

# 3 Ways to Buy a House w/out A Bank

"Seller Financing" is when the seller takes on the role of the lender. Instead of giving cash to the buyer, the seller extends enough credit to the buyer for the purchase price of the home, minus any down payment. The buyer and seller sign a promissory note (which contains the terms of the loan). Below are three ways seller financing can be utilized. With all 3 transaction styles your negotiation will determine the terms awarded 😊.

# Lease W/Option

Lease w/Option is when you rent the property for a desired time and at the end of that time period you have the option to purchase at a predetermined price. Purchase is typically done through a bank mortgage at that time but cash is also allowed. There is typically an option fee paid in addition to the security deposit and 1st mo rent at move in.

Chances are the purchase price agreed upon at the contract commencement will be less than market value at the time the option is exercised. This is a good thing for the buyer as you gain instant equity at purchase. A portion of the monthly rental payments will go toward the purchase price. This will be determined and agreed upon by buyer and seller. Other terms such as maintenance responsibilities and insurance will also be negotiated. Seller typically pays taxes throughout the duration of a lease w/option contract.

# Land Contract

Land contracts are characterized by a down payment, interest rate and contract length. Ex; purchase price \$45,000, down payment \$5,000, Int rate 8%, 60month (5yrs) term, \$912.44mo. Buyer pays taxes, insurance, utilities, all fees and maintenance throughout the contract. Down payments can range from 5-50%, terms can range 5-20yrs, interest rate can vary depending on location. In Michigan it's typically 7-10%. Sometimes the seller keeps the property covered by their insurance policy and includes the monthly amount due in the buyers monthly mortgage payments. This and other details will be discussed and agreed upon by buyer and seller as contract terms.

# Rent To Own

Rent to Own option is very similar to a Land Contract. The 2 main differences are taxes, and downpayment. In a rent to own contract the down payment is typically smaller than a land contract. Down payment will be the security deposit plus first month rent. The length of a rent to own contract is also longer than a land contract. The taxes and insurance are typically paid by the seller in a rent to own contract. Seller includes the taxes, insurance, and interest rate in the buyers monthly payment amount due.