



Pelican Escrow Services, LLC

Your Escrow Agent Administrator
Serving Bond for Deed and Private Mortgages
We Connect People

UNDERSTANDING OWNER FINANCING TERMS

ADDENDUM: Use this form as an ADDENDUM to your Real Estate Purchase Agreement form. The terms of this Owner Agreement shall not prevail over the Real Estate Purchase Agreement.

AMORTIZATION: This is an outline of your payment schedule, how the Mortgage or Bond for Deed payment is applied into several areas. This typically includes, the Principal and Interest payments, Escrow payment, and Service Fees. Each month after a payment is received, the Principal balance is reduced, the Escrow balance is increased, and the payments for each portion is applied accordingly. When interest is charged, the majority of your payment goes to Interest first, then applied to Principal, then Fees, and then Escrow. Mortgage Companies and Escrow Administrators use a special Mortgage Servicing software to guarantee the payments are applied correctly. This amortization shows the Principal balance at any given time on the loan.

AS-IS: The property is sold in "As-Is" condition and the Seller is not expected to make any repairs unless otherwise outlined in the agreement.

BALANCE DUE: This is the amount being Owner Financed. The **BALANCE DUE** may be charged an annual Interest Rate. This is referred to as Principal and Interest (P&I). The Seller will get monthly P&I payments towards the Balance Due. Only the "Principal" amount will reduce the Unpaid Balance, not the interest.

BALLOON PAYMENT: The Unpaid Balance on the remaining Principal amount when the Contract Term Date has arrived. After making several monthly (P&I) payments, Purchaser may still have a remaining Principal Balance Due to the Seller. Usually the Purchaser will obtain a **Refinanced Loan** to pay off this Balloon Payment.

BOND FOR DEED: A "Contract to sell real property" between the Seller and the Purchaser. Louisiana Revised Statute 9:2941 (1950) defines a "Bond for Deed in which the Purchase Price is to be paid by the Buyer to the Seller in installments and in which the Seller after payment of a stipulated sum is received, agrees to deliver Title to the Buyer".

BOND FOR DEED PAYMENT: The Purchaser's total monthly Bond for Deed payment shall include the Bond for Deed Principal and Interest (P&I), the Escrow amount for Taxes and Insurance (T&I) payment, and the Administrator's Service Fee. **If you do not have a Mortgage Calculator and need assistance calculating the Monthly payment amount, we can assist you.*

CLOSING DATE: This is the Date when all parties including the Seller, Purchaser, Escrow Agent, Attorney or Notary all meet to sign the contract papers. For a Bond for Deed or Lease Purchase Closing Date, title of the property doesn't transfer at this first Closing. There will be another Closing, later in the future when the Title transfers. Please have all the information provided to the Escrow Agent or Title Company at least 15 days before the requested Closing Date. We need time to perform Due Diligence, verifications, etc, and prepare the documents ahead of time and make sure your Closing goes as smooth as possible.

CONTRACT PURCHASE PRICE: This is the "Sales Price" amount the property is sold for. This is the "Principal" amount the Seller will collect for selling his property. The Seller will likely charge an Interest Rate for financing the unpaid balance.

DEFAULT: Louisiana Revision Statute 9:2945 (1950) states "If the Buyer under a Bond for Deed contract shall fail to make the payments in accordance with its terms and conditions, the Seller, at his option, may have the Bond for Deed cancelled by proper registry (only through an Attorney at Law or licensed Escrow Agent) in the Conveyance records, provided he has first caused the Escrow Agent to serve notice upon the Buyer, by registered mail at his last known address, that unless payment is made as provided in the Bond for Deed, within Forty-Five days from the mailing date of the notice, the Bond for Deed shall be cancelled.

DOWN PAYMENT: This is the amount the Purchaser pays Down towards the Purchase Price on the Closing Date (or deferred on another specified date). This amount must be paid in certified funds. Interest is not applied on the Down Payment. The Down Payment reduces the amount financed.

EXISTING MORTGAGE(S): All underlying mortgages for the Seller that will remain on the property **MUST** be listed. If any liens will be cancelled before this Closing, this information must be noted under Additional Provisions. Please attach a separate sheet of paper if you need more space. Louisiana Revised Statute 2943 states any Bond for Deed contract burdened with an underlying mortgage, must use a licensed Escrow Agent to service a Bond for Deed contract. Escrow Agent shall distribute payments between Seller and Mortgage Holder.

