

Advantages and Disadvantages of Owner Financing

Advantages to buyer:

Generally lower down-payment requirement.

Negotiable interest rate, usually lower than conventional financing.

Does not require credit approval.

Does not require property appraisal or property survey.

Transaction can be completed within a much shorter timeframe than possible with conventional financing.

Minimal closing costs, usually under \$500.00.

Owner financing is not reported through the credit bureaus and will not be reflected in your credit rating.

Disadvantages:

Transaction will not show up on credit report..

Advantages to seller:

Broadens base of potential buyers.

Interest rate of return is usually higher than rates available from conventional lending institutions.

Transaction can be completed within days rather than weeks.

Disadvantages:

Provides minimal receipt of funds at closing.

Requires additional paperwork to credit buyer's payments.

When paid in full, requires release of mortgage.

If buyer/borrower defaults in payment, additional cost for foreclosure proceedings will be required.

Possible cost of repairs/replacements to the property in the event of default by buyer/borrower.