

what's seller financing?

Last Updated Tuesday, 29 July 2008

What is seller financing?

Seller financing is when a seller helps to finance a real estate transaction by taking back a second note or even financing the entire purchase if the seller owns the home free and clear. Usually sellers do this when a buyer has difficulty qualifying for a conventional loan or meeting the purchase price.

Seller financing differs from a traditional loan because the seller does not give the buyer cash to complete the purchase, as does a lender.

Instead, it involves extending a credit against the purchase price of the home while the buyer executes a promissory note and trust deed in the seller's favor. These special circumstances must be acceptable to the lender who makes the first mortgage on the property.

The necessary paperwork is prepared by the title or escrow company after the terms are worked out between the buyer and seller.

If you are a seller considering such an arrangement, it is critical to thoroughly evaluate the creditworthiness of the buyer first. Fear of default makes many sellers reluctant to take back a second. But seller financing can bring a higher price plus complete the sale sooner in some situations. For more information, contact the Internal Revenue Service for a copy of its Publication 537, "Installment Sales." Order by calling (800) TAX-FORM.

Questions about [Profile.market] Real Estate?

Ask us below or Call us Now at [Profile.comp_phone]