

# Investors – HR-5201 is Our Chance to Bring Back the Seller Financing Business

By Bradley S. Dornish

Recently, I attended the National REIA Mid-Year Leadership Conference in Atlanta. While there, I had the opportunity to network with Charles Tassell, National REIA's Chief Operating Officer and Director of Government Affairs, and with Jeff Watson, who leads the Distressed Property Coalition and is Nations REIA's representative to the Seller Finance Coalition. (For those who don't remember, ACRE is the Southwestern Pennsylvania Chapter of National REIA and we contribute over \$5,000.00 per year from your ACRE dues to National REIA to support its operations).

The most exciting news to come out of this year's Mid-Year Conference is that HR-5301 had gotten broad bi-partisan support from liberal and conservative members of Congress, and is not opposed by the National Association of Realtors. This means HR-5301 has a great chance of passing, even in an election year.

So, why should you as a real estate investor care about this? Because not too long ago, buying and renovating single family homes and selling them to consumers with seller financing was an important part of many investors' businesses, as well as a great way to improve the housing stock in U.S. cities, provide more jobs in the rehab construction industry and provide clean, safe, affordable homes to consumers who wanted to own, not rent.

When the SAFE Act, Dodd-Frank Act became law, investors were limited first, to no more than five, and then to no more than three, seller financed loans to consumers per year. Even more restrictive, the Dodd-Frank regulations imposed the same burdens on investors to verify consumer credit and income from third party sources and properly calculate each consumer's ability to repay which it imposed on big banks like Bank of America, Wells-Fargo and Chase. And if that weren't enough, seller financed loans from mom and pop real estate investors were subject to the same voluminous and strict scrutiny of the Consumer Finance Protection Bureau in Washington, D.C.

Over the past few years this led me to advise my client investors to not finance to consumers – PERIOD. You could still buy, renovate and rent

properties, and even give tenants the option to buy (with financing they could get from a bank or mortgage lender). But a seller financed mortgage or installment land contract was just too risky for most sellers under these laws. Because of this advice, some gurus even said I was unfriendly to investors, which is ironic since real estate investors are the bulk of my clientele.

In the wake of these onerous laws and regulations, National REIA became the largest member of the Seller Finance Coalition and helped to craft and supported what has now become HR-5301, The Seller Finance Enhancement Act. HR-5301 was introduced in the House in May and is now in review by the House Committee on Financial Services, a standing committee on which Pennsylvania representatives Keith Rothfus and Michael Fitzpatrick sit as members.

What does HR-5301 actually say or do for us if it passes and becomes law? You can read the whole text at Congress.gov, searching under bills, or see the link on our ACRE website. No need to fear, it is not a whole book like Dodd-Frank or Obama Care. It is only four short pages.

The short summary is that it EXEMPTS sellers of real estate who provide seller financing on up to 24 properties, in a 12 month period, to consumer borrowers by mortgage loans or equivalent (i.e. installment land contracts) from the Loan Originator Licensing and Registration requirements of the SAFE Act (12 U.S.C. §5103), and from the debt to income ratio restrictions of the Dodd-Frank Act (15 U.S.C. §1693c (b)(2)(A).

Twenty four seller financed loans per year, including first mortgages, second mortgages and installment land contracts is enough for almost any small real estate investor to get back to improving our cities' housing stock, providing clean, safe housing for consumers to own, and making some long term interest on these transactions to help secure and stabilize our own financial futures.

Call or email Keith Rothfus today to express your support for HR-5301. (412) 837-1361; rothfus.house.gov.

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