ESCROW or IMPOUND ACCOUNT: Mortgage companies usually require a special protected Escrow account to hold funds for the payments of Taxes and Insurances (T&I). Overages in the Escrow Account will not be refunded or reduce the monthly payment until an annual Escrow Account Analysis is performed. Neither the closing agent nor the Administrator can adjust Mortgage Escrow payments or change mortgage company procedures. Administrator will NOT attempt to collect funds from mortgage companies. If the Seller requires reimbursement of any funds held by the mortgage company, it must be stated on the Addendum and settled at the Closing with the Purchaser. If the mortgage holder does not maintain the Escrow / or Impound Account, the Escrow Agent Administrator will, as requested.

It is the responsibility of the Seller and Purchaser to send Tax and Insurance bills to the Administrator.

Whether the Escrow Administrator holds escrow or not, the Escrow Administrator **MUST** have an updated copy of the paid receipt at all times.

ESCROW AGENT ADMINISTRATOR: The Escrow Agent Administrator, is a licensed third-party company handling the payment processing and the Escrow Accounts. They are the "Customer Service Department" for Owner Financing contracts. Payment methods can be made by check, certified funds, or automatically Bill Pay from your Checking or Savings account. Please mail all payments and correspondences to us at:

Pelican Escrow Services, LLC P.O. 181 Mandeville, LA 70470. You can contact us by **phone: 985-626-5995** or **email: PelicanEscrow@gmail.com**

INSURANCE REQUIREMENTS: Bond for Deed, Contract for Deed, and Installment Options have special property insurance requirements because *Title of Ownership* **does not transfer** and the Owner/Seller **must** be insured.

If the Owner/Seller has an **existing "HOMEOWNER'S" policy**, it shall be **converted to a "RENTERS DWELLING" policy**. Also known as "Extended Coverage". If the existing policy cannot be converted, a new "RENTERS DWELLING" policy should be purchased instead. Please note: "Homeowner's" policies issued in the name of the Purchaser are not accepted by all mortgage companies and may require the policy to remain in the Seller's name as the primary insured.

If there are NO Mortgages on the property and with the Seller's permission, the Purchaser may purchase a complete "HOMEOWNER'S" policy in their own name, and list the Seller as an **"Additional Insured"**. This would be in lieu of the "Rental Dwelling/Extended Coverage" policy in the Seller's name.

PAYOFF vs PRINCIPAL BALANCE: Principal Balance is the amount owed on the Sales Price. PayOff is the Principal Balance plus the daily per diem interest owed, and any outstanding fees or charges on the account. Interest is calculated in arrears. A PayOff amount would calculate interest on days to come, when the Closing Date is scheduled and interest ends. Payoff amount will always be higher than the Principal Balance.

PAYMENT DUE DATE: This is the date the Purchaser makes their monthly payment to the Escrow Agent.

Please NOTE: Seller's must make sure their underlying mortgage payment is not skipped.

When selecting a Due Date, we request the **Purchaser's Due Date** to be approx. 15 days **BEFORE** the Seller's underlying mortgage(s) Due Date. **Please remember that the Seller is still ultimately responsibility to make their mortgage payments even if the Purchaser does not make payments far enough in advance.** All Mortgage payments (including Private Mortgages) are paid as "in arrears", therefore covering the previous month of ownership. Example: The mortgage payment due December 1st, is paying for the previous month November 1st – 30th.

TERM: Term is the amount of time for the Contract to be paid in full. It also relates to the Balloon Payment, if there's a balance due with the Term date arrives.

WRAP-AROUND: Any Principal and Interest (P&I) payments due on the Seller's underlying mortgages are paid out of the Bond for Deed (P&I) payment, hence the term "Wrap-Around". The Seller will receive the difference between their underlying Mortgage's (P&I) payment and the Purchaser's Bond for Deed's (P&I) payment (if applicable).

Please don't hesitate to call us! We'll be happy to assist you and answer any questions you have.



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P.O. Box 181 Mandeville, LA 70470

Phone: 985-626-5995 • E-Fax: 800-815-6317 • Email: PelicanEscrow@gmail.com