

Real Estate Seller Financing Checklist – Illinois

Preliminary Considerations

- ✓ Determine seller's eligibility and financial capacity to offer financing
- ✓ Evaluate the property's market value with an appraisal or comparative market analysis
- ✓ Assess buyer's creditworthiness, employment history, and debt-to-income ratio
- ✓ Check for existing mortgage obligations and whether lender approval is needed for seller financing
- ✓ Consult a real estate attorney to understand Illinois-specific regulations and compliance

Structuring the Seller Financing Agreement

- ✓ Decide on the financing structure (e.g., Contract for Deed, Promissory Note & Mortgage)
- ✓ Set key terms:
 - Purchase price
 - Down payment amount
 - Interest rate (ensure compliance with Illinois usury laws)
 - Loan term and amortization schedule
 - Payment frequency and due dates
 - ✓ Outline late payment penalties, default provisions, and recourse options
 - ✓ Verify compliance with the **Illinois Mortgage Foreclosure Law** if the seller holds a mortgage

Legal and Documentation Requirements

- ✓ Draft a **Promissory Note** outlining repayment terms
- ✓ Prepare a **Mortgage Agreement** (if using a traditional mortgage structure)
- ✓ Consider a **Contract for Deed** as an alternative (buyer receives deed after full payment)
- ✓ Ensure compliance with the **Dodd-Frank Act** and **SAFE Act**, if applicable
- ✓ File the mortgage or lien with the **County Recorder's Office**
- ✓ Provide required **Truth-in-Lending disclosures** if applicable

Closing Process

- ✓ Hire a title company or attorney to handle closing and escrow services
- ✓ Ensure title is clear and transfer process is legally sound
- ✓ Execute and notarize all legal documents
- ✓ Collect buyer's down payment and first payment (if applicable)
- ✓ Record the mortgage or contract for deed with the county
- ✓ Deliver property possession as per the agreed terms

Post-Closing Responsibilities

- ✓ Set up a loan servicing process (e.g., collect payments, maintain escrow for taxes & insurance)
- ✓ Ensure compliance with Illinois property tax obligations
- ✓ Issue annual interest statements for tax purposes (IRS Form 1098)
- ✓ Monitor for late payments or defaults and follow Illinois foreclosure laws if necessary
- ✓ Consider selling the loan to a note investor if desired

Following this checklist can help ensure a legally sound and smooth seller-financed real estate transaction in Illinois. Always consult with a qualified attorney or real estate professional for state-specific requirements and compliance.