

5 Reasons Owners Offer Seller Financing

- Why would a seller allow a buyer to make payments over time for the purchase of property?
- Wouldn't the seller rather get paid now and require the buyer to obtain a bank loan?

Here are 5 reasons property owners offer seller financing:

1. Reduced Marketing Times

What is the first thing a real estate agent does when property is not moving and has been on the market for 60 to 90 days? They reduce the price and add the tagline "price reduced" to all advertising and signs. Rather than reduce the price, it might be beneficial for the seller to offer financing. Buyers provided with financing can certainly pay full price in exchange for the many benefits they receive with owner financing, including the money they save by not paying expensive loan fees, origination fees, and points.



2. Increased Inventory of Prospective Purchasers

By offering owner financing, the seller increases marketability with a wider group of available purchasers. Statistics show that almost 40 percent of the American population is unable to qualify for traditional bank financing. While not all of the "unqualified" group would be an acceptable risk for owner financing, it still widens the market of prospective buyers considerably. Anyone who has added the words "Owner Will Finance" or "Easy Terms" to a For Sale ad or Multiple Listing Service (MLS) listing knows the phone will ring off the hook with interested prospects.

3. Reduced Closing Times

Another advantage of offering owner financing is substantially lower closing times. A closing involving a third-party conventional lender can take six to eight weeks while closing a seller-financed transaction through a reputable title company can take as little as two to three weeks. This is due to the reduced paperwork and less restrictive due diligence process.

4. Investment Strategy for Hard to Finance Properties

There are many properties that encounter financing difficulties including mixed use property, land, mobile and land, non-conforming, low value, and others. Investors realize excellent returns by paying a reduced cash or wholesale price on a hard-to-finance property and then reselling at a higher retail price with easy financing terms.

5. Interest Income

Why let the banks earn all the interest? Sellers can keep the property-earning income even after they sell by offering owner financing. For example, a \$100,000 mortgage at 9 percent with monthly payments of \$804.62 will pay back \$289,663.20 over 30 years. That additional \$189,663.20 (over the \$100,000 mortgage) is power of interest income!

Work with Owner Financing Specialists

If considering seller financing, be sure to consult with a qualified professional to properly document the transaction.

It also helps to speak with note investors to gain insight on appealing terms and structuring techniques. This assures top-dollar pricing should you ever want to convert the payments to cash by assigning your note, mortgage, deed of trust, or contract to an investor.

Whether you are looking to buy mortgage notes, sell a mortgage note, structure seller financing, or just have questions and want to learn **more about investing in mortgage notes...**

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