**Federal Watchdog Agency Steps Up Inquiry Into Home Contracts**

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A Harbour Portfolio property in Akron, Ohio. The company purchased foreclosed homes after the financial crisis and sells them “as is” under a contract. Credit Michael F. McElroy for The New York Times

The [Consumer Financial Protection Bureau](http://topics.nytimes.com/top/reference/timestopics/organizations/c/consumer_financial_protection_bureau/index.html?inline=nyt-org), the nation’s top consumer watchdog, is stepping up an investigation into seller-financed home sales that target lower-income home buyers unable to get a traditional mortgage.

The regulatory agency on Monday disclosed that it recently ordered two major companies that offer high-interest installment contracts called contracts for deed to comply with a civil investigative demand for documents. The request is a sign that the investigation is advancing.

The two firms, which challenged the demand for documents, are Harbour Portfolio Advisors of Dallas and National Asset Advisors of Columbia, S.C.

The agency began informally looking at seller-financed homes, and specifically contracts for deed, this year. Enforcement lawyers at the agency [have been investigating](http://www.nytimes.com/2016/05/11/business/dealbook/contract-for-deed-lending-gets-federal-scrutiny.html) the prevalence of these types of transactions to determine whether they violate federal truth-in-lending laws. The agency [posted the orders](http://www.consumerfinance.gov/policy-compliance/enforcement/petitions/harbour-portfolio-advisors-llc/), signed this month, on its [website](http://www.consumerfinance.gov/policy-compliance/enforcement/petitions/national-asset-advisors-llc-and-national-asset-mortgage-llc/) on Monday.

Several recent reports, including [a front-page article in The New York Times](http://www.nytimes.com/2016/02/21/business/dealbook/market-for-fixer-uppers-traps-low-income-buyers.html), have explored a revival of these kinds of transactions and the abuses in the market.

Harbour Portfolio bought more than 6,700 single-family homes after the financial crisis of 2008, most of them from Fannie Mae, a government-controlled mortgage finance firm, through bulk sales. Harbour paid $10,000 or less for most of the homes, which were foreclosed on during the financial crisis, and sells them “as is.”

This year, Harbour began to sell off more than 600 homes with existing contracts for deeds in place to other investment firms and individual investors.

“Harbour has been regulated at the state level since its inception, and it has always prided itself on following the law and treating consumers fairly,” said a Harbour spokeswoman. “We don’t believe contracts for deed are a consumer financial product or service under the C.F.P.B.’s authority. Since these investigations are quite daunting and costly for a small organization such as our own, we thought it appropriate to exercise our right to challenge the C.F.P.B.’s basis for jurisdiction.”

Harbour Portfolio is represented by lawyers with Hudson Cook, a Maryland-based law firm that specializes in consumer finance regulatory matters.

A lawyer for National Asset said the firm stood by its legal filing sent to the agency opposing the document request.

The five-year-old regulatory agency has recently sought to flex its muscles with enforcement action — announcing new rules this year that would prevent many financial companies from forcing consumers to resolve disputes through mandatory arbitration. It has also worked on a new set of regulations for payday loans — which often carry high interest rates and predatory features.

Yet after last week’s election of Donald J. Trump, the future of the regulatory agency seems more uncertain than ever.

President-elect Trump has signaled that his administration will seek to roll back some of the financial reform regulations and legislation enacted by the Obama administration after the financial crisis.

The Consumer Financial Protection Bureau has been a favorite target for critics in Congress and on Wall Street who contend the agency has been too aggressive and strayed from its mandate of better regulating the mortgage market by venturing into subprime [auto loans](http://topics.nytimes.com/your-money/loans/auto-loans/index.html?inline=nyt-classifier), mandatory arbitration and payday lending.

But the investigation of contract for deed firms would seem to fall within the broad purview of the agency to oversee national standards for the mortgage market.

Contracts for deed and similar products — such as rent-to-own deals for buying homes — have become more prominent since the financial crisis because of the unavailability of smaller mortgages in urban and rural communities. These alternative deals, in which the seller retains ownership to a home until a contract is paid off, are popular in some Midwestern states hit hard by the [foreclosure](http://topics.nytimes.com/top/reference/timestopics/subjects/f/foreclosures/index.html?inline=nyt-classifier) crisis.

Seller-financed transactions are particularly popular in Michigan and Ohio, two states that helped propel Mr. Trump to victory.

RealtyTrac, a property data service, estimates that on average 20,000 homes a year have been sold nationally through contracts for deed since 2009 — and the pace of deals has quickened since the crisis.

But it is difficult to know just how many homes are sold through contracts for deed or rent-to-own leases because not all states require such transactions to be publicly recorded.

This summer, the National Consumer Law Center [issued a report](http://www.nytimes.com/2016/07/14/business/dealbook/law-center-calls-seller-financed-home-sales-toxic-transactions.html?_r=0) in which it said many seller-financed deals were “toxic,” and were transactions that were built to fail and that had harmed consumers.