Clear Form

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SELLER FINANCING ADDENDUM FOR BUYER OCCUPIED PROPERTY

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This Addendum is made by the undersigned BUYER and SELLER and is incorporated into and made a part of the Purchase and Sale Agreement between BUYER and SELLER (the "Agreement"). This Addendum is referenced in the Agreement and pertains to the following Property:

____

____.

As part of the Purchase Price in Paragraph 1, BUYER shall execute and deliver to SELLER at closing a promissory note and purchase money mortgage ☐ first mortgage or ☐ second mortgage on the Property in the amount of $____________, at ______% interest per annum in accordance with the terms and conditions stated in this Addendum.

1. Within ______ days (5 days if left blank) after the date of acceptance of the Agreement, BUYER will furnish all credit, employment, and financial information reasonably required by SELLER. <u>Unless SELLER delivers a written notice to BUYER declining to make the loan within 5 days after receipt of this information, SELLER shall be deemed to have agreed to hold the purchase money mortgage.</u> The Purchase and Sale Agreement is not assignable without written consent of SELLER unless BUYER removes this SELLER FINANCING ADDENDUM.

WARNING – PRIOR TO ENTERING INTO THE FINANCING CONTEMPLATED BELOW, SELLER AND BUYER ARE ADVISED TO SEEK THE ADVICE OF LEGAL COUNSEL TO DETERMINE IF THIS FINANCING COMPLIES WITH THE DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT (DODD-FRANK) AND OTHER RELEVANT FEDERAL AND STATE REQUIREMENTS.

2. **SUMMARY OF SELLER FINANCING UNDER DODD-FRANK – PLEASE READ CAREFULLY**
   Dodd-Frank has made significant and important changes affecting seller financing on buyer occupied residential properties. Effective January 10, 2014, a seller of residential dwelling(s) who finances buyer's purchase of a residential property that will be occupied by buyer as a primary, secondary or vacation home may be considered a "loan originator" under Dodd-Frank, and therefore required to comply with certain Truth In Lending Act ("TILA") rules and disclosures, unless the seller is entitled to one of the two following exclusions set forth in Dodd-Frank:

(a) The "one property exclusion" where a seller finances only **ONE** property in any 12 month period, and
   (1) The seller owns the property and is a natural person, a trust or an estate; and
   (2) The seller did not construct or act as the contractor for the construction of a residence on the property in the ordinary course of business; and
   (3) The financing does not result in negative amortization; and
   (4) The financing has a fixed rate or an adjustable rate that does not adjust for the first 5 years and is subject to reasonable annual and lifetime rate adjustment limits;

OR

(b) The "three property exclusion" where a seller finances no more than **THREE** properties in any 12 month period, and:
   (1) The seller owns the property and is a natural person or organization (corporation, LLC, partnership, trust, estate, association, etc.); and
   (2) The seller did not construct or act as the contractor for the construction of a residence on the property in the ordinary course of business; and
   (3) The loan is fully amortized, specifically there is no balloon payment or negative amortization; and
   (4) The financing has a fixed rate or an adjustable rate that does not adjust for the first 5 years, and is subject to reasonable annual and lifetime rate adjustment limits; and
   (5) The seller determines in good faith that the buyer/borrower has the reasonable ability to repay the loan.

A seller who finances the buyer's purchase of seller's residential property and who meets either of the two exclusions outlined above may use this Seller Financing Addendum.

A seller who finances the buyer's purchase of seller's residential property and who is not exempt from Dodd-Frank should seek the advice of legal counsel regarding use of this Seller Financing Addendum, including modifications or disclosures that may be required by Dodd-Frank, prior to completing this Addendum.

3. **TERMS (Mark only one box)**

(a) ☐ fully amortized for a term of____ years (30 years if left blank); or

(b) ☐ an interest-only mortgage loan that complies with the requirements of Dodd-Frank set forth above, and requires monthly payments with the entire principal balance and accrued interest due in full on _______________________; or

(c) ☐ balloon mortgage that complies with the requirements of Dodd-Frank, set forth above, and initially amortized for a term of__________ years (30 years if left blank) (permitted for the one exclusion only), with the remaining principal balance and accrued interest due in full on____________________.

(d) ☐ an adjustable rate mortgage loan for a term of __________ years (30 years if left blank) with interest rate adjustments as follows:

(1) The initial annual interest rate may change after __________ years (but no less than 5, which shall be the number if left blank) and thereafter every __________ years (if left blank, then 1). Each date on which the interest rate changes is called a "Change Date"; and

(2) The interest rate adjustments shall be based on a widely available index identified in (d) (3) below. As of each Change Date, the new interest rate will be calculated by adding______percentage points (if left blank, then 1) to the then current index; however, the difference between the interest rate paid during the preceding twelve months and the new interest rate shall be limited to a change in the interest rate of ____________ percentage points (but no more than 2, which shall be the number if left blank), and the lifetime interest rate change from the initial annual interest rate shall be limited to ___________ percentage points (but no more than 6, which shall be the number if left blank).

(3) The widely available index to be used to calculate interest rate adjustments shall be the ________ ____ (if left blank, then the index shall be the weekly average yield on United States Treasury securities adjusted to a constant maturity of one year, as made available by the Federal Reserve Board on the date 45 days before each Change Date.)

4. Taxes ☐ shall be escrowed; or ☐ shall not be escrowed.
Insurance ☐ shall be escrowed; or ☐ shall not be escrowed.

(If either is not escrowed, proof of payment must be furnished at mortgage holder's request)

5. Privilege of prepayment does apply, but no partial prepayment of less than $100 for any partial prepayment is allowed.

6. There will be a 5% late charge on any installment not received by mortgage holder within 10 days of its due date.

7. The mortgage will be ☐ due on sale of the Property ☐ not due on sale of the Property; or ☐ assumable with mortgage holder's approval.

*** PURSUANT TO DODD-FRANK, NO OTHER OPTIONS ARE PERMITTED.**

BUYER	DATE	SELLER	DATE
BUYER	DATE	SELLER	DATE
BUYER	DATE	SELLER	DATE
BUYER	DATE	SELLER	DATE