

SELLER FINANCING

What It Is, How You're Protected & What the Buyer Handles

What Is Seller Financing?

Seller financing is a real estate transaction where you — the seller — act as the bank. Instead of the buyer going to a traditional lender, you agree to accept monthly payments over time. This opens your property up to more buyers, generates consistent income, and often commands a higher sale price.

The Short Version

You sell your property, collect a down payment, and receive monthly payments with interest — all secured by the property itself. If the buyer stops paying, you get the property back.

Two Common Structures

1. Land Contract (Contract for Deed)

You keep the legal deed until the buyer pays off the full balance. The buyer gets the right to occupy and use the property, but title doesn't transfer until payoff.

- Most common in the Midwest
- Simpler default process if buyer stops paying (vs. full foreclosure in some states)
- You retain maximum legal leverage throughout the term

2. Mortgage / Deed of Trust

The buyer receives the deed at closing, but you hold a recorded lien (mortgage or deed of trust) against the property as security.

- Buyer has full legal title from day one
- Your protection comes from the lien — default triggers foreclosure
- More familiar to buyers coming from traditional real estate

How You're Protected as the Seller

In both structures, the seller has strong, legally enforceable protections. Here's what's working in your favor:

- **Promissory Note:** A legally binding written promise to repay — specifies loan amount, interest rate, payment schedule, and consequences for default.
- **Down Payment:** Buyer puts skin in the game upfront. If they walk away or default, that equity stays with you.
- **Property as Collateral:** The property secures the loan. Default = you get the asset back — often with improvements made and payments already collected.

- **Deed / Lien:** Land contract: you hold the deed. Mortgage structure: you hold a recorded lien. Either way, you have legal standing to reclaim the property.
- **Right to Cure:** You can pay overdue taxes or insurance yourself and add those costs to the buyer's balance — protecting your collateral.

Who Pays What

One of the most common questions sellers have: 'Am I responsible for the property once I sell?' The answer is no. Here's how ongoing costs are handled:

Responsibility	Who Pays?	Seller Protection Tip
Property Taxes	Buyer	Require annual proof of payment or escrow into monthly payment
Utilities	Buyer	No action needed — buyer occupies, buyer pays
Home Insurance	Buyer	Require seller listed as Additional Insured / Loss Payee
Repairs & Maintenance	Buyer	Specify in contract; seller's only obligation is to get paid

Bottom line: once the deal is signed, the buyer is responsible for keeping the property running. Your job is simply to collect payments.

Seller's Due Diligence Checklist

Before closing a seller finance deal, make sure your agreement includes:

- &Signed promissory note with clear terms and interest rate
 - &Down payment collected at or before closing
 - &Mortgage or land contract recorded with the county
 - &Buyer required to maintain homeowner's insurance (seller listed as additional insured)
 - &Annual property tax proof of payment required
 - &Right-to-cure clause for taxes and insurance lapses
 - &Default and acceleration clause (full balance due on default)
 - &Attorney review recommended for your state's specific requirements
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