



Flunked Out of Financing: What About Owner Financed Contracts?

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Current hot housing market conditions have resuscitated alternative contracts, such as owner financed contracts, for those buyers who don't qualify for traditional financing through banks. **Owner financed contracts, a.k.a. installment contracts are legally complex documents and should ONLY be drafted by a licensed attorney¹. That is straight out of the Nevada Real Estate Division's Law and Reference Guide, folks!**

Consider this! *Are you, the agent, willing to shoulder the liability inherent in an installment contract and warranty each party's rights? Can you really ensure you've addressed the party's obligations properly in the installment contract by addressing at a minimum: assignment rights; payment of existing loans or liens; creation and payment of future loans or liens; identify tax obligations and deductions; allocate maintenance; address insurance rights and responsibilities; state default conditions and remedies; and establish final title transfer requirements and procedures?* NO, you can't and you shouldn't! And I'm betting your broker would agree. So, let's talk about some best practices.

Best Practices

These types of deals can touch and concern numerous contracts, not only the purchase agreement, but a lease, an option, and/or a deed of trust. The agent must juggle these types of transactions with the utmost care otherwise they risk dropping the ball. So what can the agent do? Well, on behalf of the client the agent can fill in the terms in the purchase contract using the standard forms provided through the local associations and facilitate the transaction towards closing as in the normal course of a licensee's practice. Some local associations may provide financing addendums, etc. but take great heed to the disclaimers in those contracts often highlighted in bold lettering and ***refer the client to***

¹ Nevada Law and Reference Guide, 4th Edition, See Pg. IV-28, or PDF pg. 103 of 171: [lawguide2014.pdf \(nv.gov\)](#)



hire an attorney to avoid an outcome that harms the parties! Agents should also not advise their clients on offering or accepting an installment contract without advising the client to seek legal advice. Don't make the mistake of exceeding the scope of your expertise (NRS 645.252(6)). Refer your client to seek advice from a licensed attorney!

The Nevada State Bar offers a FREE Lawyer Referral Service: [Lawyer Referral Service – State Bar of Nevada \(nvbar.org\)](http://nvbar.org)

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