

As Introduced

**127th General Assembly
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H. B. No. 361

Representative Yuko

**Cosponsors: Representatives Driehaus, Foley, Healy, Williams, B., Fende,
Koziura, Ujvagi, Luckie, Skindell, Lundy, Chandler, DeGeeter**

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A B I L L

To amend sections 5313.01, 5313.02, 5313.06, 5313.08, 1
and 5321.01 and to enact sections 5321.20, 2
5321.21, 5321.22, 5321.23, and 5321.99 of the 3
Revised Code to require that specified residential 4
units conveyed pursuant to a land installment 5
contract receive an appraisal and an inspection 6
prior to the execution of the contract, to define 7
residential lease option contract, to regulate 8
residential lease option contracts under the Ohio 9
Landlord and Tenant Law, and to provide penalties. 10
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BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That sections 5313.01, 5313.02, 5313.06, 5313.08, 12
and 5321.01 be amended and sections 5321.20, 5321.21, 5321.22, 13
5321.23, and 5321.99 of the Revised Code be enacted to read as 14
follows: 15

Sec. 5313.01. As used in Chapter 5313. of the Revised Code: 16

(A) "Land installment contract" means an executory agreement 17
which by its terms is not required to be fully performed by one or 18

more of the parties to the agreement within one year of the date 19
of the agreement and under which the vendor agrees to convey title 20
in real property located in this state to the vendee and the 21
vendee agrees to pay the purchase price in installment payments, 22
while the vendor retains title to the property as security for the 23
vendee's obligation. Option contracts for the purchase of real 24
property, including "residential lease option contracts" as 25
defined in section 5321.01 of the Revised Code, are not land 26
installment contracts. 27

(B) "Property" means real property located in this state 28
improved by virtue of a dwelling having been erected on the real 29
property. 30

(C) "Vendor" means any individual, partnership, corporation, 31
association, trust, or any other group of individuals however 32
organized making a sale of property by means of a land installment 33
contract. 34

(D) "Vendee" means the person who acquires an interest in 35
property pursuant to a land installment contract, or any legal 36
successor in interest to that person. 37

(E) "Legal description" means a description of the property 38
by metes and bounds or lot numbers of a recorded plat including a 39
description of any portion of the property subject to an easement 40
or reservation, if any. 41

(F) "Residential structure" means a structure that contains 42
one to four dwelling units with each unit intended for occupancy 43
as a home, residence, or sleeping place by one or more persons who 44
maintain a household. "Residential structure" includes a 45
single-family home. 46

Sec. 5313.02. (A) Every land installment contract shall be 47
executed in duplicate, and a copy of the contract shall be 48

provided to the vendor and the vendee. The contract shall contain	49
at least the following provisions:	50
(1) The full names and then current mailing addresses of all	51
the parties to the contract;	52
(2) The date when the contract was signed by each party;	53
(3) A legal description of the property conveyed;	54
(4) The contract price of the property conveyed;	55
(5) Any charges or fees for services that are includable in	56
the contract separate from the contract price;	57
(6) The amount of the vendee's down payment;	58
(7) The principal balance owed, which is the sum of the	59
specified in divisions (A)(4) and (5) of this section less the	60
specified in division (A)(6) of this section;	61
(8) The amount and due date of each installment payment;	62
(9) The interest rate on the unpaid balance and the method of	63
computing the rate;	64
(10) A statement of any encumbrances against the property	65
conveyed;	66
(11) A statement requiring the vendor to deliver a general	67
warranty deed on completion of the contract, or another deed that	68
is available when the vendor is legally unable to deliver a	69
general warranty deed;	70
(12) A provision that the vendor provide evidence of title in	71
accordance with the prevailing custom in the area in which the	72
property is located;	73
(13) A provision that, if the vendor defaults on any mortgage	74
on the property, the vendee can pay on the mortgage and receive	75
credit on the land installment contract;	76
(14) A provision that the vendor shall cause a copy of the	77

contract to be recorded; 78

(15) A requirement that the vendee be responsible for the 79
payment of taxes, assessments, and other charges against the 80
property from the date of the contract, unless agreed to the 81
contrary; 82

(16) A statement of any pending order of any public agency 83
against the property. 84

(B) No vendor shall enter into a land installment contract 85
for real estate that contains a residential structure unless that 86
vendor has obtained, and has attached to the contract, both of the 87
following: 88

