

ASSUMPTION/EQUITY PURCHASE ADDENDUM

1 **SELLER:** _____

2 **BUYER:** _____

3 **PROPERTY:** _____

4
5 **CHECK AND COMPLETE APPLICABLE PARAGRAPHS:**

6
7 1. ☐ **ASSUMPTION.** Approximately _____ DOLLARS (\$_____) of the
8 Purchase Price shall be paid by BUYER'S assumption of and agreement to pay the unpaid balance of a certain
9 promissory note held and/or serviced by _____ and secured by a recorded
10 mortgage/deed of trust against the Property.

11
12 a. **Adjustment of Downpayment.** The actual unpaid balance on the Closing Date shall be credited to the
13 BUYER against the Purchase Price. Any difference between the approximate balance above and the actual
14 unpaid balance on the Closing Date shall be reflected by an adjustment in the cash down payment due from
15 BUYER.

16 b. **Prepaid Hazard Insurance Policy** as required by lender shall be provided by the BUYER. SELLER may
17 cancel the existing policy effective on the Possession Date and shall be entitled to any refund of the unused
18 prepaid premium thereon.

19 c. **Reserve/Escrow Account**, if any, held by the existing lender shall be brought current by the SELLER at the
20 Closing Date and shall be assigned to the BUYER. BUYER shall reimburse SELLER for any amounts so
21 assigned and make all subsequent monthly escrow payments as required by lender.

22
23 2. ☐ **EQUITY PURCHASE.** Approximately _____ DOLLARS (\$_____) of the
24 Purchase Price shall be paid by BUYER'S assumption of and agreement to pay the unpaid balance of a certain
25 promissory note held and/or serviced by _____ and secured by a recorded
26 mortgage/deed of trust against the Property.

27
28 a. **Adjustment of Purchase Price.** Notwithstanding any other provisions of this Contract, it is hereby understood
29 and agreed BUYER is to pay to SELLER the sum of \$_____ exclusive of closing costs, over and
30 above the existing loan balance which BUYER is to assume and the Purchase Price shall be determined by
31 adding said sum to the actual unpaid loan balance at time of closing.

32 b. **Prepaid Hazard Insurance Policy** as required by lender shall be provided by the BUYER through the
33 assignment of the existing insurance policy by the SELLER without reimbursement from BUYER. In the event
34 the lending institution or the insurance company refuses to allow such Assignment of Policy, BUYER shall
35 receive a credit from SELLER for the unused portion of the prepaid premium, in which event SELLER may
36 cancel the existing policy subsequent to closing and apply for refund of the unused prepaid premium. In the
37 event the actual amount of the refund which may be available to SELLER after cancellation is not ascertainable
38 as of the Closing Date. SELLER's credit to BUYER shall be based upon tables customarily used by insurance
39 companies in the area.

40 c. **Reserve/Escrow Account**, if any, held by the existing lender shall be brought current by the SELLER at the
41 time of closing and shall be assigned to the BUYER without reimbursement to the SELLER for any amounts so
42 assigned. BUYER shall make all subsequent monthly escrow payments as required by lender.

43 d. **Prorations:** Notwithstanding any other provisions of this contract, there shall be no proration of, and BUYER
44 shall be responsible for all taxes for the current calendar year, accrued interest, prepaid hazard insurance
45 premium except as provided above, prepaid mortgage insurance premium or prepaid homes association dues
46 not due and payable prior to closing.

SELLER SELLER Initials

Initials BUYER BUYER

THE FOLLOWING PROVISIONS APPLY TO BOTH ASSUMPTION & EQUITY PURCHASE TRANSACTIONS:

3. PAYMENT TERMS. The SELLER shall make all payments required on the existing mortgage loan through and including the payment due _____ (Closing Date, if left blank) and BUYER shall be responsible for all subsequent payments. SELLER authorizes the closing agent to escrow sufficient amounts from SELLER'S proceeds at the time of closing in order to insure proper clearance of SELLER'S final mortgage payment.

