



Important Notice to Buyers

This Important Notice to Buyers was created by the Illinois Attorney General's Office. It contains important information for those who are considering purchasing a home through an installment sales contract (often called a "rent-to-own" contract or a "contract for deed"). The seller must give you this Important Notice to Buyers and a copy of the sales contract at least 3 business days before the closing. During this time period you may choose to cancel the contract without any penalty. If you have any questions about this Notice or if you want to report any instance of consumer fraud, please contact the Illinois Attorney General's Office at 1-800-544-7151.

What is an Installment Sales Contract?

Installment sales contracts that are used to purchase homes and other residential property go by many different names, including: **land contracts, contracts for deed, bond for deed, agreement for deed, rent-to-own, articles of agreement** and more. In these agreements, the seller of the home keeps title to the home until the buyer has made all of the payments contained in the agreement. This arrangement is very different than the typical mortgage transaction.

How is an Installment Sales Contract different than a mortgage?

When a buyer purchases a home using a **mortgage**, the buyer takes a loan from a lender and uses it to pay the seller for the home. **The buyer immediately becomes the owner of the property by acquiring title at the time of the purchase.** The buyer is required to repay the loan to the lender, typically through monthly payments over many years (30 years is common). The lender has a lien on the property in the form of a mortgage that the lender can enforce if the buyer fails to make the required payments. If the buyer defaults on paying the loan, the mortgage lien is always enforced through a foreclosure lawsuit where a court may order the sale of the house to repay the lender.

By contrast, in an **installment sales contract**, the buyer does not become the owner of the home or receive title to the property at the time the contract begins. Instead, the seller keeps ownership and will retain title to the home until the buyer makes all of the payments required by the contract. The contract will typically require monthly payments for a period of time (often 5 years or more). Often, at the end of that period of time, the buyer will also have to pay a lump sum payment, which is called a balloon payment. Unlike a purchase financed with a mortgage, **the buyer on an installment sales contract does not become the owner of the property until all of the payments due under the contract have been made. Even though the buyer doesn't own the property or have title to the property during the contract, typically the buyer is required to pay the real estate taxes, purchase homeowner's insurance, and pay for repairs to the home.** If the buyer fails to make any of the payments required, the seller can file an eviction case to evict the buyer. However, if the buyer has made more than 20% of the payments required by the contract and then defaults, the seller can only remove the buyer by filing a foreclosure lawsuit, which typically provides more protections to a buyer than an eviction.

Is there a law that protects my rights as a buyer in an installment sales contract?

Yes. The **Installment Sales Contract Act** applies to contracts that were entered into on or after January 1, 2018. The Act applies to residential properties of 1 to 4 units, including single family homes, so long as the seller enters into these types of contracts more than 3 times in any 12-month period. Other laws also apply to these transactions, such as the Lead Poisoning Prevention Act, the Residential Real Property Disclosure Act, the Illinois Radon Act, and the High Risk Home Loan Act.

What are my rights under the Installment Sales Contract Act?

- The contract must be in writing.
- At least 3 business days before the closing, the seller must give you (1) a copy of the contract and (2) this Important Notice to Buyers. This is called the Cooling-Off Period. During this time you may consult with a housing counseling agency, have the property inspected or appraised, or consult with an attorney. You cannot be required to close or proceed with a contract during this 3-day period.
- The contract must contain many disclosures, including, but not limited to, all of the following information:
 - the total purchase price;
 - the amount of the down payment;
 - the amount of the interest rate, the amount of the periodic payment (the amount paid each month in most contracts), and the number of payments the buyer will be required to make;
 - when the periodic payment is due, whether there is a grace period, the amount of late payment fees, and where each payment should be made;
 - whether a balloon payment will be required and, if so, the amount of the balloon payment and when it must be paid;
 - an amortization schedule that explains how the monthly payments will be applied to loan principal and interest;
 - any additional charges or fees that the buyer will be required to pay at the closing or at a later date;
 - a statement about who is responsible for repairs. The seller is responsible for paying for any repairs that are not specifically labeled as the buyer's responsibility;
 - the contract must state who is responsible for paying real estate taxes and the amount of last year's taxes;
 - who is responsible for paying for the property insurance and the amount of last year's insurance;
 - the periodic amount that will be charged to the buyer during the first year of the contract for taxes and insurance (often referred to as an "escrow account") and that this amount may change annually, if the seller is going to require the buyer to make periodic payments for taxes and insurance to the seller;
 - a list of any building code violations;
 - the amount of any unpaid real estate taxes;
 - whether there are any liens on the property;
 - if the property has been condemned; and
 - the seller's interest in the property and state when the buyer will obtain title.
- The seller must record the contract or a memorandum of the contract in the public land records with the recorder of deeds to acknowledge your legal interest in the property. You have the right to rescind the contract if the seller fails to record the contract or memorandum.

- The seller must provide you with an account statement upon request. The first account statement requested in any 12 month period must be provided free of charge.
- The seller is prohibited from charging a prepayment penalty should you choose to make payments before you are required to under the contract.
- The seller is also prohibited from including any provision in the contract that would put you in default for failing to repair conditions that existed prior to the date of the contract.
- If you default, you have the right to pay all fees and charges currently due under the contract to cure the default in 90 days. This means that the seller cannot file an eviction or foreclosure lawsuit against you until 90 days have passed.

Please consult the Act for additional rights and obligations.

IMPORTANT NOTICE REGARDING THE COOLING-OFF PERIOD

Illinois State law requires a 3-day cooling-off period for installment sales contracts, during which time a potential buyer cannot be required to close or proceed with the contract. The purpose of this requirement is to provide a potential buyer with 3 business days to consider his or her decision whether to sign an installment sales contract. Potential buyers may want to seek additional information from a HUD-approved housing counselor during this 3-day period. The 3-day cooling-off period cannot be waived.

What should I do during the Cooling-Off Period?

- You are strongly encouraged to speak to a housing counselor. There are a number of free, nonprofit housing counseling agencies that have been approved by the Department of Housing and Urban Development. You can find housing counselors in your area by visiting HUD's website: <https://apps.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>
- You should consider having the property inspected and appraised.
- You should consider consulting with an attorney.
- You should read the contract and make sure you understand the terms of the contract, including the amount of your monthly payment, whether there will be a balloon payment, and who is responsible for paying homeowner's insurance and property taxes, along with the amount of those charges.

If you think you've been the victim of consumer fraud, please contact the Illinois Attorney General's Office at 1-800-544-7151.