(1) A copy of a written appraisal report of the real property 89
and the residential structure, conducted within the previous year 90
by a person who is a state-certified residential real estate 91
appraiser pursuant to Chapter 4763. of the Revised Code; 92

(2) A copy of an inspection of the residential structure 93
conducted by a home inspector who is a member of the American 94
society of home inspectors. 95

(C) No vendor shall hold a mortgage on property sold by a 96
land installment contract in an amount greater than the balance 97
due under the contract, except a mortgage that covers real 98
property in addition to the property that is the subject of the 99
contract where the vendor has made written disclosure to the 100
vendee of the amount of the mortgage and the release price, if 101
any, attributable to the property in question. 102

No vendor shall place a mortgage on the property in an amount 103
greater than the balance due on the contract without the consent 104
of the vendee. 105

~~(C)~~(D) Within twenty days after a land installment contract 106
has been signed by both the vendor and the vendee, the vendor 107

shall cause a copy of the contract to be recorded as provided in 108
section 5301.25 of the Revised Code and a copy of the contract to 109
be delivered to the county auditor. 110

~~(D)~~(E) Every land installment contract shall conform to the 111
formalities required by law for the execution of deeds and 112
mortgages. The vendor of any land installment contract that 113
contains a metes and bounds legal description shall have that 114
description reviewed by the county engineer. The county engineer 115
shall indicate ~~his~~ the engineer's approval of the description on 116
the contract. 117

Sec. 5313.06. (A) Following expiration of the period of time 118
provided in section 5313.05 of the Revised Code, forfeiture of the 119
interest of a vendee in default under a land installment contract 120
shall be initiated by the vendor or by ~~his~~ the vendor's successor 121
in interest, by serving or causing to be served on the vendee or 122
~~his~~ the vendee's successor in interest, if known to the vendor or 123
~~his~~ the vendor's successor in interest, a written notice which: 124

~~(A)~~(1) Reasonably identifies the contract and describes the 125
property covered by it; 126

~~(B)~~(2) Specifies the terms and conditions of the contract 127
which have not been complied with; 128

~~(C)~~(3) Notifies the vendee that the contract will stand 129
forfeited unless the vendee performs the terms and conditions of 130
the contract within ten days of the completed service of notice 131
and notifies the vendee to leave the premises. 132

~~Such~~ (B) The notice provided pursuant to this section shall 133
be served by the vendor or ~~his~~ the vendor's successor in interest 134
by handing a written copy of the notice to the vendee or ~~his~~ the 135
vendee's successor in interest in person, or by leaving it at ~~his~~ 136
the usual place of abode of the vendee or the vendee's successor 137

or at the property which is the subject of the contract or by 138
registered or certified mail by mailing to the last known address 139
of the vendee or ~~his~~ the vendee's successor in interest. 140

(C) Except as otherwise provided in section 5313.07 of the 141
Revised Code, any action for forfeiture of the vendee's interest 142
in a property that contains a residential structure may be brought 143
only pursuant to an action for forfeiture and restitution as 144
provided in section 5313.08 of the Revised Code. 145

Sec. 5313.08. If the contract has been in effect for less 146
than five years, in addition to any other remedies provided by law 147
and after the expiration of the periods prescribed by sections 148
5313.05 and 5313.06 of the Revised Code, if the vendee is still in 149
default of any payment the vendor may bring an action for 150
forfeiture of the vendee's rights in ~~the~~ a land installment 151
contract and for restitution of ~~his~~ the property under Chapter 152
1923. of the Revised Code. When bringing the action under Chapter 153
1923. of the Revised Code, the vendor complies with the notice 154
requirement of division (A) of section 1923.04 of the Revised Code 155
by serving notice pursuant to section 5313.06 of the Revised Code. 156
The court may also grant any other claim arising out of the 157
contract. 158

Sec. 5321.01. As used in this chapter: 159

(A) "Tenant" means a person entitled under a rental agreement 160
to the use and occupancy of residential premises to the exclusion 161
of others. 162

(B) "Landlord" means the owner, lessor, or sublessor of 163
residential premises, the agent of the owner, lessor, or 164
sublessor, or any person authorized by the owner, lessor, or 165
sublessor to manage the premises or to receive rent from a tenant 166
under a rental agreement. 167

