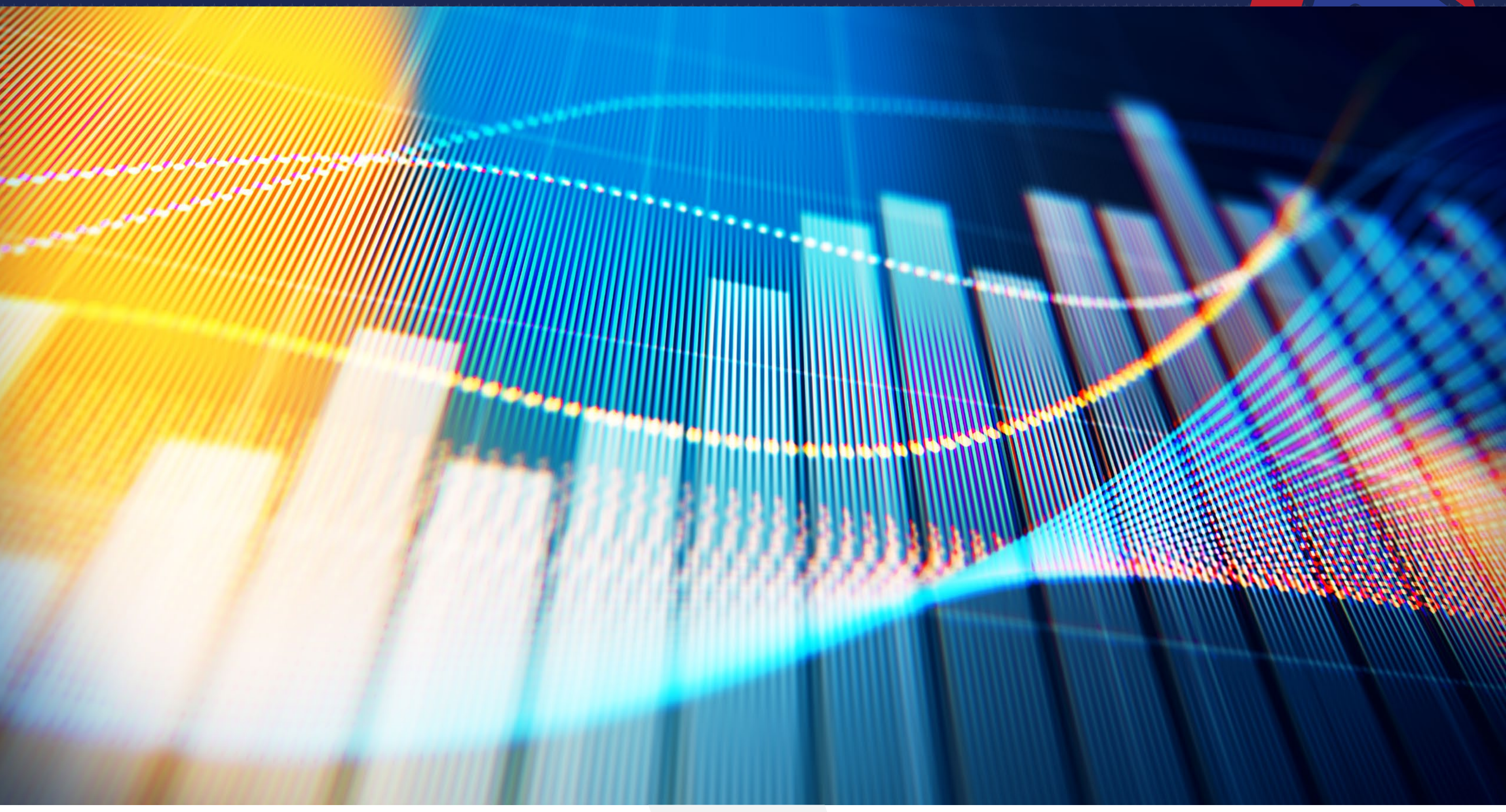

THE INS AND OUTS OF SELLER FINANCING

How would you like to have the potential to sell your home faster, sell it "as is", and possibly get a better interest rate than on some other investments? Consider owner financing.

Make your home stand out in the market by adding these three words to the listing (and we suggest to a yard sign!) — Owner Financing Available. Now it's a different game. This cuts out the bank or mortgage company.

Here's an overview of owner financing, the possible upside and downside, and some suggestions to make it easier on everyone.

WHAT IS OWNER FINANCING?

When an investor lends money to a buyer, allowing him or her to make payments, the transaction is referred to as "owner financing".

HOW DOES IT WORK

The investor/seller and buyer sign a promissory note that includes the interest rate, repayment schedule, consequences of default, and all other details, such as a balloon payment.

POTENTIAL BENEFITS TO THE INVESTOR OWNER

1. Property may sell more quickly, reducing sales and holding costs
2. Increases the chances of getting the full asking price
3. May be able to sell "as is", another way to increase net profit
4. Property will stand out in listings because the offer is attractive.
5. Owner gets the property back and retains all monies received if the buyer stops making payments.
6. May provide you a better interest rate than other investments

IMPORTANT CONSIDERATIONS FOR INVESTOR OWNERS

1. This strategy will only work if the owner does not require the full amount of the sale in order to purchase his/her next home. There is always an option to wrap the mortgage, but that's another topic.
2. If you do not own the home outright, a sale can still happen under certain circumstances.
3. There is a risk that the buyer will stop making the payments, which requires you to foreclose.
4. If the buyers do not fulfill the terms and the house reverts back to you, there is a risk that the property will require repairs.

POTENTIAL BENEFITS TO THE BUYER

1. Down payment is more flexible
2. Closing costs are lower and the process is faster
3. A prospective buyer who does not qualify for a mortgage may be able to purchase a home.
4. Investors can acquire property with lower initial investment.

IMPORTANT CONSIDERATIONS FOR PROSPECTIVE BUYER

1. Buyer must prove worthiness to borrow.
2. Interest rates are likely to be higher.

ESSENTIAL FOR BOTH SELLER AND BUYER

1. It is imperative for both parties that a real estate lawyer be engaged to draw up the contract and the promissory note.
2. Sellers may want to speak with a CPA regarding tax benefits of selling the home using the owner financing strategy.
3. Sellers may want to run a credit check on all prospective buyers.
4. We strongly suggest sellers require and check references on all prospective buyers.
5. When determining the down payment amount, sellers should consider an amount that will help ensure that the buyer feels vested and reduces the risk of him/her not fulfilling the agreement.

Like any business deal, this one has its risks. The Lonergan Law Firm, PLLC, can help you ensure that your deal goes as smoothly as possible. We specialize in non-traditional real estate transactions!

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