



GREATER MIDWEST REALTY
DISCLOSURE TO SELLERS
ON CONTRACT FOR DEED

Initial(s) PROPERTY ADDRESS

LEGAL WARRANTY: Greater Midwest Realty, referred to as GMR, and/or its agents and subagents are not offering legal advice. If you require legal advice regarding this or any real estate transactions, it is GMR's recommendation that the Seller contact a qualified real estate attorney.

CONTRACT FOR DEED DEFINED: The sale of real estate using a contract for deed also known as a land contract is when a vendor (seller) and a vendee (buyer) agree on the price and terms and execute a contract which allows the buyer to make installment payments to the seller over a predetermined time period instead of paying the purchase price all at once.

LEGAL TITLE AND EQUITABLE TITLE: During the time the buyer is making the installment payments the seller holds the legal title to the property. The buyer holds what is called equitable title. This means that any and all equity that is found in the property at the time the contract is fulfilled is retained by the buyer when the title/deed is transferred.

RECORDING A CONTRACT FOR DEED: Minnesota law requires that a contract for deed be recorded in the county the property is located. The recording must be done within 4 months of the execution date of the contract or be subject to a civil penalty equal to two percent of the principal amount of the contract.

MOTIVATION FOR USING A CONTRACT FOR DEED: From time to time buyers are unable to secure a loan from a financial institution. The seller may choose to actually finance the property to a qualified buyer. The seller, rather than loaning money to the buyer, simply extends credit to the buyer and receives a down payment and installment payments until the contract time frame is fulfilled.

DEFAULT BY THE BUYER: A default may occur when the vendee (buyer) fails to fulfill the obligation and duty to make a monthly payment at the agreed designated time. The vendor (seller) has the right to cancel the contract for deed and retake possession of the property. In the event the contract is canceled the buyer no longer has any legal interest in the property and loses any equity and money already paid on the contract including the down payment.

CANCELLATION OF THE CONTRACT: For the seller to cancel the contract for deed, an official notice of default must be served on the buyer. The buyer then has a 60 day equitable redemption period to cure the default. If the buyer does not cure the default during the equitable redemption period, the contract is canceled and the seller is entitled to retake possession of the property and keep all equity and money paid including the down payment.

COSTS AND EXPENCES: There maybe costs and expenses the seller may incur over the duration of the contract depending on which services apply. These costs typically involve fees for filing, recording, giving official notice, serving notice, title work, canceling a contract for deed or hiring an attorney if desired. State deed tax is not collect at the time of the contract because the deed has not been transferred.

TERMS AND CONDITIONS: The terms and conditions on a contract for deed include a wide range of possibilities. As long as there are no state statutes that prohibits an agreed upon contract, such as state usury laws for maximum interest rate that can be charged, the seller and buyer can create a contract that meets both of their needs. An example of a contract will include a 10% to 20% down payment. The interest rate may be 1 1/2 % to 2 1/2 % higher than what banks are charging. The payments are usually based on a 30 year fixed amortization. The durations is usually 3 to 5 years. This will give the buyer enough time to get their credit score high enough to qualify for a loan and pay off the remaining balance. A balloon payment is required at the end of the contract so that the title/deed can be transferred to the buyer.

DUE-ON-SALE CLAUSE: Most lenders have a "due on sale" clause in their agreement. This allows the lender to possibly accelerate the loan if the property is sold or there is a transfer of interest.

Seller Date Seller Date