

## Owner Financing Guidelines

*(The owner financing is intended to facilitate the transaction and provide a transitional solution for up to 48 months for the buyer).*

- 20% or \$40,000 minimum down payment sought. Sellers will not consider amounts of less than that at this point in time.
- 30 year (or shorter if desired) amortization term. Interest only payments will be considered for down payments exceeding 30%.
- Note balloon due in no more than 4 years (meaning the buyer will have to refinance or pay it off within [the first] 48 months)
- Borrower will **not** be able to further encumber the home during the duration of the note (**no second liens**).
- Payment to include tax & insurance escrow, and, if desired, HOA escrow.
- 3-4 months reserves or access to reserves.
- Debt to income ratio sufficient to support the payment (borrower's cash-flow should be sufficient to ensure affordability). Looking for no more than .32 front end ratio.
- Interest rate to depend on financial profile, but, in general, will not exceed 9% or be lower than 7%
- Insurance to be carried naming note holder as beneficiary. Deductible of the insurance flexible depending on reserve amount. Low reserves 1% deductible, high reserves, higher deductible (=lower premium).
- No fees, points or any other lender expenses. **No wraps or senior liens to the property either.** Clean and straightforward.

While there can be a large number of financing permutations, here are some sample numbers to share with prospective buyers (on a 20% down, 30Yr Amortization assumption):

Variable		Amount	
Purchase Price:		200,000	
Down payment:		40,000	
Amount Financed:		160,000	
Tax Rate:		2.883858	
Insurance (est):		1,500	
Annual HOA:		245	

  

		Monthly Expense					Needed for Approval (.32 front end)	
Credit Score	Interest Rate	P&I	Tax (Est)	Ins (Est)	HOA	Total Cost	Documentable Annual Income	Monthly Income
720+	7.00%	\$1,064.48	480.64	125.00	20.42	1690.54	63,395	5,283
700	7.25%	\$1,091.48	480.64	125.00	20.42	1717.54	64,408	5,367
680	7.50%	\$1,118.74	480.64	125.00	20.42	1744.80	65,430	5,453
660	7.75%	\$1,146.26	480.64	125.00	20.42	1772.32	66,462	5,538
640	8.00%	\$1,174.02	480.64	125.00	20.42	1800.08	67,503	5,625
620	8.25%	\$1,202.03	480.64	125.00	20.42	1828.09	68,553	5,713
600	8.50%	\$1,230.26	480.64	125.00	20.42	1856.32	69,612	5,801
580	8.75%	\$1,258.72	480.64	125.00	20.42	1884.78	70,679	5,890
560	9.00%	\$1,287.40	480.64	125.00	20.42	1913.46	71,755	5,980