



SELLER CARRY-BACK LOAN: FINANCE A HOME WITHOUT A MORTGAGE

Most have never heard of a seller carry-back loan, yet it can be a really smart real estate strategy.

What is a seller carry-back loan? Simply put, a seller carry-back loan is owner-provided financing. This may be advertised as seller financing or owner will carry (OWC). The seller is directly responsible for providing the buyer with a mortgage to purchase the seller's property.

Carrying back a note can be a useful real estate tool for both the seller and buyer. Seller carry-backs are becoming increasingly popular in today's economy as traditional home loans become more difficult to obtain. The seller can finance the purchase themselves if they own the property outright or currently owe less than the buyer's down payment. The house itself serves as collateral against repayment of the loan. The seller becomes the lender and the buyer becomes the owner of the property. How it works:

- 1** The buyer and the seller agree on a sale price. The buyer then signs a promissory note. This note says the buyer promises to pay a specific amount of money, with a specific interest rate, at a specific time. The buyer makes the monthly payments directly to the seller.
- 2** The seller transfers title and collects monthly payments from the buyer. The seller holds the note and collects payments. If the buyer stops making monthly payments at any time, the seller can legally foreclose and take back the property. He can then try to resell the property in a traditional sale, or carry back a note again.

NOTE Escrow agents are not attorneys, they are only permitted to act as scriveners and fill in blanks. If the note and deed of trust have custom language or clauses negotiated between the seller and buyer, the documents will have to be prepared by an attorney and delivered to escrow.

On a seller carry-back transaction, the seller needs to have a separate lenders policy of title insurance insuring their lien position on the property. The owner's policy provided by the buyer does not afford the seller any coverage.

To find out more, contact your Chicago Title Sales Executive.



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