

LAND SALES ACT (EXCERPT)
Act 286 of 1972

565.816 Conditions for sale of lots, units, parcels, or interests within subdivision subject to blanket encumbrance.

Sec. 16. The developer shall not sell lots, units, parcels, or interests within a subdivision subject to a blanket encumbrance unless 1 of the following conditions or the equivalent as determined by rules promulgated by the department is met:

(a) All sums paid or advanced by purchasers are placed in an escrow or other depository acceptable to the director until the fee title contracted for is delivered to the purchaser by deed together with complete release from all financial encumbrances; or the developer or the purchaser default and fail to perform under their contract of disposition and there is a final determination by a court of competent jurisdiction or the director as to the disbursement of such moneys or they be voluntarily returned to the contract purchaser.

(b) The fee title to the subdivision is placed in trust under an agreement or trust acceptable to the department until a proper release from each blanket encumbrance including all taxes is obtained and title contracted for is delivered to such purchaser.

(c) A bond, cash, certified check, or irrevocable bank letter of credit issued by a bank authorized to do business in the state is furnished the department in the name of the state for the benefit and protection of purchasers of the lots, units, parcels, or interest, in such amount and subject to terms as approved by the department. The bond shall be executed by a surety company authorized to do business in the state and which has given consent to be sued in this state. The bond or agreement accompanying the cash, certified check, or irrevocable bank letter of credit shall provide for the return of moneys paid or advanced by any purchaser, on account of purchase of any lot, unit, parcel, or interest if the title contracted for is not delivered and a full release from each blanket encumbrance is not obtained. If it is determined that the purchaser by reason of default or otherwise, is not entitled to the return of the moneys, or any portion thereof, then the bond, cash, certified check, or irrevocable bank letter of credit may be released by the department in the amount of moneys to which the purchaser of a lot, unit, parcel, or interest is not entitled.

(d) The blanket encumbrance shall contain provisions evidencing the subordination of the lien of the blanket encumbrance to the rights of those persons purchasing from the developer or evidencing that the developer is able to secure releases from the blanket encumbrance with respect to the property.

History: 1972, Act 286, Eff. Mar. 30, 1973;—Am. 1973, Act 184, Imd. Eff. Jan. 3, 1974.