

## **Seller Financing Coming Around Again**

*by Broderick Perkins*

If you can't find a bank to approve your home loan, ask the seller to consider being your mortgage lender.

Only a fraction of sellers are willing to take on the role of financier, but that fraction is likely larger than it was a few years ago when lenders had plenty money to lend.

That's because today's home buyers are having a tough time finding mortgage money and sellers are having a tough time finding buyers.

Seller financing isn't an option for every transaction, but it can be a win-win situation for those who can strike a deal, says Greg Winfield, who runs the web listing service [OwnerWillCarry.com](http://OwnerWillCarry.com).

Winfield says seller financed mortgages can come in a variety of formats with all terms negotiable between the buyer and seller.

The best seller-financing comes with properties that are mortgage free and clear. The seller simply accepts a note -- a legally binding loan contract -- from a qualifying buyer.

Such a seller, who finds a qualified buyer, likely can move the home faster than waiting for the current hard money market to yield an approved buyer.

If the seller offers relaxed terms and other incentives, he or she can get a fair price for the home, a higher investment return than other investments, tax breaks due to reporting the sale as installment payments, monthly income, and a shorter listing term.

Benefits to buyers typically include less stringent qualifying, down payment requirements and flexible, tailored rates, closing costs and loan terms and rates.

[Elizabeth Weintraub](#), with Lyon Real Estate's downtown Sacramento office, says because buyers and sellers aren't waiting for a lender to process the loan, closing is faster.

Weintraub says the deal gets more complicated when there's an outstanding mortgage, a fixer-upper home, lease option or land contract involved.

Whatever flavor seller-financing you choose, you will also need a real estate attorney or other seller-financing proficient professional to draw up the papers.

Weintraub says the types of owner financing include:

- Land contracts don't pass title to the buyer, but gives the buyer what's called "equitable title," a sort of temporarily shared ownership. The buyer makes payments to the seller for a term and after the final payment or payoff, the buyer gets the deed.
- Promissory Notes and mortgages are carried by the seller for the entire balance. Also called an "all-inclusive mortgage" or "all-inclusive trust deed" (AITD).
- The seller can carry a junior mortgage, the buyer receives the deed, but gives the seller a second mortgage for the balance of the purchase price, less the down payment and first mortgage amount.
- Lease purchase or lease option. The seller gives the buyer equitable title and leases the property to the buyer for a contracted term. When the buyer fulfills the lease purchase agreement, the buyer receives title and typically obtains a loan to pay the seller. Some or all of the rental payments are a credit against the purchase price. Numerous variations exist.