRACTICES, FOLLOWING AG'S INDUSTRY-WIDE
INVESTIGATION**

*Settlement Reforms Practices of Some of the Largest Manufactured
Home Park Owners in the Country – Which Together Own Over 100
Parks in NY State*

*Owners Must Reimburse Rent-to-Own Tenants for Any Down Payments
and Costs Expended on Maintenance, Non-Minor Repairs, and Taxes;
Allow Tenants to Rescind Option to Purchase Agreement; Make Other
Significant Reforms*

NEW YORK – Attorney General Barbara D. Underwood announced that – following her office's industry-wide investigation into rent-to-own practices of the manufactured home park industry – eight major corporate owners have agreed to major reforms of their practices. These corporate owners include some of the largest manufactured home park owners in the country, which together own over 100

manufactured home parks across New York State. As part of the settlement announced today, the owners must make significant reforms to their practices, including reimbursing tenants for any down payments and other costs expended and allowing tenants to rescind their Option to Purchase Agreement.

“New Yorkers across the state are already struggling to afford a home – and these companies took advantage of that struggle, promising home ownership and instead leaving families with default, eviction, and financial devastation,” said **Attorney General Underwood**. “This settlement holds these manufactured home park owners to account and provides rent-to-own tenants with much needed protections and relief. We’ll continue to work to further reform the industry and ensure all New Yorkers have the protections they deserve, no matter where they live.”

In recent years, in response to the housing crisis, “rent-to-own” agreements have become popular throughout the country among low-income individuals with poor credit hoping to achieve home ownership. In theory, rent-to-own is an attractive option for a group that would otherwise be unable to afford to purchase their own home. However, through its investigation, the Attorney General’s office found that by marketing “rent-to-own” and “lease-option” contracts as home sales, and treating the optionee as an owner rather than a tenant, many manufactured home park owners are able to operate in a “gray” area, using rent-to-own contracts that often lack basic tenant protections. As a result, for the vast majority of those renting to own, manufactured home home-ownership remains elusive – while default, eviction, and financial devastation has become all too common, The Attorney General’s office commenced its investigation of the manufactured home park industry after receiving numerous

complaints from manufactured home tenants with rent-to-own contracts.

The Attorney General's investigation found that pursuant to a "Rent to Own," "Lease to Option," "Option to Purchase," or similar program "optionees" pay monthly rent instead of making mortgage payments, with the option of purchasing the manufactured home during or after the rental or option period. Title to the manufactured home does not pass when the rent-to-own contract is signed, nor do the contracts guarantee ownership of the manufactured home at the end of the rental period. However, contracts do require the optionee to make significant financial investments in the manufactured home in the form of non-refundable down payments and responsibility for all repairs and maintenance. This creates an enormous financial burden for low income optionees, in particular because the rent-to-own contracts require the optionee to accept the manufactured home in "as is" condition without the benefit of a home inspection.

The Attorney General's office heard from many individuals and families who fell behind on their monthly payments or were unable to afford to make the costly repairs required to keep the manufactured home in habitable condition. Some of these families had abandoned their homes due to terrible living conditions, such as non-working septic systems or extensive mold. Other families were facing eviction. In each instance, they faced the loss of non-refundable deposits of thousands of dollars, as well as any money spent on repairs, maintenance, and improvements.

Key findings of the Attorney General's investigation into manufactured home rent-to-own contracts included that:

- Optionees usually make a significant upfront, non-refundable payment. If the optionee defaults before the end of the option period, they are subject to eviction and forfeit their deposit.
- Title to the subject manufactured home does not transfer to the optionee until the end of the option period and then only transfers if the optionee has made timely rental, insurance, and property tax payments and performed all repairs and maintenance throughout the option period.
- In almost every case, rent-to-own contracts include indemnification provisions that hold manufactured home park owners harmless against all damages, claims, and penalties arising from injury anywhere in the manufactured home park.
- Optionees agree to take the manufactured home "as is" and are responsible for all repairs, restoration, extermination, and maintenance to the home throughout the option period.
- Contracts do not require that "clear" title, free of superior interests, liens, or encumbrances be transferred to the optionee at the end of the lease term. The optionee takes title "as is."
- Contracts prevent optionees from protecting their interest by recording the Option Agreement.

The Attorney General's investigation found that these park owners were violation of Real Property Law §§ 233(m), 235-b, 235-c, General Obligations Law § 5-321, and established tenant protections.

As part of today's settlement, eight manufactured home park owners, which together own over 100 manufactured home parks in New York State, agreed to the implement the following reforms, which will apply to both existing and new contracts:

- Optionees with existing rent-to-own agreements will be permitted to rescind their Option to Purchase Agreement and

receive reimbursement of any down payment paid, as well as all costs expended by the optionee for maintenance, non-minor repairs, and taxes.

- Rent-to-own contracts will no longer contain indemnification provisions holding a manufactured home park owner harmless for damages, claims, and penalties arising from injury to the optionee.
- The agreed upon fair market value purchase price of the manufactured home will be based on the information provided by the NADA guides, MH Connect, or other similar independent systems or publication(s).
- Contracts will include the following statement in capital letters in any of their Option to Purchase agreements: "THIS IS NOT A CONTRACT TO BUY" or "THIS IS A CONSUMER LEASE WITH OPTION TO PURCHASE; YOU WILL NOT BE THE OWNER OF THE HOME UNTIL YOU EXERCISE THE OPTION TO PURCHASE."
- Park owners will return down payments within 45 days after the end of the lease term if the optionee chooses not to exercise the option to purchase on the subject manufactured home.

In addition, park owners with existing rent-to-own contracts found that violate New York State law will pay penalties ranging from \$1,000 to \$5,000 depending on the number of contracts in place.

The following manufactured home park owners have agreed to discontinue rent-to-own practices found to be unlawful by the Attorney General and to sign the assurance of discontinuance:

- Garden Homes Management, Inc., Stamford, Connecticut
- Harper Homes, Inc., Avon, New York
- Hoffman Homes, Inc., Ballston Spa, New York
- Horizon Land Company, Crofton, Maryland

- JKLM Communities, Inc., Oneonta, New York
- Kingsley Management Corporation, Inc., Provo, Utah
- Sun Communities, Inc., Southfield, Michigan
- UMH Properties, Inc., Freehold, New Jersey

In the coming months, the Attorney General's office will continue to work with the New York Housing Association and its members toward further reforming industry practices for the benefit of manufactured home park tenants throughout the state.

This case was handled by Assistant Attorney General-in-Charge of the Poughkeepsie Regional Office Jill F. Faber, with the assistance of Investigators Stephanie Brideau and Adrienne DeGaetano. The Poughkeepsie Regional Office is part of the Division of Regional Offices, which is led by Acting Executive Deputy Attorney General for Regional Affairs Gary Brown.

<https://ag.ny.gov/press-release/2018/ag-underwood-announces-major-settlement-manufactured-home-park-owners-reform-rent>