

# Maas Law Firm

## Seller Wrap-Around Sales Checklist

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**Wraparound financing** is perfectly legal and has been around for decades. Lenders know that homeowners sell their homes all the time with Wraparound financing and quietly accept payments from new buyers. Lenders cannot openly accept the Wraparound process because it will set a precedent for all their loans; lenders prefer not to foreclose. Our office has never seen a lender call a performing loan due. The Maas Law Firm preaches disclosure, disclosure, disclosure. Closing should not occur for at least 8 days to give proper notices to all pertinent parties, lien holders, and to obtain new homeowners insurance. Parties can waive this at their own risk. As part of our professional services, the Maas Law Firm will prepare all sales contracts and conduct a pre-closing meeting with all parties to discuss the transaction.

### Steps for a successful Owner Finance Wraparound closing:

- 1) **Down payment verification** – Verify the buyer’s down payment funds, and the Buyer’s “ability to pay” payments (we recommend their income be 3 times their expected mortgage payments). We also recommend a down payment minimum of 10%. Buyers need to have some “skin” in the deal.
- 2) **Disclosures & Notices**– It is always recommended that Sellers/Creditors provide their borrower with all federal & state reg. disclosures including verifying the borrower's ability to repay the loan; **see #3.**
- 3) **Credit Check** – Prior to accepting a sales contract offer and to weed out bad Buyers who may never qualify for a refinance, Sellers should 100% of the time get the Buyer to obtain a credit check (\$50) by a Residential Mortgage Loan Originator (RMLO) who specializes in Owner Financing and provides all federal and state disclosures. With an RMLO, a Seller can negotiate a balloon payment (i.e. 5 - 7 years). The Frank Dodd Act does not prohibit balloon payment on 1 deal per year, but does after 2 deals or more in a calendar year.
- 4) **Obtain current Mortgage Statement** – Also order payoff and/or reinstatement figures if in arrears.
- 5) **The Note** – Obtain a copy of the Note to verify it’s not an ARM or has a balloon. Call lender if necessary.
- 6) **Survey** – Obtain existing survey from Seller or Title Company where last closed
- 7) **5.016 Texas Property Disclosure** – filled out and signed (wait 7 days for contract execution unless parties to the sale order and obtain title insurance).
- 8) **Home Insurance** – Buyer should obtain a new policy to be protected. Seller needs to be an additional insured party and the current lender as a mortgagee. Send us the paid out of closing new binder prior to closing. An existing policy may be declared void if seller/occupant is gone and the buyer has no real protection.
- 9) **Note Servicer** – Choose either Evergreen Note Servicing -\$100 setup fee, \$11 per month (no escrow) or \$18 (with escrow), but does not report to Credit Agencies; or Prime Loan Servicing \$499 setup fee, \$59 per month (with or without escrow), but does report to Credit Agencies.
- 10) **HOA notice** – Seller or agent should contact HOA and obtain transfer fees and by-laws. We need invoice to close.

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### **Submit all paperwork above & Resale agreement with all addendums to the Maas Law Firm**

11. Unless the parties want a title insurance policy (which will exclude the underlying lien), you should wait 7 days after the 5.016 disclosure is signed by both parties before signing a sales contract with all applicable addendums (due-on-sale addendum, wrap-around financing addendum, seller’s disclosures, HOA, lead based, For Your Protection Get a Home Inspection, etc.)
12. The resale contract should include in special provisions §11 - ***“This is a wrap-around finance closing and the existing mortgage will not be paid off. In addition, both parties understand fully the existing deed of trust has a due on sale clause.”***
13. All parties sign and execute contract. Deliver contract, all forms above, and Earnest Money to Maas Law Firm office. At that time you should schedule a closing. Unless all the above is completed, we cannot close the transaction merely to close a transaction. You should consider an appraisal as well.
14. **Send us the closing instructions forms below.** Inform all parties of closing date and any changes. Closing funds must be deposited 2 business days in advance for checks to be cut same day as closing.
15. **Maas Law Firm will originate preliminary HUD-1,** for everyone’s review and approval. Inspections and warranty orders should be completed. The transaction is considered concluded upon signing of docs and funding.

