

CONFERENCE COMMITTEE REPORT

MR. SPEAKER and MR. PRESIDENT: Your committee on conference on Senate amendments to **HB 2562** submits the following report:

The House accedes to all Senate amendments to the bill, and your committee on conference further agrees to amend the bill as printed with Senate Committee amendments, as follows:

On page 4, following line 30, by inserting:

"New Sec. 10. (a) Sections 10 through 13, and amendments thereto, shall be known and may be cited as the Kansas contract for deed act.

(b) As used in sections 10 through 13, and amendments thereto:

(1) "Buyer" means a person who purchases property subject to a contract for deed or any legal successor in interest to the buyer.

(2) "Contract for deed" means an executory agreement in which the seller agrees to convey title to real property to the buyer and the buyer agrees to pay the purchase price in five or more subsequent payments exclusive of the down payment, if any, while the seller retains title to the property as security for the buyer's obligation. Option contracts for the purchase of real property are not contracts for deed.

(3) "Property" means real property located in this state upon which there is located or will be located a structure designed principally for occupancy of one to four families that is or will be occupied by the buyer as the buyer's principal place of residence.

(4) "Seller" means any person who makes a sale of property by means of a contract for deed or any legal successor in interest to the seller.

New Sec. 11. (a) Any contract for deed or affidavit of equitable interest may be recorded in the office of the county register of deeds where the property is located by any interested person.

(b) Following the notice and opportunity to cure provided for in section 13(c), and amendments thereto, the buyer shall have 15 days to:

(1) Record a record of release of affidavit of equitable interest or contract for deed, if such affidavit or contract were recorded; and

(2) vacate the premises, if applicable.

(c) If the buyer fails to satisfy the conditions under subsection (b), then such buyer shall be responsible for the seller's reasonable attorney fees, costs and expenses for the removal of the affidavit of equitable interest or contract for deed from the title and eviction of the buyer from the premises, if applicable.

New Sec. 12. (a) A seller shall not execute a contract for deed with a buyer if the seller does not hold title to the property. Except as provided further, a seller shall maintain fee simple title to the property free from any mortgage, lien or other encumbrance for the duration of the contract for deed. This subsection shall not apply to a mortgage, lien or encumbrance placed on the property:

(1) Due to the conduct of the buyer;

(2) with the agreement of the buyer as a condition of a loan obtained to make improvements on the property; or

(3) by the seller prior to the execution of the contract for deed if:

(A) The seller disclosed the mortgage, lien or encumbrance to the buyer;

(B) the seller continues to make timely payments on the outstanding mortgage, lien or other encumbrance;

(C) the seller disclosed the contract for deed to the mortgagee, lienholder or other party of interest; and

(D) the seller satisfies and obtains a release of the mortgage, lien or other encumbrance not later than the date the buyer makes final payment on the contract for deed unless the buyer assumes the mortgage, lien or other encumbrance as part of the contract for deed.

(b) Any violation of this section is a deceptive act or practice under the provisions of the Kansas consumer protection act and shall be subject to any and all of the enforcement provisions of the Kansas consumer protection act.

New Sec. 13. (a) A buyer's rights under a contract for deed shall not be forfeited or canceled except as provided in this section, notwithstanding any provision in the contract providing for forfeiture of buyer's rights. Nothing in this section shall be construed to limit the power of the district court to require proceedings in equitable foreclosure.

(b) The buyer's rights under a contract for deed shall not be forfeited until the buyer has been notified of the intent to forfeit as provided in subsection (c) and has been given a right to cure the default, and such buyer has failed to do so within the time period allowed. A timely tender of cure shall reinstate the contract for deed.

(c) A notice of default and intent to forfeit shall:

(1) Reasonably identify the contract and describe the property covered by it;

(2) specify the terms and conditions of the contract with which the buyer has not complied; and

(3) notify the buyer that the contract will be forfeited unless the buyer performs the terms and conditions within the following periods of time:

(A) If the buyer has paid less than 50% of the purchase price, 30 days from completed service of notice; or

(B) if the buyer has paid 50% or more of the purchase price, 90 days from completed

service of notice.

(d) A notice of default and intent to forfeit shall be served on the buyer in person, or by leaving a copy at the buyer's usual place of residence with someone of suitable age and discretion who resides at such place of residence, or by certified mail or priority mail, return receipt requested, addressed to the buyer at the buyer's usual place of residence.

(e) Nothing in this section shall be construed to preclude the buyer or the seller from pursuing any other remedy at law or equity.

New Sec. 14. (a) Any restrictive covenant recitals on real property contained in any deed, plat, declaration, restriction, covenant or other conveyance filed at any time in the office of the register of deeds in any county in violation of K.S.A. 44-1016 or 44-1017, and amendments thereto, shall be void and unenforceable.

