Seller financing can be a great way to get a house sold without slashing the price. By recognizing the millions of people who can't get traditional financing as potential buyers, resourceful property sellers (and their real estate agents) can minimize their time investment in getting a property sold. Even better, sellers who offer financing can usually get a higher asking price for their property, even in the slowest markets. Clearly this is a win-win situation.

Most home sellers never consider financing the buyer directly because they are not aware of the benefits or don't fully understand how creating a note works. Let's take a closer look at the advantages of owner finance.

Three Advantages

Seller financing is very powerful when the market is slow or when there are many similar houses on the market. Just listing the house as "OWC" - Owner Will Carry - will make the house stand out and attract more buyers. Because many individuals cannot get funding from a bank, offering financing will open the doors to these prospective customers as well, essentially significantly increasing the pool of potential buyers. So, advantage #1 is MORE BUYERS.

Seller financing also brings the property seller another critical advantage . the likelihood of selling for a higher price. Offering to carry back a note will not only greatly increase the number of potential buyers, but also bring a unique demographic of buyers who are willing to pay more for a given property than the general population. Advantage #2: MORE MONEY.

Additionally, when the property seller finances the buyer, they get to act as "the bank". That means they could structure the deal to collect interest. Over time, if the seller holds on to their note, this can add up to tens of thousands of dollars in additional income. Advantage #3: LONG TERM PROFIT.

The Seller's Strategy

Even when these benefits to "carryback" lending are made clear, many sellers are still hesitant to offer financing because they are entering unfamiliar territory. It's a natural, human response -- everyone is uncomfortable with new things.

For many property sellers, considering owner financing when they've only dealt with buyers via traditional funding is definitely "thinking outside the box". But once sellers understand the process, they are likely to choose seller financing instead of the unattractive option of cutting the listed price or waiting indefinitely for the "right buyer".

A seller-financed real estate sale is simply a real estate transaction where the seller acts as "the bank" or lending institution. The seller sets the sales price, determines and accepts a down payment, and then finances the remaining balance. The final step is the part that may scare some sellers, but in actuality, it can be very simple. Here is an example.

If the sales price is $100,000.00, and the buyer gives the seller $10,000.00 cash (the agent's fee will be deducted from this down payment), the seller will finance the balance of $90,000.00. The buyer and seller would then agree to the terms, such as the interest rate and the total term, and use an attorney to create the mortgage document and close the deal. From that point on, the buyer sends the seller monthly payments for the house he/she has just purchased.

Special Circumstances (and a Solution)

The whole process can really be that simple. But, there are some substantial differences between a seller-financed deal and one that relies on traditional bank funding.

First of all, the seller in this example does not receive a large, one-time payment at the time of the sale. In fact, they will only receive the down payment, and in some situations, most of that will go towards paying the real estate agent's fee. On the other hand, the seller will be receiving monthly payments at a decent interest rate, but this income stream can't be used as a down payment for a new house.

Since many home sellers are also looking to buy another property, the seller will need to get enough at closing to pay their own down payment. Without this payment, the seller's hands will be tied when they look to purchase another house and need to have a substantial amount of funds available. There is a common solution to this issue, however.

The Solution

In order to get the money the seller needs from the loan they just created, the seller could sell the monthly note payments to a specialist buyer for a lump sum of cash. If the seller finds someone willing to buy the payments, now they can "have their cake and eat it too".

In summary.

Step one: Use the seller finance option to find unique customers willing to buy the house at a higher price than would have been possible otherwise and complete the real estate transaction quickly.

Step two: Decide on the terms of the deal and create the note.

Step three: If the property seller needs immediate cash to buy another house or for any other reason, their new incoming payment stream can be resold. The person who buys the future payments from the seller will provide the funding to act as a down payment on a new house, and every party involved in the deal comes out smiling.