(C) "Residential premises" means a dwelling unit for residential use and occupancy and the structure of which it is a part, the facilities and appurtenances in it, and the grounds, areas, and facilities for the use of tenants generally or the use of which is promised the tenant. "Residential premises" includes a dwelling unit that is owned or operated by a college or university. "Residential premises" does not include any of the following:

(1) Prisons, jails, workhouses, and other places of incarceration or correction, including, but not limited to, halfway houses or residential arrangements that are used or occupied as a requirement of a community control sanction, a post-release control sanction, or parole;

(2) Hospitals and similar institutions with the primary purpose of providing medical services, and homes licensed pursuant to Chapter 3721. of the Revised Code;

(3) Tourist homes, hotels, motels, recreational vehicle parks, recreation camps, combined park-camps, temporary park-camps, and other similar facilities where circumstances indicate a transient occupancy;

(4) Elementary and secondary boarding schools, where the cost of room and board is included as part of the cost of tuition;

(5) Orphanages and similar institutions;

(6) Farm residences furnished in connection with the rental of land of a minimum of two acres for production of agricultural products by one or more of the occupants;

(7) Dwelling units subject to sections 3733.41 to 3733.49 of the Revised Code;

(8) Occupancy by an owner of a condominium unit;

(9) Occupancy in a facility licensed as an SRO facility

pursuant to Chapter 3731. of the Revised Code, if the facility is 198
owned or operated by an organization that is exempt from taxation 199
under section 501(c)(3) of the "Internal Revenue Code of 1986," 200
100 Stat. 2085, 26 U.S.C.A. 501, as amended, or by an entity or 201
group of entities in which such an organization has a controlling 202
interest, and if either of the following applies: 203

(a) The occupancy is for a period of less than sixty days. 204

(b) The occupancy is for participation in a program operated 205
by the facility, or by a public entity or private charitable 206
organization pursuant to a contract with the facility, to provide 207
either of the following: 208

(i) Services licensed, certified, registered, or approved by 209
a governmental agency or private accrediting organization for the 210
rehabilitation of mentally ill persons, developmentally disabled 211
persons, adults or juveniles convicted of criminal offenses, or 212
persons suffering from substance abuse; 213

(ii) Shelter for juvenile runaways, victims of domestic 214
violence, or homeless persons. 215

(10) Emergency shelters operated by organizations exempt from 216
federal income taxation under section 501(c)(3) of the "Internal 217
Revenue Code of 1986," 100 Stat. 2085, 26 U.S.C.A. 501, as 218
amended, for persons whose circumstances indicate a transient 219
occupancy, including homeless people, victims of domestic 220
violence, and juvenile runaways. 221

(D) "Rental agreement" means any agreement or lease, written 222
or oral, which establishes or modifies the terms, conditions, 223
rules, or any other provisions concerning the use and occupancy of 224
residential premises by one of the parties. 225

(E) "Security deposit" means any deposit of money or property 226
to secure performance by the tenant under a rental agreement. 227

(F) "Dwelling unit" means a structure or the part of a 228
structure that is used as a home, residence, or sleeping place by 229
one person who maintains a household or by two or more persons who 230
maintain a common household. 231

(G) "Controlled substance" has the same meaning as in section 232
3719.01 of the Revised Code. 233

(H) "Student tenant" means a person who occupies a dwelling 234
unit owned or operated by the college or university at which the 235
person is a student, and who has a rental agreement that is 236
contingent upon the person's status as a student. 237

(I) "Recreational vehicle park," "recreation camp," "combined 238
park-camp," and "temporary park-camp" have the same meanings as in 239
section 3729.01 of the Revised Code. 240

(J) "Community control sanction" has the same meaning as in 241
section 2929.01 of the Revised Code. 242

(K) "Post-release control sanction" has the same meaning as 243
in section 2967.01 of the Revised Code. 244

(L) "School premises" has the same meaning as in section 245
2925.01 of the Revised Code. 246

(M) "Sexually oriented offense" and "child-victim oriented 247
offense" have the same meanings as in section 2950.01 of the 248
Revised Code. 249

(N) "Preschool or child day-care center premises" has the ~~the~~ 250
same meaning as in section 2950.034 of the Revised Code. 251

(O) "Residential lease option contract" means any executory 252
agreement without regard to its title, description, or whether 253
comprised of a single document, a portion of a document, or a 254
number of documents, that does all of the following: 255

(1) Contains an option agreement that confers upon the tenant 256
a qualified or unqualified right to purchase the landlord's 257

interest in the residential premise that the tenant occupies or 258
intends to occupy; 259