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**CHECKLIST FOR PREPARING WRAPAROUND DOCUMENTS**  
**Document Preparations Instructions to the Attorney**

\_\_\_\_\_  
Address to Property

**Documents Needed:**

- a) Any documents already listed on page 1
- b) If available, attach a copy of the seller's deed, Note, and deed of trust.
- c) If available, attach a copy of the last loan and/or escrow statement from the lender.
- d) Attach the signed earnest money contract, with addendums and disclosures.

1. **Anticipated/desired closing date** (should be at least 8 days minimum)

First Choice: \_\_\_\_\_ Second Choice: \_\_\_\_\_

2. **Who is paying attorney fees and recording fees?** \$1,500 (Normally Seller and Buyer split cost)

\_\_\_\_\_ Seller    \_\_\_\_\_ Buyer    \_\_\_\_\_ Broker

3. **Seller Information** – (Seller's name should be *exactly* the same as shown on the deed into the seller).

Seller(s) name as it will be signed: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Cell phones: \_\_\_\_\_ Emails: \_\_\_\_\_

4. **Buyer Information** – (Buyer(s) name should be *exactly* as it will be shown on the deed to the Buyer?)

Buyer(s) name as it will be signed: \_\_\_\_\_

Cell phones: \_\_\_\_\_ Emails: \_\_\_\_\_

If buyer will have an address other than the property address: \_\_\_\_\_

5. **We recommend a Note Servicer for all Wraparound closings. Which servicer will the parties like to use?**

\_\_\_\_\_ Evergreen Note Servicing (\$100 setup and \$11 – \$18 per month)      Paid by \_\_\_\_\_ Seller    \_\_\_\_\_ Buyer

\_\_\_\_\_ Prime Loan Servicing (\$495 setup and \$59 per month)      Paid by \_\_\_\_\_ Seller    \_\_\_\_\_ Buyer

6. **Are there additional liens or judgments on the property?** If so, indicate here: \_\_\_\_\_

7. **Buyer's down payment amount** \$ \_\_\_\_\_

8. **Will the down payment be financed?**    \_\_\_\_\_ No    \_\_\_\_\_ Yes

9. **As to the owner-financed, "Wraparound Note" that the buyer will sign:**

(Note: We are talking about the new Note here, from the buyer to the seller, not the existing "wrapped Note")

(a) What is the new principal amount of the Wraparound Note?      \$ \_\_\_\_\_

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- (b) Over what period of time are payments amortized (i.e., 15 or 30 years)? \_\_\_\_\_
- (c) What date does the Wraparound Note mature? \_\_\_\_\_
- (d) What is the interest rate on the Wraparound Note? \_\_\_\_\_ %
- (e) If you have calculated the amount of the monthly payment of principal and interest on the Wraparound Note, what is it?  
\$ \_\_\_\_\_
- (f) Payment due dates:  
Payments are due on the \_\_\_\_\_ day of every month. The first payment is due on \_\_\_\_\_

**(g) Escrow issues:**

\_\_\_\_\_ Collect escrow for taxes and insurance      \_\_\_\_\_ DO NOT collect escrow for taxes and insurance

**(The escrow amount should be the amount of estimated taxes and insurance for one year divided by twelve)**

\$ \_\_\_\_\_ will be the amount of the initial deposit into the escrow account (optional).

**Summary of monthly payment on Wraparound Note:**

Principal and Interest	\$ _____	
Escrow for taxes and insurance (optional) +	\$ _____	
Servicer Fee	\$ _____	
HOA Fees (optional)	\$ _____	or, will Buyer pay directly _____
<b>TOTAL PAYMENT</b>	<b>\$ _____</b>	

**10. Special Provisions** (anything else the attorney should know?):

\_\_\_\_\_

\_\_\_\_\_

**\*\*\* Commission checks cannot be drafted to agents without disbursement instructions signed by broker \*\*\***

**Name of person issuing these instructions:**

\_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Email: \_\_\_\_\_