Comprehensive Rider to the Residential Contract For Sale and Purchase

(This form is approved by the Florida Bar)

If signed by both parties, the following provisions become part of the Florida Bar Residential Contract For Sale and Purchase between __________________ (SELLER) and __________________ (BUYER), covering the property described as ____

___ Buyer's Initials ___ ___ ___ ___ Seller's Initials ___ ___ ___ ___

C. SELLER FINANCING

(Purchase Money Mortgage; Security Agreement to Seller)

NOTICE – Before entering into the financing arrangement described below, both seller and buyer should consult legal counsel to confirm that the financing complies with the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), as well as all other applicable state and federal laws.

I. OVERVIEW OF SELLER FINANCING UNDER DODD-FRANK – READ CAREFULLY

The Dodd-Frank Act introduced major changes to seller-financed residential property sales. As of January 10, 2014, a seller who finances a buyer's purchase of their residential property may be classified as a "loan originator" under Dodd-Frank. This means compliance with certain Truth in Lending Act (TILA) rules and disclosure requirements is necessary—unless the seller qualifies for one of two specific exemptions:

1. **One-Property Exemption** – The seller finances only **one property** in any 12-month period, provided that:
   (a) The seller owns the property and is an individual, trust, or estate—not a business entity (corporation, LLC, partnership, etc.);
   (b) The seller is not the builder or contractor of the residence as part of normal business operations;
   (c) The financing terms do not create negative amortization; and
   (d) The loan has either a fixed rate or an adjustable rate that does not change for the first 5 years, with reasonable annual and lifetime adjustment limits.

OR

2. **Three-Property Exemption** – The seller finances no more than **three properties** in any 12-month period, provided that:
   (a) The seller owns the property and may be an individual or an organization (corporation, LLC, partnership, trust, estate, association, etc.);
   (b) The seller is not the builder or contractor of the residence as part of normal business operations;
   (c) The loan must be fully amortized (no balloon payments or negative amortization allowed);
   (d) The loan has either a fixed rate or an adjustable rate that does not change for the first 5 years, with reasonable annual and lifetime adjustment limits; and
   (e) The seller verifies that the buyer/borrower has the reasonable ability to repay the loan.

A seller who finances a buyer's purchase and meets either of these two exemptions may use this Seller Financing Rider.

If the seller does **not** meet these exemptions, they should consult legal counsel regarding proper use of this Rider and any modifications or disclosures required under Dodd-Frank.

II. SELLER FINANCING

Seller agrees to take back a promissory note secured by (CHECK ONE): □ a first or □ a second purchase-money mortgage, signed by Buyer for a principal amount of $___________ at ____% annual interest, which shall be (CHECK ONE):

(a) □ fully paid off over a period of ______ years (default is 30 if left blank); or
(b) □ an interest-only loan that meets Dodd-Frank rules, for a term of ______ months (default is 60 if blank), requiring only interest payments on a monthly, quarterly, yearly, or other regular basis (permitted only under the one-property exemption); or
(c) □ a balloon mortgage that complies with Dodd-Frank requirements, initially amortized for ______ years (default is 30 if left blank) (allowed only under the one-property exemption); or
(d) □ an adjustable-rate mortgage loan for a minimum of ______ years (default is 30 if blank), with interest rate changes as follows:
(i) The starting yearly interest rate may change after ___ years (not less than 5; will be 5 if left blank), and then every ___ years afterward (default is 1 if blank); this change date is called a “Change Date.”
(ii) Interest rate adjustments will use a commonly published index listed in (i)(ii) below. On each Change Date, the new rate equals the index plus ___ percentage points (default is 1 if blank), though any change from the prior year’s rate may not exceed ___ percentage points (default is 2 if blank), and the total increase over the original rate may not exceed ___ percentage points (default is 6 if blank).
(iii) The index used to make interest rate changes will be ______________________ (if blank, the weekly average yield on U.S. Treasury securities with a one-year constant maturity, published by the Federal Reserve Board 45 days before each Change Date).

- PURSUANT TO DODD-FRANK NO OTHER OPTIONS ARE ALLOWED.

Principal and interest will be paid (for an adjustable-rate loan, paid this way at first) in equal (CHECK ONE): □ monthly □ quarterly □ annual installments of $___________ each, including interest, starting ___ month(s) after closing. If it is a balloon mortgage, the last payment will be larger than the regular payments, with the full unpaid balance and any interest due ___ months after closing (default is 60 months if left blank).

If the mortgage is a second lien, the amount of the first mortgage may not exceed what is listed in Paragraph 2(c) of the Contract, and a default on the first mortgage may, at the holder’s option, be considered a default on the second.

The mortgage and note given to Seller must provide: a 30-day grace period on default if it is a first mortgage (15 days if it is a second or junior lien); allow repayment in full or in part with no penalty; acceleration upon transfer of the Real Property; requirement to keep prior liens current; prohibition on future advances or modifications of earlier mortgages; and require the Buyer to maintain insurance covering all improvements on the Real Property with a standard mortgage clause, covering fire, extended risks, and any other risks the Seller reasonably requires, up to the full insurable value. Other provisions of the mortgage, note, and security agreement must be in a form required by Seller, but only provisions normally used by banks or residential lenders in the county where the Real Property is located may be required. Any Personal Property included in the sale will, at Seller’s choice, be covered by a security agreement perfected through recorded or filed financing statements or certificates of title.