

# Agreements of Sale

- ▶ Land Contract or Contract for Deed
- ▶ Buyer (Vendee) makes a down payment and makes payments to the Seller (Vendor).
- ▶ Vendee takes possession and assumes responsibilities and has equitable title.
- ▶ Seller retains legal title.
- ▶ Term is typically 3 to 5 years at which time Vendee receives deed from Vendor.



# Advantages to Vendee

- ▶ Provides a means of financing when mortgage money may be hard to obtain.
- ▶ Allows vendee any appreciation in value.
- ▶ Flexibility in down payment requirements.
- ▶ Flexibility in loan to income ratio.
- ▶ Faster closing.



## Advantages to Vendor

- Wider selection of buyers.
- Deferral of capital gains.
- Maintains reasonable control of the use of the property.
- Will often realize a higher sales price.
- Usually no appraisal required.
- Faster closing.



## Disadvantages of Agreement of Sale

- ➔ Disadvantage to the seller would occur if the buyer defaults and the seller must incur costs to clear the title.
- ➔ Disadvantage to buyer is that seller does not have to deliver clear title until satisfaction of A/S; the seller's title may be not be marketable.

