**CLAUSES FOR SALE CONTRACT FOR “SUBJECT TO”**

**(Added to Special Agreements on the Sale Contract or on a separate Addendum)**

1. This property is being purchased “Subject To” the existing First Mortgage- currently owned or collected by\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (list the name of the sellers mortgage company)
2. The Seller represents that the principal balance of the First Mortgage as of date of settlement shall be no more than \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Dollars ($\_\_\_\_\_\_) (you will verify this amount using an authorization to release information.)
3. This property is being purchased “Subject To” the existing Second Mortgage- currently owned or collected by\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (list the name of the second mortgage company)
4. The Seller represents that the principal balance of the Second Mortgage as of date of settlement shall be no more than \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Dollars ($\_\_\_\_\_\_) (you’ll verify this amount by calling the bank)
5. In addition to purchasing the property subject to the First and Second Mortgage, Buyer shall pay the balance of the Purchase Price amounting to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Dollars ($\_\_\_\_\_\_\_\_) within 5 years of date of settlement. Seller will receive approximately $\_\_\_\_\_\_\_\_\_\_\_ dollars in cash or certified funds, on or before \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_20\_\_. (You only use this clause if you are giving the sellers money in addition to taking over their mortgage. For example, I never put money down on a subject-to. If the seller’s want money, I tell them I will give it to them usually in 5-10 years (and when my tenant/buyers purchase the property, then the seller’s get their cash.)
6. The purchase price of this property is strictly predicated and contingent on the Buyer paying a total of no more than \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Dollars, ($\_\_\_\_\_\_\_) for the property. Should there be any additional liens, mortgages, and/or judgments existing on the property as of the time of settlement, it shall be the responsibility of the seller to pay these amounts.
7. There will be no cash due to seller at closing. (I never put any money down, if the seller’s have a lot of equity in the property they will get it in 5-10 years.)
8. Buyer is talking over seller’s mortgage payments amounting to $\_\_\_\_\_\_\_\_ Dollars a month. Buyer is only responsible for this amount for the first 5 years after settlement. If interest rates increase during the first 5 years, seller is required to cover any amount over the current monthly payment of $\_\_\_\_\_\_\_\_\_\_\_ a month. Should the interest rate increase on property, seller will immediately be notified in writing and will be required to cover the difference. If seller does not cover any increase above $\_\_\_\_\_\_\_\_\_\_ a month, then buyer has the option to stop making the mortgage payments and the property may be foreclosed on and the sellers credit may be severely damage. (In case you took over an ARM that adjusts, you don’t want negative cash flow, so you make the seller’s responsible for the difference.)
9. Seller will allow Purchaser to place a sign on the property prior to closing for prospective tenants or Purchasers. Purchaser may advertise or market said property in any means until settlement. This includes public auctions or any other means of advertisement. (This clause should be in every one of your contracts.)
10. Purchaser is purchasing Property with the intent to rent, lease, trade or sell Property for a profit (I always give the seller 100% full disclosure that I’m an investor and I plan to make money on the property.)
11. With regard to the existing mortgage(s), if Buyer fails to make any payment on any such mortgage when such payment is due, and such failure continues for more than 30 days after the due date, then Seller shall have the right to require Buyer to convey Property back to the Seller upon written request. At settlement, the Parties shall execute and deliver to the settlement agent documents and funds sufficient to re-convey the Property to the Seller, together with an appropriate escrow agreement. (This is one of the most IMPORTANT clauses in my subject-to contract. This gives the seller’s “comfort” that in case you don’t make their mortgage payments, they can easily get the house back.)