(b) A restrictive covenant that violates K.S.A. 44-1016 or 44-1017, and amendments thereto, may be released by the owner of the real property subject to such covenant by recording a certificate of release of prohibited covenants. Such certificate may be recorded prior to recording of a document conveying any interest in such real property or at such other time as the owner discovers that such prohibited covenant exists. Any certificate recorded with the register of deeds shall be subject to recording fees pursuant to K.S.A. 28-115, and amendments thereto. A certificate of release of prohibited covenants shall contain:

- (1) The name of the current owner of the real property;
- (2) a legal description of the real property;
- (3) the volume and page or the document number in which the original document containing the restrictive covenant is recorded;
- (4) a brief description of the restrictive covenant; and

(5) the citation to the location of the restrictive covenant in the original document.";

On page 9, following line 18, by inserting:

"Sec. 16. K.S.A. 44-1017a is hereby amended to read as follows: 44-1017a. (a) No declaration or other governing document of an association shall include a restrictive covenant in violation of K.S.A. 44-1016 and 44-1017, and amendments thereto.

(b) Within 60 days of the effective date of this act, the board of directors of an association shall amend any declaration or other governing document that includes a restrictive covenant in violation of K.S.A. 44-1016 and 44-1017, and amendments thereto, by removing such restrictive covenant. Such amendment shall not require the approval of the members of the association. No other change shall be required to be made to the declaration or other governing document of the association pursuant to this section. Within 10 days of the adoption of the amendment, the amended declaration or other governing document shall be recorded in the same manner as the original declaration or other governing document and shall be subject to recording fees pursuant to K.S.A. 28-115, and amendments thereto. ~~No fee shall be charged for such recording.~~

(c) If the commission, a city or county ~~in which~~ where the association is located provides written notice to an association requesting that the association delete a restrictive covenant in violation of K.S.A. 44-1016 and 44-1017, and amendments thereto, the association shall delete the restrictive covenant within 30 days of receiving the notice. If the association fails to delete the restrictive covenant in violation of K.S.A. 44-1016 and 44-1017, and amendments thereto, the commission, a city or county ~~in which~~ where the association is located, or any person adversely affected by such restrictive covenant may bring an action against the homeowners association for injunctive relief to enforce the provisions of subsections (a) and (b) ~~of this~~

~~section~~. The court may award attorney's fees to the prevailing party.

(d) If a city or county determines that the association is no longer active such that the written notice described in subsection (c) cannot be provided to the association, then the city or county, upon adoption of a resolution by the governing body of such city or county, may remove such restrictive covenant that is in violation of K.S.A. 44-1016 or 44-1017, and amendments thereto, by recording a certificate of release of prohibited covenants in accordance with section 14, and amendments thereto. A resolution may authorize the removal of more than one restrictive covenant that is in violation of K.S.A. 44-1016 or 44-1017, and amendments thereto. No signature or other consent of any property owner affected by such recording shall be required to record any certificate of release of prohibited covenants pursuant to this subsection. Any such certificate recorded pursuant to this subsection shall not affect the validity of any property interest recorded within the original or redacted plat. No city or county shall incur any liability arising from the recording of any certificate of release of prohibited covenants pursuant to this subsection. No fee shall be charged for any recording filed pursuant to this subsection. Any such recording shall be exempt from the survey requirements of K.S.A. 58-2001 et seq., and amendments thereto.

(e) For the purposes of this section:

(1) "Association" means a non-profit homeowners association as defined in K.S.A. 60-3611, and amendments thereto.

(2) "Commission" means the Kansas human rights commission as defined in K.S.A. 44-1002, and amendments thereto.

~~(e)(f)~~ This section shall be a part of and supplemental to ~~and a part of~~ the Kansas act against discrimination.

Sec. 17. K.S.A. 58-3065 is hereby amended to read as follows: 58-3065. (a) Willful violation of any provision of this act or the brokerage relationships in real estate transactions act is a misdemeanor punishable by imprisonment for not more than 12 months or a fine of not less than \$100 or more than \$1,000, or both, for the first offense and imprisonment for not more than 12 months or a fine of not less than \$1,000 or more than \$10,000, or both, for a second or subsequent offense.

(b) Nothing in this act or the brokerage relationships in real estate transactions act shall be construed as requiring the commission or the director to report minor violations of the acts for criminal prosecution whenever the commission or the director believes that the public interest will be adequately served by other administrative action.

(c) If the commission determines that a person or associated association, corporation, limited liability company, limited liability partnership, partnership, professional corporation or trust has practiced without a valid broker's or salesperson's license issued by the commission, in addition to any other penalties imposed by law, the commission, in accordance with the Kansas administrative procedure act, may issue a cease and desist order against the unlicensed person."

Also on page 9, in line 19, by striking "is" and inserting ", 44-1017a and 58-3065 are"; in line 21, by striking "Kansas register" and inserting "statute book";

And by renumbering sections accordingly;

On page 1, in the title, in line 1, by striking "securities" and inserting "consumer protection; relating to financial exploitation, real estate transactions and housing discrimination"; in line 4, after the semicolon by inserting "authorizing the Kansas real estate commission to issue cease and desist orders; regulating contract for deed transactions; providing for certain penalties related thereto; making certain deceptive actions violations of the consumer protection act; prohibiting

the recording of unlawful restrictive covenants; authorizing the removal of unlawful restrictive covenants;"; in line 5, after "17-12a412" by inserting ", 44-1017a and 58-3065"; also in line 5, by striking "section" and inserting "sections";

And your committee on conference recommends the adoption of this report.

Conferees on part of Senate

Conferees on part of House