

Message From Chris....

Contracts for deed. We've heard about them, perhaps you've even done one before. Are they a good vehicle to use to acquire property if conventional financing is difficult to obtain? Read below, this is good stuff for everyone to know... (and don't forget to click on my Facebook, Linked In or YouTube links below to also see my short video on this material).

Contracts for Deed and the Oklahoma Weather

Lots of people talk about doing contracts for deed (COD's). Some people have even done them successfully. What do you need to remember when using COD's?

First, even though some sellers claim that using COD's can make life a lot easier for selling a difficult property, they are often unaware of the fact that, in the event the buyer doesn't make timely payments, the seller will still have to foreclose upon the property to regain legal, marketable title of the property – even if the deed to buyer isn't recorded in the local land records office.

Second, the seller in a COD needs to remember the “due on sale” clause in their own mortgage; the violation of which is triggered by doing COD's on yet mortgaged property. Lenders don't like financing property for additional persons other than the official borrower. So, the longer out the financing arrangement is (along with the balloon at the end), the more time a lender has to discover this issue.

Third, from my experience, most parties to COD's usually don't think too much about the problems/pitfalls associated with using COD's and, usually, go ahead any use COD's to accomplish their transactions. However, there's usually something that unravels their well laid plans. What is it? The Oklahoma weather. Huh??

We get crazy weather in Oklahoma, including hail. So? Well, after a hail storm, there's usually roof repair work to consider. This means an insurance adjuster will get involved to pay out roof replacement proceeds. The proceeds will be paid to the named insured, which is seller; not the buyer. Somewhere in the middle of this insurance adjuster's inspection/evaluation of the roof, they'll learn that the seller has “sold” the property using a COD. Even if not, what if the seller doesn't just simply hand over the roof replacement check to the buyer? What keeps the lender from then quickly finding out what is going on? See the problem here?

The information presented within this article is of a general nature and is not intended to be relied upon as legal advice in any particular matter without first consulting qualified counsel.

What My Clients Are Saying

“Chris Griswold is a good business attorney whom I’ve used often and much through the years, for both my business and personal needs, and whom I’d gladly refer to anyone. He’s creative, prompt, eager to help and very competent. He’s good at what he does, he has fun doing it, and it shows up in his work through his good problem solving skills. I look forward to a continued relationship with Chris.”

Edward F. Wells / President, Wells Nelson & Associates / Oklahoma City, Oklahoma

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