(Check and complete applicable paragraph):

- a. ☐ **Fixed Rate.** The unpaid balance of the above-described loan to be assumed by BUYER shall be payable in equal monthly installments including interest at a rate not exceeding _____ % per annum for the remaining term of the loan. Payments of principal and interest only shall not exceed \$ _____.
- b. ☐ **Adjustable Rate.** The unpaid balance of the above-described mortgage loan to be assumed by BUYER shall accrue interest at an initial rate not exceeding _____ % per annum. Initial monthly payments of principal and interest only shall not exceed \$ _____. The term, interest rate and/or monthly payment for such loan may be adjusted by the lender each _____ to reflect changes in the market conditions. Such adjustments (Check one) ☐ may / ☐ may not result in negative amortization and an increase in the principal balance of the loan.

4. CLOSING COSTS. All costs necessary for BUYER to assume the existing loan including, but not limited to those listed herein, shall be paid by BUYER unless otherwise expressly agreed below:

- a. **Loan Transfer Fee** of ____ % of the unpaid principal balance assumed or \$ _____ as required by lending institution to transfer the loan to BUYER.
- b. **Other:** _____

5. LOAN APPLICATION. BUYER agrees to make application, as required by lender, within 7 calendar days from date of acceptance of this Contract, and agrees to fully review the specific terms of the loan assumption offered by the lender. In the event any of the terms of the loan assumption offered by the lender do not conform with those described herein, BUYER may, within 24 hours of timely application, NOTIFY SELLER OR LICENSEE ASSISTING SELLER, IN WRITING, of those terms which are unacceptable and cancel this Contract. If BUYER elects to cancel this Contract as provided herein, Earnest Money will be returned to BUYER subject to the provisions of the Earnest Money and Additional Deposits paragraph of the Contract. SELLER hereby specifically authorizes such refund. IF SELLER IS NOT SO NOTIFIED IN WRITING, BUYER SHALL HAVE WAIVED ANY OBJECTION AND RIGHT TO CANCEL AS PROVIDED IN THIS PARAGRAPH, and shall be deemed to have approved all the terms of the loan assumption offered by the lender, including the term, internal date, monthly payments and periodic adjustment procedures.

6. LOAN APPROVAL. In the event BUYER after good faith effort is unable to qualify to assume such loan, Earnest Money will be returned to BUYER subject to the provisions of the Earnest Money and Additional Deposits paragraph of the Contract.

SELLER | SELLER Initials

Initials BUYER | BUYER

7. SELLER'S CONTINUING LIABILITY.

- a. ☐ SELLER understands that BUYER'S assumption of SELLER'S existing loan may not relieve SELLER from liability thereon.
- b. ☐ BUYER shall make a good faith effort to obtain the release of SELLER'S liability on the existing loan and in the event BUYER is unable to obtain such release, SELLER may cancel this Contract and Earnest Money will be returned to BUYER subject to the provisions of the Earnest Money and Additional Deposits paragraph of the Contract. Release of VA/FHA eligibility may not include release of lender liability.

8. **CALL CLAUSE WAIVER.** The parties hereto understand and agree if the loan to be assumed contains a due on sale clause or other provisions which allows the lender to demand payment of the mortgage note in full or escalate the interest rate thereon in the event of a sale, transfer or conveyance of the property, BUYER or SELLER may cancel this Contract if the lender does not agree to waive this provision and consent to this transaction under the terms specified herein or other terms agreeable to BUYER. If BUYER or SELLER elects to cancel this contract pursuant to this paragraph, Earnest Money will be returned to BUYER subject to the provisions of the Earnest Money and Additional Deposits paragraph of the Contract.

9. OTHER TERMS.

**CAREFULLY READ THE TERMS HEREOF BEFORE SIGNING.
THIS DOCUMENT IS PART OF A LEGALLY BINDING CONTRACT. IF NOT UNDERSTOOD,
CONSULT AN ATTORNEY BEFORE SIGNING.**

SELLER	DATE	BUYER	DATE
SELLER	DATE	BUYER	DATE

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