(2) Requires the tenant to pay a fee for the option to 260
purchase upon execution of the contract and to pay rent during the 261
term of the contract; 262

(3) Retains the landlord's legal and equitable title to the 263
residential premise until the tenant exercises the option and 264
purchases the property. 265

"Residential lease option contract" does not include a lease 266
for agricultural, business, or commercial purposes, personal 267
property, intangible personal property, a lease with a tenant that 268
is not an individual, or a contract to purchase that is a "land 269
installment contract" as defined in section 5313.01 of the Revised 270
Code. 271

(P) "Option agreement" means a contract or the portion of a 272
contract that is executory in nature and defines the terms and 273
conditions under which a tenant may purchase the residential 274
premise that the tenant occupies or intends to occupy. 275

Sec. 5321.20. (A)(1) A residential lease option contract is 276
deemed to be a rental agreement that is subject to the 277
requirements of this chapter. A person who offers a residential 278
lease option contract to a tenant is a landlord pursuant to this 279
chapter and a person who enters into a residential lease option 280
contract as a tenant is a tenant pursuant to this chapter. 281

(B) A residential lease option contract shall clearly state 282
that the tenant is renting the property and has all rights and 283
responsibilities of a tenant pursuant to Chapter 5321. of the 284
Revised Code. The contract shall contain the following statements 285
printed clearly and conspicuously in boldface type of the same 286
size font as used for the text of the contract and in close 287

<u>proximity to the statement of the amount of the option fee:</u>	288
<u>The tenant is renting this property and has all rights of a</u>	289
<u>tenant under The Ohio Landlords and Tenants Law, Chapter 5321. of</u>	290
<u>the Revised Code.</u>	291
<u>The tenant has paid an additional fee of \$..... for the</u>	292
<u>right to purchase the property located at</u>	293
<u>If the tenant does not pay the monthly rent or violates other</u>	294
<u>terms of the lease, the landlord may initiate eviction proceedings</u>	295
<u>pursuant to Chapters 5321. and 1923. of the Revised Code.</u>	296
<u>Sec. 5321.21. (A) Any residential lease option contract shall</u>	297
<u>clearly set forth that the contract is not a contract to purchase.</u>	298
<u>The contract shall contain, at the top of the first page of the</u>	299
<u>contract and again directly above the tenant's signature on the</u>	300
<u>same contract, the following printed in at least fourteen-point</u>	301
<u>boldface type in all capital letters:</u>	302
<u>THIS IS NOT A CONTRACT TO BUY. THIS CONTRACT GIVES YOU THE</u>	303
<u>RIGHT TO BUY THE PROPERTY DESCRIBED IN IT. YOU WILL NOT OWN THE</u>	304
<u>PROPERTY UNTIL YOU FIND FINANCING TO PAY THE PURCHASE PRICE IN</u>	305
<u>FULL AND FULFILL THE OTHER TERMS OF THIS CONTRACT.</u>	306
<u>(B) A residential lease option contract shall disclose the</u>	307
<u>amount of the option fee and include a statement that sets forth,</u>	308
<u>in United States dollars, the amount of the option fee that will</u>	309
<u>be credited against the purchase price if the tenant exercises the</u>	310
<u>option to purchase. The contract shall contain the following</u>	311
<u>statement printed clearly and conspicuously in at least</u>	312
<u>fourteen-point boldface type in all capital letters:</u>	313
<u>THE OPTION FEE PAID PURSUANT TO THIS CONTRACT IS NOT A</u>	314
<u>SECURITY DEPOSIT AND MAY NOT BE REFUNDED IF YOU DO NOT BUY THE</u>	315
<u>PROPERTY FOR ANY REASON.</u>	316
<u>(C) No landlord shall offer a residential lease option</u>	317

<u>contract to a tenant unless that contract contains all of the</u>	318
<u>following in addition to any other requirements of this chapter:</u>	319
<u>(1) The full name and mailing address of each party to the</u>	320
<u>contract;</u>	321
<u>(2) The date each party signs the contract;</u>	322
<u>(3) The amount of the tenant's monthly rent;</u>	323
<u>(4) The period of time during which the tenant may exercise</u>	324
<u>the right to buy the property;</u>	325
<u>(5) The agreed upon sales price of the property and any</u>	326
<u>adjustments that may be made to the sales price, the circumstances</u>	327
<u>under which those adjustments may be made, and the amount of rent</u>	328
<u>that will be applied to reduce the sales price;</u>	329
<u>(6) A legal description of the property by metes and bounds</u>	330
<u>or lot numbers of a recorded plat, including a description of any</u>	331
<u>portion of the property subject to an easement or reservation;</u>	332
<u>(7) A statement of any known encumbrances or encumbrances</u>	333
<u>that could be reasonably ascertained against the property;</u>	334
<u>(8) A statement of any pending order of a public agency</u>	335
<u>against the property;</u>	336
<u>(9) A statement specifying any liens and mortgages against</u>	337
<u>the property for which the tenant will assume responsibility at</u>	338
<u>the time of closing and the current dollar amount of each;</u>	339
<u>(10) A statement that the landlord will remove any liens and</u>	340
<u>mortgages against the property prior to the time of the closing,</u>	341
<u>except those specified in the contract to be assumed by the</u>	342
<u>tenant;</u>	343
<u>(11) A statement that the tenant has received, reviewed, and</u>	344
<u>signed a completed copy of the residential real property</u>	345
<u>disclosure form the director of commerce prescribed pursuant to</u>	346
<u>section 5302.30 of the Revised Code;</u>	347

(12) A statement of the landlord's ownership interest in the 348
property and information regarding the location of documentation 349
of that ownership interest; 350

(13) A provision requiring the landlord to provide evidence 351
of title and to deliver a general warranty deed, or the best 352
available deed if unable to deliver a general warranty deed, at 353
the closing upon exercise of the option; 354

(14) A statement setting forth which expenses of closing and 355
sale are the responsibility of the landlord and which are the 356
responsibility of the tenant. 357

Sec. 5321.22. (A) Prior to the tenant signing a residential 358
lease option contract, the landlord shall provide the tenant with 359
a completed and signed copy of the residential real property 360
disclosure form required pursuant to section 5302.20 of the 361
Revised Code, and any other documents federal, state, or local law 362
require. 363

(B) The landlord shall provide each tenant who is a party to 364
a residential lease option contract a copy of the contract signed 365
by the landlord and by each tenant and a receipt for any fees paid 366
to the landlord pursuant to the contract. 367

Sec. 5321.23. (A) Any landlord who enters into a residential 368
lease option contract, at the request of a tenant shall provide an 369
updated statement of the current purchase price that shows all 370
calculations used to reach that price, including any credit toward 371
the purchase price and any addition to the purchase price. The 372
landlord shall prepare the updated statement within ten days of a 373
tenant's request and either deliver the statement in person, with 374
the tenant signing a copy of the statement as evidence of its 375
receipt, or by certified mail to the property address. A landlord 376
is obligated to provide the information this division requires not 377

more than twice during any twelve-month period. 378

(B) During any year in which a residential lease option 379
contract is in effect, the fee for the option to purchase may not 380
exceed one and one-half times the amount that is charged for one 381
month's rent that year. During the entire term that the option is 382
in effect, the total of the fees charged for the option may not 383
exceed four times the amount of the monthly rent that was charged 384
during the first year of the option. 385

Sec. 5321.99. A court of competent jurisdiction may find any 386
landlord who fails to substantially comply with sections 5321.20 387
and 5321.21 of the Revised Code liable for damages in an amount 388
not less than ninety dollars and not more than five hundred 389
dollars for each violation, together with actual damages and 390
reasonable attorney's fees, and may void the contract and order 391
any fees or deposits be returned to the tenant. A tenant may seek 392
enforcement of sections 5321.20 to 5321.23 of the Revised Code in 393
a municipal court, county court, or court of common pleas and, 394
upon determining that the landlord has failed to comply with any 395
of these sections, the court shall grant appropriate relief. 396

Section 2. That existing sections 5313.01, 5313.02, 5313.06, 397
5313.08, and 5321.01 of the Revised Code are hereby repealed. 398

Section 3. Section 5313.02 of the Revised Code is presented 399
in this act as a composite of the section as amended by both Sub. 400
H.B. 95 and Am. Sub. H.B. 473 of the 119th General Assembly. The 401
General Assembly, applying the principle stated in division (B) of 402
section 1.52 of the Revised Code that amendments are to be 403
harmonized if reasonably capable of simultaneous operation, finds 404
that the composite is the resulting version of the section in 405
effect prior to the effective date of the section as presented in 406
this act. 407